



Millionaire Choices: Controlling Debt, Part 3

William D. Danko, Ph.D. and Richard J. Van Ness, Ph.D.

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Let's focus on taxes. Practicing good stewardship of resources is necessary if one is to preserve wealth. In particular, taxes matter. After all, how efficient is it to make a lot of money only to have it taxed away? The often quoted 1934 advice from Judge Learned Hand encourages good stewardship: "Any one may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes."

An IRS study of households with incomes over \$200,000 shows that the largest tax deductions are for state and local taxes paid, charitable contributions, and home mortgage interest. About 10 years before the federal limitation on state and local tax (SALT) deductions, New York billionaire Tom Golisano moved to Florida, saying he would save about \$5 million yearly on taxes, thereby allowing for more charitable giving. This is rational behavior, and we can expect more migrations motivated by taxes in the years to come, now that the SALT deduction has been limited to \$10,000.

This migration can be destabilizing for the economic health of high tax states. For example, the Independent Budget Office calculates that the top 1 percent of households in New York – those with at least \$714,000 adjusted gross income in 2016 – pay slightly more than half of all New York State income taxes. Imagine the economic consequences to a state with high taxes if just a fraction of this high-income group migrates.

A Cato Institute study (Tax & Budget Bulletin 84) on migration shows "that taxes do influence migration. Of the 25 highest-tax states, 24 of them had net out-migration in 2016. Of the 25 lowest-tax states, 17 had net in-migration. The largest out-migration is from high-tax New York, whereas the largest in-migration is to low-tax Florida. Florida is enjoying an influx of wealthy entrepreneurs and retirees looking for a tax climate that boasts no income tax or estate tax."

Analyzing IRS data, the top five states that gained the most and lost the most aggregate income from potential taxpayers in 2016 are shown in the following table:

Winners (low tax states)		Losers (high tax states)	
Florida	gained \$17.2 billion	New York	lost \$8.4 billion
Texas	gained \$2.3 billion	Illinois	lost \$4.8 billion
North Carolina	gained \$2.2 billion	New Jersey	lost \$3.4 billion
Arizona	gained \$2.0 billion	Pennsylvania	lost \$2.6 billion
Oregon	gained \$1.5 billion	Connecticut	lost \$2.6 billion

High state taxes encourage out-migration of people and their money. The implication is that there will be less income to tax, but more money with which to be charitable. And that is how one can become far richer!

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New York Times bestselling author William D. Danko and Richard J. Van Ness, wrote the research-based book, "Richer Than A Millionaire ~ A Pathway to True Prosperity," which shows the way to wealth and happiness through embracing traditional values. Washington Post's Michelle Singletary selected this book as, The Color of Money Book of the Month. The \$9 billion Vanguard Charitable fund website features our book.

Content appearing in this article is inspired by the authors' book, which is available at [Amazon.com](https://www.amazon.com) and bookstores. Visit the authors' website, RicherThanAMillionaire.com. Try the free Subjective Well-Being Test to find your personal life satisfaction level.