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THE TAX LAWYER

Feb. 18 2013

Mickelson's Law: Tax Moves Aren't Myths

Despite Isaac Newton, when it comes to tax rates, every action may not have an equal and opposite reaction. Yet Newton was more right than wrong. Many things motivate behavior and taxes is only one of them, but if you raise tax rates high enough, something will give. Take [Eduardo Saverin](#), [Gerard Depardieu](#), [Nicolas Sarkozy](#), [Tina Turner](#), [Tiger Woods](#), and [Phil Mickelson](#), to name a few.



PEBBLE BEACH, CA - FEBRUARY 12: Phil Mickelson (R) and Tiger Woods (L) shake hands on the 18th green after finishing their final round at the AT&T Pebble Beach National Pro-Am at Pebble Beach Golf Links on February 12, 2012 in Pebble Beach, California. Mickelson won with an eight-under-par 64. (Image credit: Getty Images via @daylife)

Are there non-tax reasons for some or all of these moves? Sure, but did taxes play a part? Of course. Yet here's new debate about how much. See [The Myth of the Rich Who Flee From Taxes](#). This report cites studies that jobs, housing costs, family ties and climate are all more important. Perhaps the number of people (even wealthy ones) who move for tax reasons is negligible. See [Trends in New Jersey Migration: Housing, Employment, and Taxation](#). See also [Tax Flight Is a Myth](#).

Perhaps. Taxes aren't a sensitive topic like sexual practices, but one wonders about the data collection and the mix of reasons present.

Harvard economist Gregory Mankiw notes that tax rates affect migration, especially for the wealthy who can pick and choose. Examples such as Maryland's up then down rate for millionaires—see [Millionaires flee Maryland taxes](#) and [Millionaires Go Missing](#)—suggest that studies are often inexact. A [study by the Institute on Taxation and Economic Policy](#), found that Maryland's decline in millionaires was attributable to the stock market plunge and recession.

Still, wealthy taxpayers have more resources and alternatives. What's more, they may not tell you they are upset but may just quietly leave. Behavior on this point seems consistent. In Britain, the number of taxpayers declaring £1 million a year in income fell by more than 60% in just one year. Despite higher rates, tax collections went down. It could be the recession or the fact that millionaires faced a 50% income-tax rate up from 40% the prior year. See [Britain's Missing Millionaires: Income tax Rates Rise but Revenues Fall](#).

France went further with its 75% rate, prompting notable expatriations such as beloved actor Gerard Depardieu. Then there is California, with its dramatic retroactive tax hike at the end of 2012. The state's Proposition 30 [raised tax rates to 13.3% from 10.3% for those making more than \\$1 million](#). By comparison, the combined state and local top rate in New York is 12.7%. See [Leaving California And Its Taxes? Be Careful](#).

Plainly, these studies may not be conclusive. There is usually more than one reason for a move. Still, combined with federal rates and sales taxes, the mix is causing some people to think critically about where to live. Stay tuned.

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