

# Rhode Island Taxpayer Income and Migration Statistics for Tax Years 2019 - 2022

## Introduction

Rhode Island's largest source of tax revenue is the personal income tax, and it is forecasted to comprise roughly 34% of fiscal year 2025's general revenues. This brief report by the Office of Revenue Analysis (ORA) provides summarized information about the components of income for Rhode Island taxpayers as well as some statistical summaries to understand the characteristics of Rhode Island's personal income tax filers.

The document contains three main sections:

- *Income Components:* Compares IRS data for tax years (TY) 2019 through 2021 and the components of income Rhode Island taxpayers reported. The data shows how unemployment compensation spiked during the pandemic in TY 2020, reaching 5.4% of income that year compared to 0.4% in TY 2019. The pandemic recovery saw an increase in capital gains as a share of total income from 6.4% in TY 2019 to 10.3% in TY 2022.
- *Taxpayer and Income Statistics:* Provides more information on Rhode Island personal income taxpayers sourced from state tax data through TY 2022, including age, median income, and effective tax rates. During the TY 2019 through TY 2022 period, the bottom income group (under \$25,000) shrank as a share of filers, while the top income group (above \$200,000) grew.
- *Migration:* Presents high-level statistics on migration patterns for Rhode Island taxpayers utilizing IRS taxpayer data. Most migration in and out of Rhode Island is from younger and middle-income taxpayers. The impact of tax policy on migration is difficult to determine. For example, most of Rhode Island out- and in-migration occurs with Massachusetts, a high-tax state. However, the largest variance between out-migration and in-migration (indicating more people are leaving than arriving) occurs with Florida, a low-tax state. The share of overall out-migrants in the highest income cohort (\$200,000 or more) did increase between 2021 – 2022 compared to 2020-2021.<sup>1</sup>

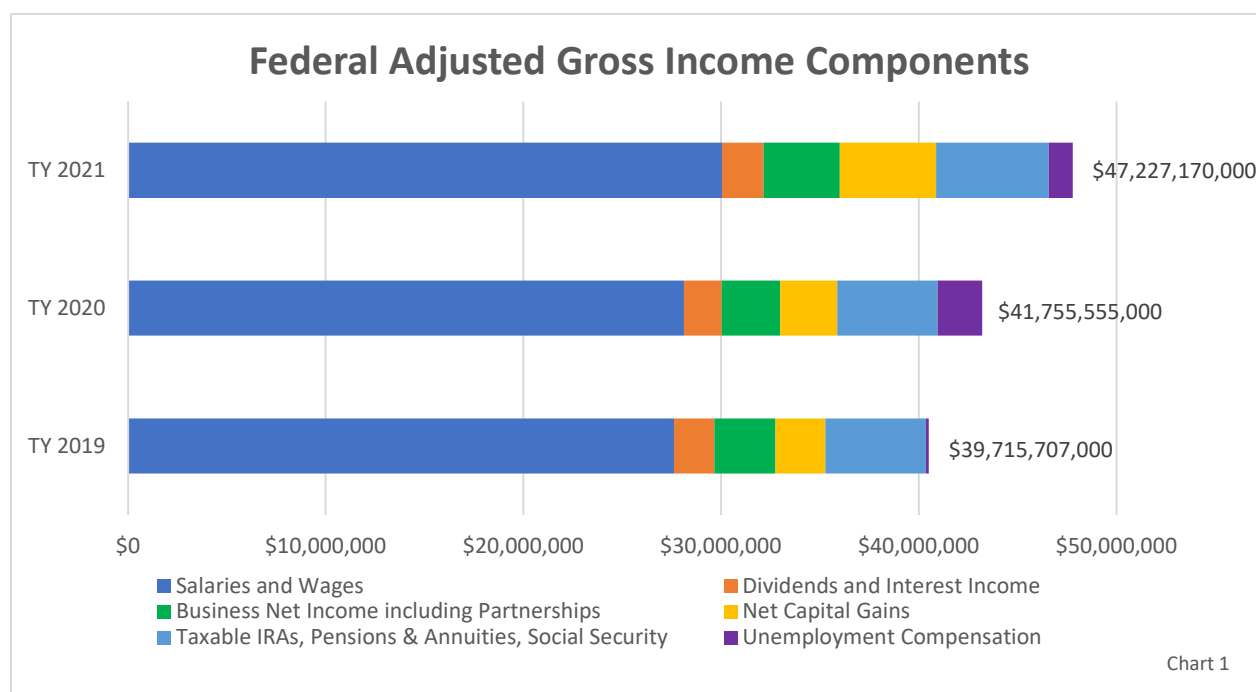
The data presented in the report includes only people who have filed a federal or Rhode Island personal income tax return, depending on the data source. Some people may not be required to file a personal income tax return. Therefore, while a close approximation, the data does not provide an all-inclusive picture of income earned by Rhode Islanders or complete statistics on the entire Rhode Island population.

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<sup>1</sup> Massachusetts adopted an additional 4% surtax on income over \$1 million effective January 1, 2023. This policy change is not captured by this analysis, which uses data through 2022.

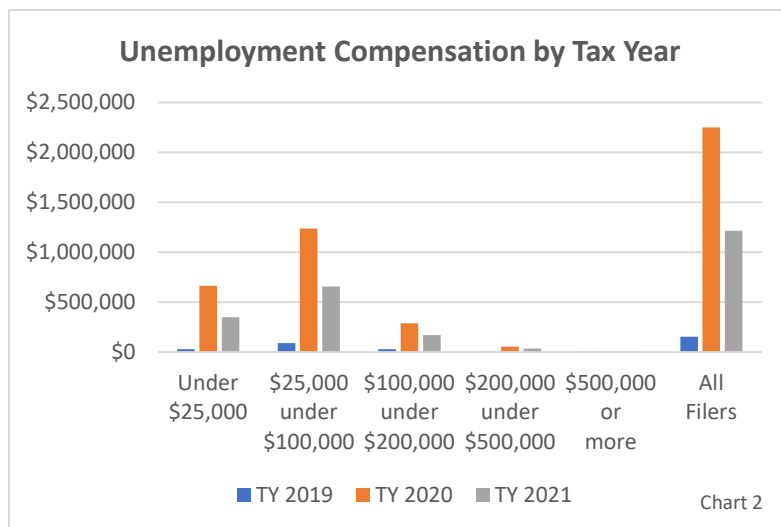
## Income Components

Statistics of Income by State is a report published annually by the IRS. The most recent year available is TY 2021. These statistics are based on federal tax returns filed by residents of that state. Federal income is the gross income people receive from all sources that is subject to the federal income tax. Federal adjusted gross income (AGI) is the total from all taxable income sources minus any federal adjustments and is the income base used by taxpayers when filing a Rhode Island personal income tax return. Total federal AGI reported by Rhode Island residents for TY 2021 was \$47.23 billion. This represents a growth of 18.9% over AGI reported for TY 2019 of \$39.72 billion. The largest component of income reported is salaries and wages, which comprises an average of 66.8% of total income for tax years 2019 - 2021 for RI residents.



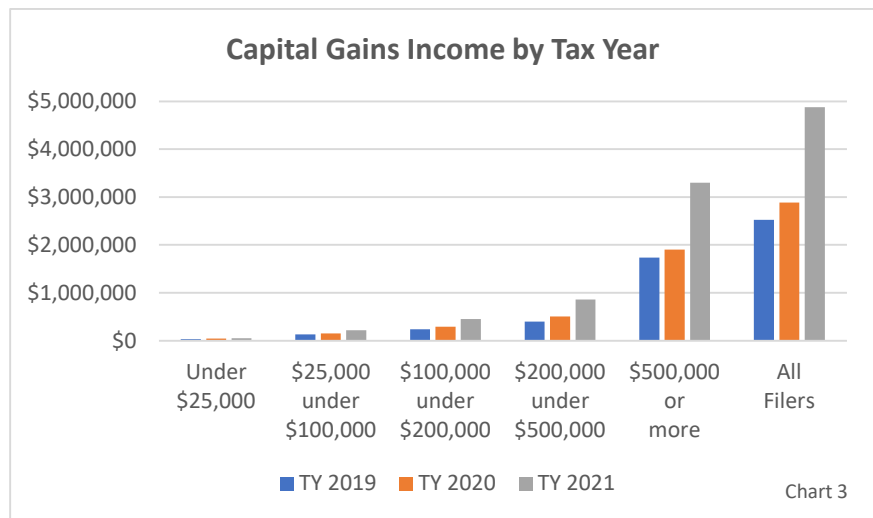
The chart above visualizes a few impacts to income that occurred during this time period. First, the large growth in total income realized in Rhode Island is apparent. In TY 2020, unemployment compensation grew significantly due to the negative economic impacts of the pandemic during 2020. In TY 2019, unemployment compensation comprised 0.4% of income, while in TY 2020 it grew to comprise 5.4% of income. Meanwhile, in TY 2021, realized capital gains represented 10.3% of total income in Rhode Island compared to TY 2020 where it comprised 6.9% of income, likely due to strong equity markets.

While salary and wage income grew 8.8% across the three-year time-period for Rhode Island taxpayers as a whole, the two lowest income cohorts (those under \$100,000 of income) saw a decline in total wages in TY 2020 of 3.45% or \$449.5 million. This decline was offset by 1,499.4% growth in unemployment compensation.



Unemployment compensation as a source of income was concentrated in the lowest two income cohorts. Total unemployment compensation received by the two lowest income cohorts grew by \$1.78 billion in TY 2020 compared to TY 2019. About 60% of total unemployment compensation in Rhode Island was received by tax filers with incomes below \$50,000 in TY 2020.

A factor that contributed to the overall growth of AGI in Rhode Island, particularly in TY 2021, was realized net capital gains. Unlike unemployment compensation, this growth was concentrated in the highest income cohort. Total income received from capital gains grew 14% in TY 2020 over TY 2019 but grew 69%, or \$1.99 billion, in TY 2021 compared to TY 2020.



Nearly 70% of this growth was among taxpayers with incomes of \$500,000 or greater.

## Taxpayer and Income Statistics

To calculate Rhode Island state income taxes, the starting point is federal AGI. ORA was able to study state tax data provided by the Rhode Island Division of Taxation to look at other taxpayer statistics besides income components. (State-level data is available through TY 2022.) A taxpayer is an individual or individuals represented by a return. In the case of joint returns, there are two taxpayers represented, the primary filer and the spouse. In the case of the age data presented below, the age of the filer is the primary filer's age associated with the tax return. The income statistics presented is the income associated with each tax return, independent of how many individuals that encompasses.

The average resident primary taxpayer age in Rhode Island for TY 2022 is 48, and the overall resident tax return median income (federal AGI) is \$53,148. This compares to resident tax return median income of \$46,687 for tax year 2021. In the graph below, there is a steady increase of

filers up to age 33. The next highest count of tax returns occurs when the primary filer is 58. Median tax return income peaks at \$76,462 at age 56.

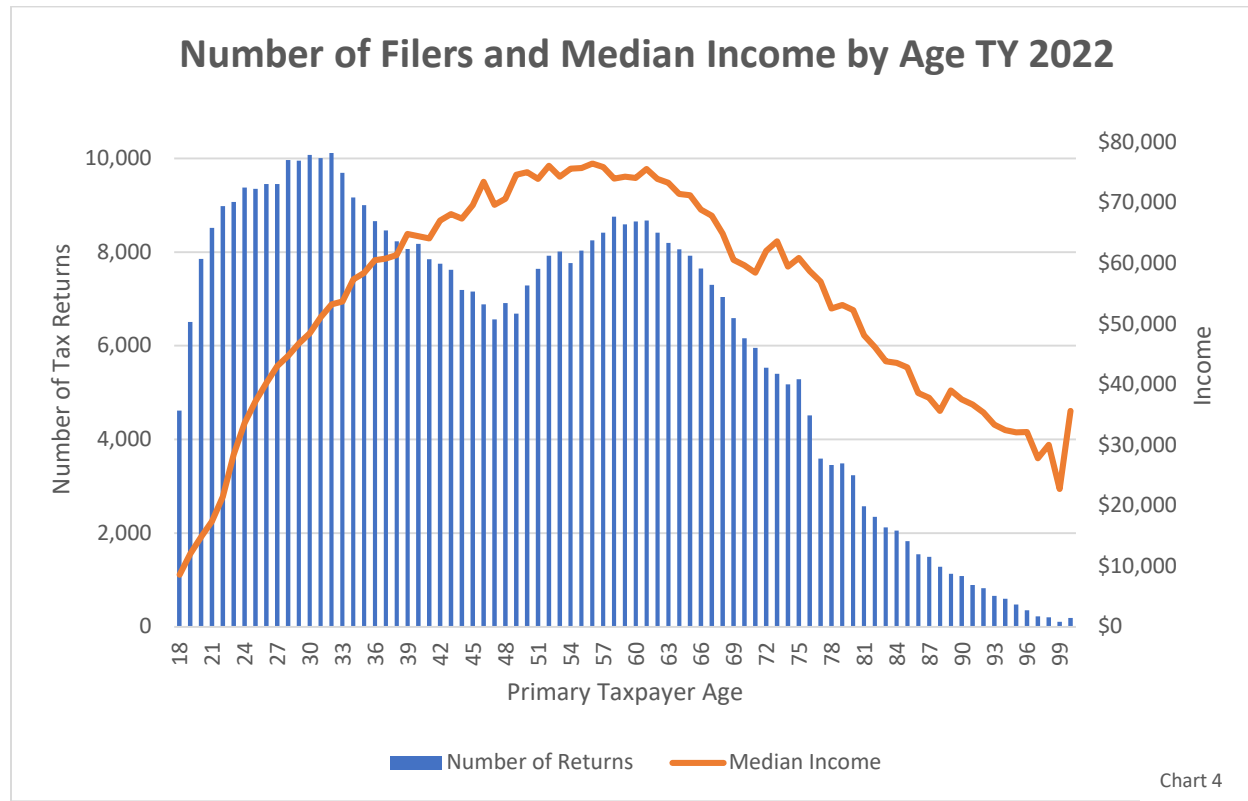


Chart 5 shows the share of returns by adjusted gross income group. During the TY 2019 through TY 2022 period, there was a steady decline of filers within the under \$25,000 income group, while there was a steady growth of filers from TY 2019 through TY 2022 in both the \$100,000 to \$200,000 and \$200,000 to \$500,000 income groups. Nearly half of Rhode Island filers are contained in the greater than \$25,000 but under \$100,000 income group. For TY 2022, this income group represented 48.6% of filers and reported about 19.4% of the total tax liability. Taxpayers from the two highest income groups (AGI of \$200,000 or greater) represented 6.7% of filers and reported 55.3% of the total tax liability for TY 2022.

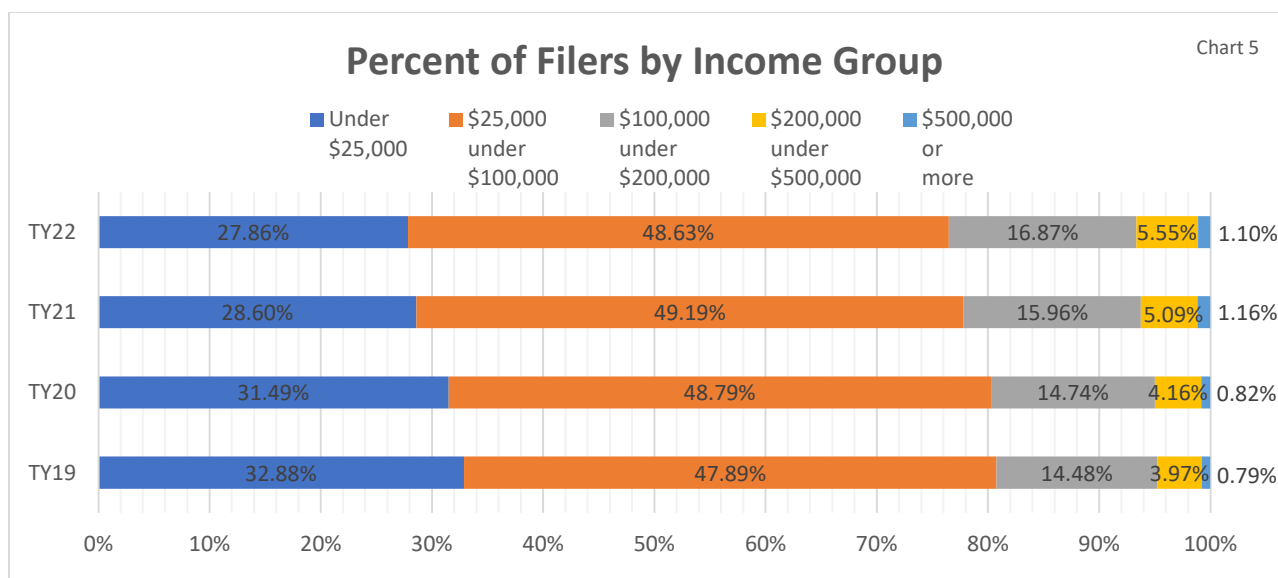
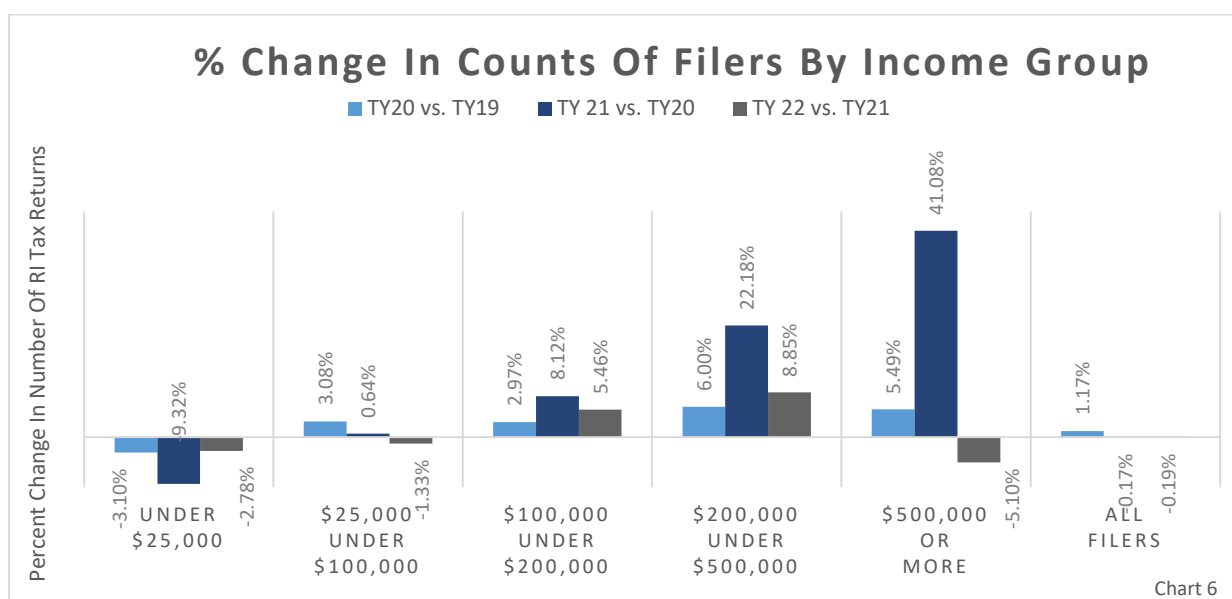
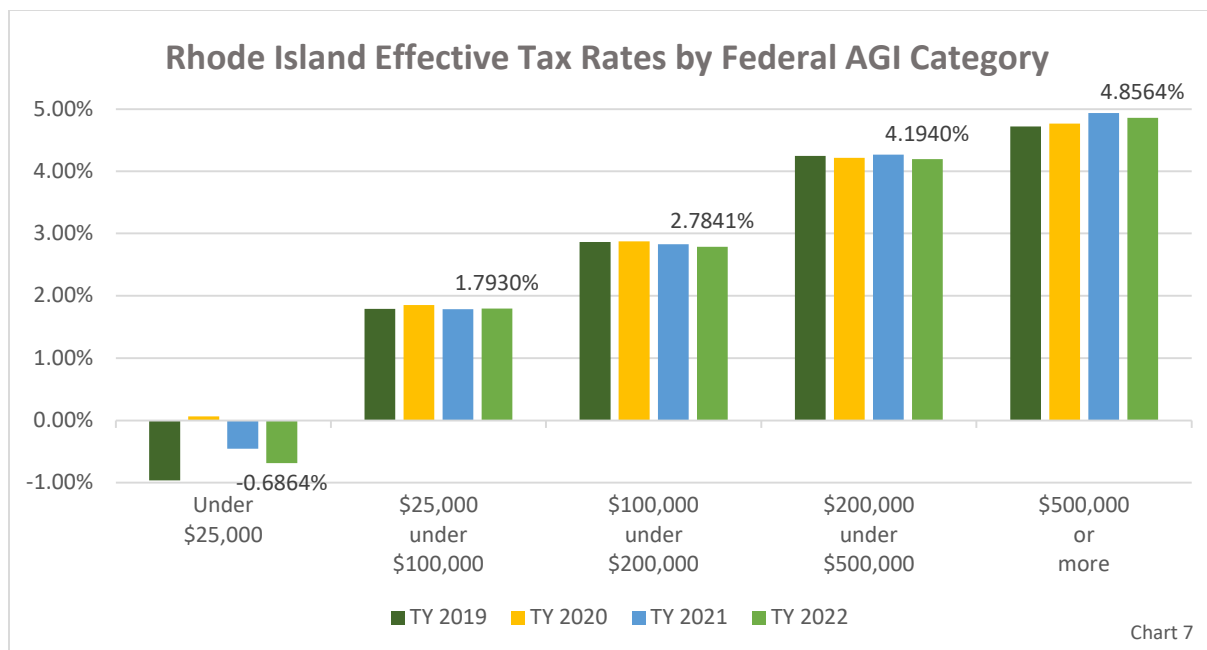


Chart 6 below, visualizes the large relative growth in the \$500,000 or more income group in TY 2021. It also shows that overall, the total number of filers remained relatively constant during this period.



The next figure shows Rhode Island effective tax rates by income group highlighting the effective rates observed for TY 2022. The effective tax rate is the total income tax liability divided by federal AGI. The effective tax rate cannot reach the highest marginal rate of 5.99% because even the highest income taxpayers have some income taxed at the lower marginal rates of 3.75% and 4.75%. In addition, any tax credits claimed by taxpayers can reduce their effective tax rate. The overall effective tax rate for residents across all income groups in TY 2022 was 2.98%. This is slightly lower than the TY 2021 overall resident taxpayer effective tax rate of 3.08%. The resident taxpayer effective tax rate was 2.91% in TY 2020 and 2.86% in TY 2019 for comparison purposes.

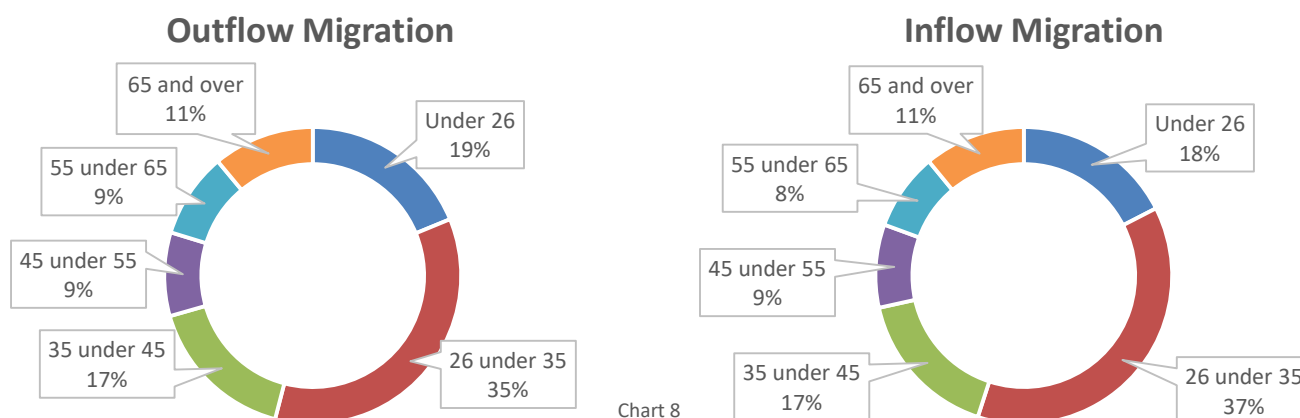


## Migration

Annual migration data for the United States is published by the IRS and is based on year-to-year address changes reported on individual income tax returns filed with the IRS. The gross migration file includes income group data and age data for migrants of each state. State migration patterns also show inflows – the number of new residents who moved to a state and where they migrated from – and outflows – the number of residents leaving a state and where they went. The number of returns filed approximates the number of households which migrated.

ORA reviewed IRS data published for calendar years 2020 – 2021 and for 2021 – 2022 for Rhode Island. The net flow of migration looks at Rhode Island residents migrating to another state and comparing that to the number of migrants originating from that same state and moving into Rhode Island. For the 2021 – 2022 timespan in Rhode Island, there was a total net outflow of 1,555 tax returns across all US states and foreign countries with an AGI net loss of \$130,417,000. This compares to the 2020 – 2021 period which saw a net gain of 44 tax returns and an AGI gain of \$186,358,000. The following chart provides an age breakdown for the 2021-2022 migration.

### Age Breakdown of 2021 – 2022 Migration



The highest percentage of movers both into and out of Rhode Island was in the age range of 26 to 35. The distribution of age for those moving into Rhode Island and out of Rhode Island was statistically the same.

The gross migration dataset from the IRS provides more explicit income group data for filers that left Rhode Island, moved to Rhode Island, or stayed in Rhode Island either in the same location or to another location within the state. This dataset is slightly different from the separate state migration files in that it excludes any tax returns with a negative AGI. The following table provides a breakdown of those tax returns by income groups that flowed out of and into Rhode Island during the 2021 – 2022 time period. It is important to note that tax returns are filed in the year following tax activity. The bulk of the data presented by the IRS was for TY 2020 (returns received in calendar year 2021) and TY 2021 (returns received in calendar year 2022).

Calendar Years 2021 - 2022	Outflow Returns	% of Outflow Returns	% of RI Income Group that Migrated out of State	Inflow Returns	% of Inflow Returns	% of RI Income Group from In-Migration
Under \$25,000	4,115	21.8%	2.4%	3,637	20.8%	2.3%
\$25,000 under \$100,000	10,318	54.7%	3.9%	9,805	56.1%	3.7%
\$100,000 under \$200,000	3,110	16.5%	3.9%	2,650	15.2%	3.1%
\$200,000 or more	1,330	7.0%	4.9%	1,382	7.9%	4.1%
All Filers	18,873	100.0%		17,474	100.0%	

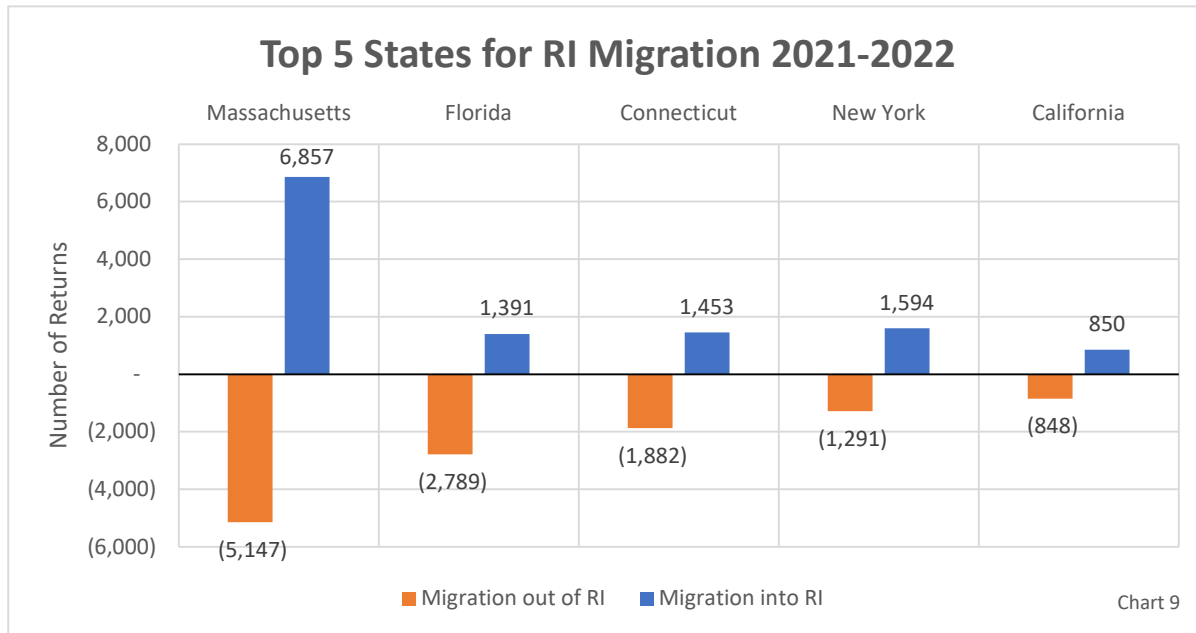
The highest count of migrants both into and out of Rhode Island were those taxpayers that had AGI of at least \$25,000 but under \$100,000. The smallest group of returns was from the \$200,000 and more income group. The percent of RI income group column shows the count of migrant returns compared to the total number of RI taxpayers (migrant or not) from that income group. For example, in TY 2020 (the last year that taxpayers leaving Rhode Island would have filed) Rhode Island had a total of 27,107 filers with an AGI that was \$200,000 or greater. The 1,330 filers that left the state represent 4.9% of that income group (i.e., 1,330 / 27,107). Similarly, in TY 2021 (the first year that filers moving into Rhode Island would have filed) RI had 263,990 filers that had an AGI of \$25,000 or greater but less than \$100,000. The 9,805 new tax returns that had moved into the state represent 3.7% of those filers for that income group (i.e., 9,805 / 263,990).

Calendar Years 2020 - 2021	Outflow Returns	% of Outflow Returns	% of RI Income Group that Migrated out of State	Inflow Returns	% of Inflow Returns	% of RI Income Group from In-Migration
Under \$25,000	4,228	24.6%	2.4%	4,033	23.3%	2.4%
\$25,000 under \$100,000	9,252	53.9%	3.6%	9,390	54.3%	3.5%
\$100,000 under \$200,000	2,699	15.7%	3.5%	2,536	14.7%	3.2%
\$200,000 or more	1,000	5.8%	3.9%	1,318	7.6%	4.9%
All Filers	17,179	100.0%		17,277	100.0%	

For comparison purposes, the above table is presented for migration that occurred between calendar years 2020 – 2021. There was approximately 5% less total migration across those two years. The 2021 – 2022 period depicted in the first chart also shows a slightly greater share of

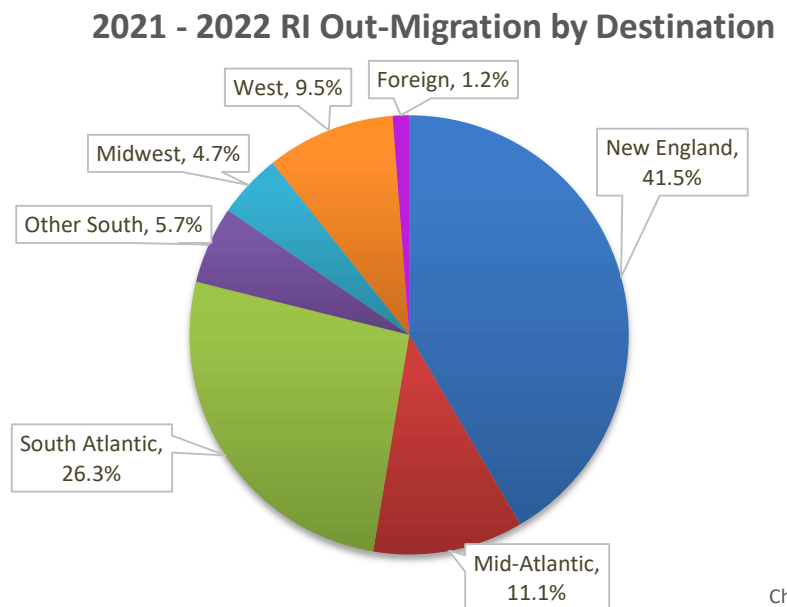
higher income filers leaving the state (both as a share of outflow returns and a share of total RI returns, migrant or not, in that income cohort).

The state specific migration dataset provides more details about destinations of movers both where they migrated from and where they moved to.



In both years studied, Massachusetts was the top out-migration state as well as the top state in which migrants were coming from. For the 2021 – 2022 time-period, 2,789 Rhode Island returns moved to Florida, representing 14% of the total outflow migration. In the same period, 1,391 Floridians moved to Rhode Island, representing 8% of the total in-migration. This disparity led to Florida being the state with the highest net outflow migration from Rhode Island. During this period, the next highest net outflow in migration was to Connecticut.

As the pie chart below illustrates, the greatest out-migration of Rhode Island returns was to other New England states, reinforcing how Rhode Island is closely tied to the regional economy. The next greatest destination was to the South Atlantic region. The top states for out-migration in the South Atlantic region were Florida, North Carolina, and Virginia. The top destination in the Mid-Atlantic region was New York.

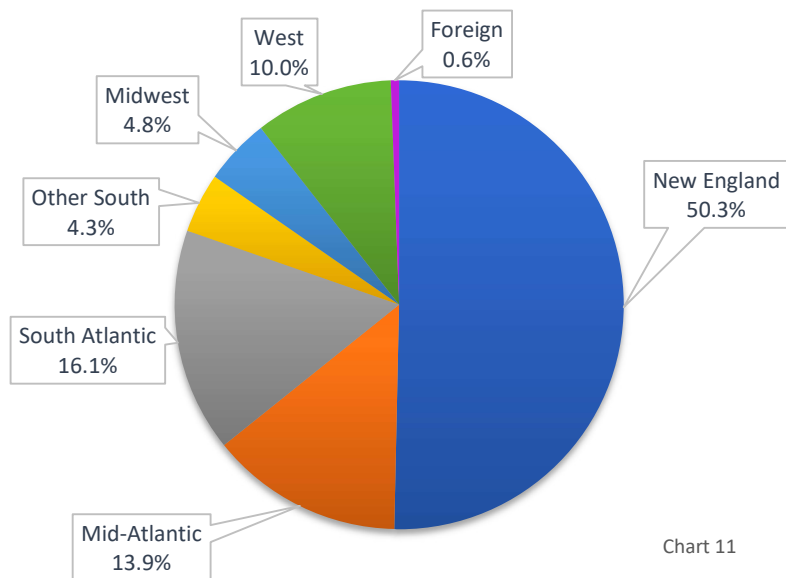




One common question is the role of state taxation in migration decisions. The data presented in this section is not definitive. However, the above two charts suggest that state income taxes are only a part of relocation decisions. In comparing out-migration to the top 10 states with the lowest tax burdens, (states such as Alaska, New Hampshire, Florida, Tennessee, etc.) as reported by the Tax Foundation, to migration to 10 states with relatively high tax burdens (states such as New York, Connecticut, California, Hawaii, etc.), ORA found that migration to low tax burden states represented approximately 19% of the tax returns that migrated out of state, while migration to known higher tax burden states represented approximately 28% of out-migration for 2021 - 2022.

These percentages are skewed by the fact that the closest states to Rhode Island, which are the easiest to migrate to, are some of the higher tax states in the country. However, the fact that Massachusetts, Connecticut, and New York all see higher out-migration from Rhode Island compared to low-tax New Hampshire does suggest that tax burden is one factor of many considered by people moving out of state.

**2021 - 2022 RI In-Migration by Destination**



Finally, the last chart visualizes where migrants coming to Rhode Island arrive from. New England states is once again top the list, albeit at a higher percentage of total migration.