



MOVING IN?

EXPLORING WISCONSIN'S MIGRATION CHALLENGES

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Executive Summary

Moving In? Exploring Wisconsin's Migration Challenges

Wisconsin is an attractive place to live, work, and play. Lifelong residents as well as transplants from other states recognize this. However, if that message is not spread around the country, Wisconsin will likely see its labor force shrink over the next decade and the current workforce shortage grow.

Why? Wisconsin does not have enough young people to replace the large baby boomer cohort that will retire over the next decade. Without an increase in migration from other states or countries, by 2030 the state's prime working age population will likely shrink by an estimated 130,000.

Migration data from the Internal Revenue Service provide reasons for optimism, but they also highlight some of Wisconsin's challenges. Data from federal income tax returns from 2012 through 2020 show that Wisconsin continues to lose young people to other states. Among income tax filers under 26 years of age, the state lost 106,000 to other states while attracting fewer than 89,000. Data from a recent study from Harvard University and the U.S. Census Bureau indicate that most moved to a large city nearby (Minneapolis, Chicago, or Detroit) or across the country. Frequent destinations outside the Midwest included, in order, Denver, Los Angeles, Phoenix, New York City, and Seattle. This loss of young adults has short-term economic effects via a smaller labor force and long-term effects in terms of fewer young families and children.

There are indications that some of the young people leaving for these large cities may be returning as they head into their family formation years (ages 26 through 54). This cohort typically has been most attracted to Wisconsin. Indeed, families may be moving back from areas that typically attract greater numbers of young movers. Families moving from Washington, Colorado, New York, and California to Wisconsin were at least 10% larger than those doing the reverse.

The IRS data also highlight Wisconsin's challenge with high-income families. Among all families, low-income families tended to move more often than their higher-income counterparts. About 8% of families with incomes under \$25,000 moved compared to less than 4% of families with incomes above \$75,000. However, among those that moved, 56% of those with incomes above \$200,000 moved out of state compared to 37% among low-income families.

Retirees will continue to move to states with warmer weather and younger migrants may continue to move to large urban centers like Chicago or New York, but Wisconsin remains an excellent place to raise a family. Wisconsin's workforce issues make it imperative that the state focus on attracting and retaining young families by leaning into the state's strengths—good schools, safe communities, and abundant recreational opportunities.

Moving In?

Exploring Wisconsin's Migration Challenges

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Wisconsin has a population problem. As shown in our 2021 report *Slowing Down*, the state's population increased less than 4% between 2010 and 2020, down from 6.0% in the prior decade. Part of the slowdown was the result of fewer people moving to the state. Over the 10 years, net migration into Wisconsin was down nearly a third compared to the prior decade and 75% from the 1990s.

While slow growth is troublesome, a greater challenge is in the number of residents in their prime working ages (25 to 64 years old). As millennials joined the baby boomers in this critical age group during 2000-2010, the size of the cohort soared by 249,000. Then, as the oldest boomers aged past 65 during 2010-2020, Wisconsin's prime working-aged population increased by just 9,100.

The younger baby boomers were 55 to 64 years of age in 2020 and as a group the cohort was 20% larger than their older counterparts were a decade earlier. Looking ahead, they will be aging out of their prime working years during 2020-2030. If migration patterns in this decade are similar to those during the last one, Wisconsin's 25-to-64 population will decline by nearly 130,000. The only way to fill that hole is with more migration from other states or nations.

This report is not intended to answer the question: How do we increase migration? Rather, it looks at the most recent migration data from the IRS to highlight which age and income groups Wisconsin had the most success at attracting and which ones it had the least success. More broadly, it identifies those states that are the primary destinations for Wisconsinites who are leaving

and those states that are the primary source of new residents. The study also tries to answer the "why" questions. Why does Wisconsin struggle with some groups and look attractive to others? Why are Wisconsinites leaving?

The analysis shows that from 2012 through 2020, Wisconsin lost families to Sunbelt states with warmer climates and generally more favorable income tax rates. A large percentage of the families Wisconsin gained moved here from neighboring states. Younger families and those at or near retirement age accounted for most of those who moved out of Wisconsin. However, middle-income, working-age families chose to move to Wisconsin in larger numbers. Additionally, even though more families relocated away from Wisconsin, the families that moved here were, on average, larger.

The findings are based on data from income tax returns compiled by the IRS which include the number of returns filed, exemptions claimed, and adjusted gross income (AGI) of both movers and non-movers. For the purposes of this report, a tax return is a proxy for a family, which can also be a single filer. Exemptions are treated as the total number of people in the family. These figures are available at both the state and county level, however, state level data also contain movement by age and income. Unfortunately, the IRS data does not capture all migration because not everyone files an income tax return.

THE GEOGRAPHY OF MIGRATION

The most populous states, such as New York, California, and Texas, experienced the most migration simply because they have the most people. Wisconsin, in line with its population,

was in the middle of the pack in terms of families moving into and out of the state from 2012 through 2020. The IRS data show that 463,788 families left the state while 429,964 moved in—a net loss of 33,824 families and 37,477 people.

Where did former Wisconsin residents go and where did new residents come from? In general, Wisconsin’s migration experience was similar to many other states; that is, most families leaving moved to neighboring states or to states with warmer weather and lower income taxes and, among the youngest, to states with large cities.

In The Neighborhood

Of the more than 460,000 families that moved out of the state from 2012 through 2020, more than one third (159,809) moved to a state bordering Wisconsin (see Figure 1). In other words, about two-thirds of those leaving moved a great distance.

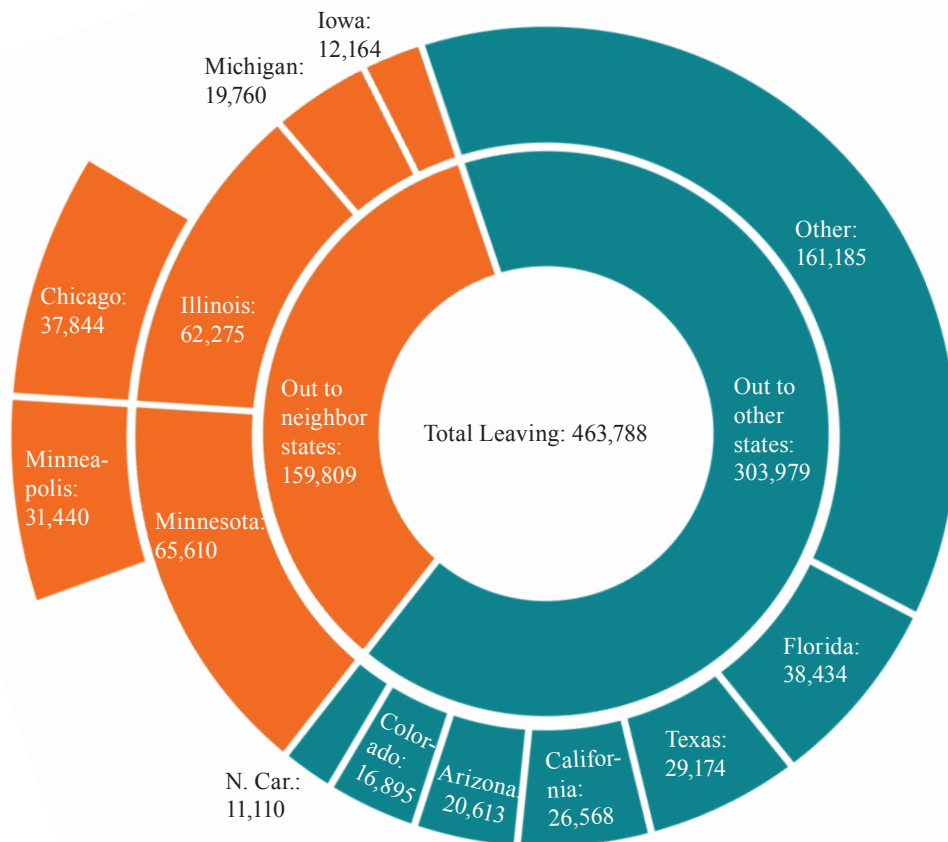
Minnesota and Illinois were the most popular destinations for Wisconsin families. More than 65,000 (14%) families that left the state opted for

Minnesota and more than 62,000 (13%) chose Illinois. Michigan (19,760) and Iowa (12,164) attracted smaller numbers of Wisconsin families.

The geographic pattern of those moving to Wisconsin was a bit different. Compared to those leaving, a greater percentage came from neighboring states (43% vs. 33%). Minnesota and Illinois were the biggest source of families, but their order was reversed from the out-migration pattern. Responsible for more than one in five incoming families, Illinois (89,606) was the largest source of families moving here. Another 61,757 families came from Minnesota. Fewer families moved from Michigan (21,752) or Iowa (13,674).

The IRS data show the importance of Minneapolis and Chicago for both in- and out-migration. The Twin Cities metropolitan area attracted 31,440 Wisconsin families while the Chicago area drew 37,844. About half of those that moved to the Chicago area from Wisconsin relocated from either the Madison or Milwaukee metropolitan statistical areas (MSA). Madison lost 6,676

FIGURE 1: Migration Out of Wisconsin
Border and Non-Border Movement, Number of Families During 2012-2020



families to Chicago and attracted about 4,300; Milwaukee lost over 12,000 but attracted nearly 14,000. As might be expected, the Twin Cities metro area attracted more movers from western and northwestern Wisconsin.

Expanding the Geography

Like most Midwestern states, Wisconsin lost a large number of families to warmer locations in the Sunbelt. Of the 303,979 families that left Wisconsin and left the region (that is, out of Wisconsin but not to a border state) more than 171,000 (57%) moved to the Sunbelt. Four of those Sunbelt states —Florida, Texas, California, and Arizona—attracted 38% of the Wisconsin families that departed the Midwest. Florida accounted for 13% of those leaving the region, making it the favorite destination for these families. Texas attracted 10% of such families while California attracted 9% and Arizona 7%.

Even though many families moved from Wisconsin to Sunbelt states, some from those states chose to move to Wisconsin, though in smaller numbers. Florida (22,136), California (20,153), and Arizona (10,977) each were a source for relatively large numbers of families relocating to Wisconsin. Although we cannot be sure, there are indications that some of these movers could be former Wisconsin residents moving back: older retirees returning from Florida and Arizona and younger people returning from California as they marry and begin to have children.

Families that moved from metro areas in Wisconsin to Florida did not concentrate in any one MSA, nor did people moving from Florida to Wisconsin come from any specific MSA. Migration to and from Florida was spread among various urban areas, including Miami, Naples, Tampa, and Orlando. Families also spread out when migrating to and from California, with most moving to and from Los Angeles, San Francisco, San Diego, and San Jose.

Migration to Texas was concentrated in the Dallas, Austin, and Houston metro areas. The Madison area lost 7,467 families to those MSAs while the Milwaukee area lost 7,281. Neither of Wisconsin’s two largest metro areas gained many families from these areas in Texas. Indeed, for every one family that moved to the Madison area from one of these three Texas metropolitan areas, five Madison families made the reverse move.

Of more than 460,000 families that moved out of the state during 2012-2020, about one third (159,809) moved to a state bordering Wisconsin.

Net Migration

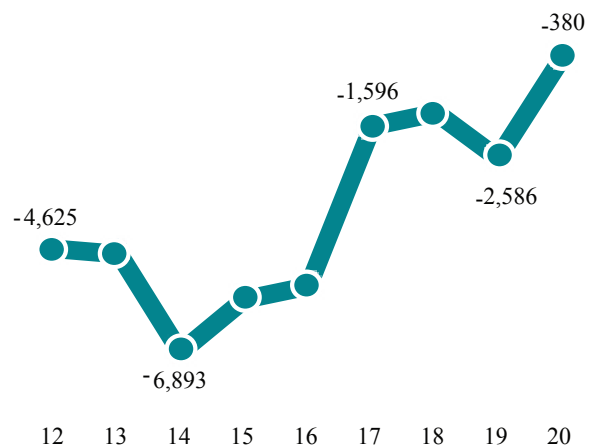
Overall, the IRS figures show Wisconsin lost more families from 2012 through 2020 than it gained from migration. Again, these data do not seem to capture all migration as the 2020 Census shows net gains from migration during 2010-2020. However, the IRS numbers may tell us something about the timing of movement.

Net migration (the number of families moving in minus the number moving out) has improved since 2014. The IRS figures indicate that 380 more families left the state than moved in during 2020, a significant improvement from a deficit of nearly 7,000 in 2014 (see Figure 2). In fact, net migration improved in every year but one, 2019.

DIFFERENCES BY AGE & INCOME

Efforts at retaining and attracting families can be further enhanced by knowing the characteristics of movers, such as age and income. During the

FIGURE 2: Wisconsin Net Migration of Families
Inbound Less Outbound Families, 2012-2020



study period, Wisconsin struggled to attract and retain young adults. However, the state made progress in attracting the important family formation demographic.

Young Movers

The IRS reports movers based on the age of the filer; e.g. under 26, 26-34, 35-44 etc. This allows an examination of migration patterns during three major life stages which are discussed in this and the next two sections. The under 26 cohort is comprised largely of recent high school graduates, current college students, and recent college graduates.

During the period studied, Wisconsin lost more than 105,000 “families” headed by someone under 26. Many of these families were likely single individuals. At the same time, the state gained nearly 89,000 from other states, resulting in a net loss of about 17,000 families.

This demographic creates additional challenges for interpreting the IRS figures. Some college students do not have to file income tax returns and thus are not included in the data. Some may be reported as dependents on their parents’ returns and would show up as part of that family. Additionally, some non-resident college students may live in Wisconsin year round but file their income taxes using their out-of-state home address.

Data from a new study by researchers from Harvard University and the U.S. Census Bureau shed additional light on this demographic. Researchers determined where millennials lived when they were 16 and where they lived at age 26. The study group would have turned 26 during 2010-2018.

Of 626,000 millennials who lived in Wisconsin at age 16, 132,000 (21%) lived in another state at age 26. Those who left were partially replaced by 89,000 millennials who moved here from other states. On net, Wisconsin shed 43,000 people from this important age group.

“Bright lights, big city” may best describe the reason many left. Only 37% of those who left moved to a state bordering Wisconsin. Of those, nearly 70% migrated to either Minneapolis (42%), Chicago (26%), or Detroit (2%), the three largest metro areas in the Midwest.

Of those who moved further away, 56% moved to a metro area larger than the Milwaukee metro area and another 21% moved to one larger than

the Madison area. The most frequent destinations were Denver, Los Angeles, Phoenix, New York City, Seattle, Washington D.C., San Francisco, San Diego, Atlanta, and Houston.

For this group of young adults, job opportunities are often the primary motivation for moving. Thus, pay plays a significant role in the location decision. Pay scales in these larger cities typically are higher than those in less populous areas. Also, large metro areas often have more amenities that are attractive to young adults.

Whatever their motivations, as these young people leave the state, Wisconsin’s labor force shrinks. Perhaps more importantly, in the long term, the state loses potential families as this cohort enters its family formation years.

Family Formation Years

Those 26 to 54 are in their prime working and family formation years. This cohort is important to the economic success of communities and the state because the adults are in their prime working years and households with children tend to buy more locally. This cohort also is more likely to purchase single family homes and remain in their community longer than those younger.

The IRS data show the state losing these families in the first half of the study period. From 2012 through 2016, 12,219 more families in this age group left the state than moved in. That is consistent with the findings of our 2019 study *Falling Behind*, which examined long-term migration patterns using U.S. Census Bureau population data.

That decline reversed itself in more recent years. During 2017-2020, the state had a net inflow of 1,128 families from this cohort, with 760 of those families coming here in 2020. The gains over these years do not make up for the losses in prior years. However, the trend shows the state heading in the right direction. Wisconsin needs to continue to attract this population as they will be critical to maintaining the state’s workforce over the next decade.

Again, the IRS provides data on where people move to and from and separately movement by age. However, an examination of average family sizes from the “place” data can lead to some educated inferences about movers. In particular, the data are consistent with young families moving to Wisconsin from western states.

FIGURE 3: Family Size Variations Between Those Moving To and From Wisconsin
Percent Differences in Exemptions Per Return, 2012-2020

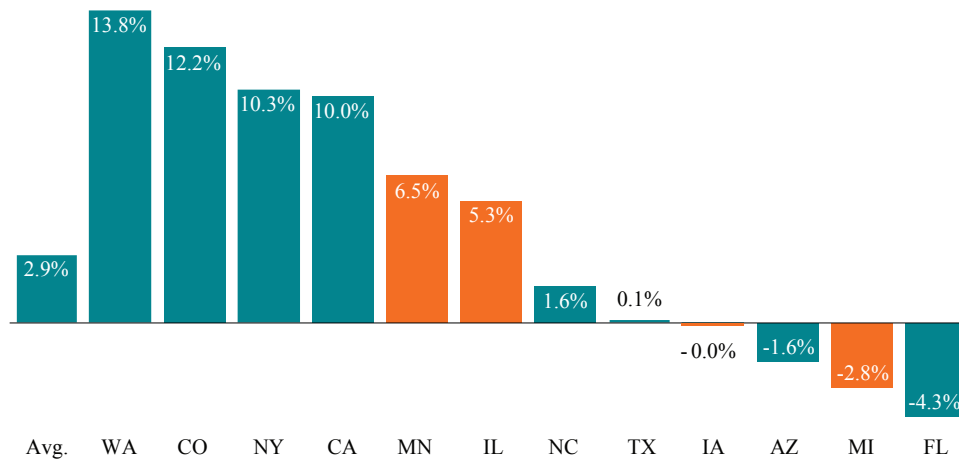


Figure 3 provides information on family size for Wisconsin’s biggest migration partners. In particular, it shows by state the average family size of those moving to Wisconsin relative to the size of those leaving the state. For example, the average family coming from the state of Washington to Wisconsin was 13.8% larger than the average family moving from here to that state.

The six states with the largest positive differential are states that attracted the largest numbers of young millennials based on findings from the Harvard/Census study discussed in the previous section. Half of this young cohort moved to these six states.

Many, if not most, of these young movers would show up in the IRS data as single filers. This would help explain the relatively small average family size of those leaving Wisconsin for these states. If many of those moving to Wisconsin are married and possibly starting families, the average family size moving here would be much larger. Simply put, the data are consistent with young families moving from these states to Wisconsin. Some may be former Wisconsinites returning to raise their families.

55 or Older

Families in which the filer is 55 or older include those who are retired or nearing retirement. This population group is larger than it has ever been as it now includes the entire baby boom generation.

Historically, a portion of this cohort has migrated out of the state, often retiring to Florida or Arizona or another state with warmer weather. From

2012 through 2020, that pattern continued as the state lost 92,617 families in this age group.

At the same time, though, Wisconsin added 87,980 families in this age group, leaving a deficit of just 4,637 families. A closer look at these figures, however, may give the state reason for optimism. For the first part of the study period, from 2012 through 2016, the state lost a net 4,694 of these families. After 2016, net migration trended upwards and in 2020, for the only time during the study period, the state gained more such families than it lost to migration.

The family size data can also be used to infer what may be happening with Florida and Arizona. In both states, the family size of those leaving is larger than for those moving to Wisconsin. This is consistent with married seniors retiring to these states and some returning “home” after a spouse passes away. Additional detail on the movement of those 55 or older is needed to test the validity of this hypothesis.

Income Variations

Just as there are differences in movement among different age groups, there are also variations by income levels (AGI). This section examines, by income, the overall propensity to move, which includes moving across county lines in Wisconsin and moving out of state. It then explores the likelihood of moving out of Wisconsin.

The IRS reports movers in seven income groups, from under \$10,000 to more than \$200,000. Among those with the lowest incomes (under \$10,000 and \$10,000 to \$25,000), 8.1% moved ei-

Among Wisconsin families who moved during 2012-2020, high-income families were more likely to leave the state than low-income families.

ther to another county in Wisconsin or to another state. Among those with incomes above \$75,000, the percentage was significantly less, ranging from 3.6% to 4.2%.

Narrowing the focus to just those who moved, we find a troubling result. Those with higher incomes were more likely to leave the state (see Table 1) than their lower income counterparts. Over the nine years studied, 37% of movers with incomes under \$25,000 left the state. That percentage rose to 40% as incomes climbed above \$75,000 and to 43% above \$100,000. Among movers in the top income bracket, more than half opted to leave Wisconsin.

Among that top income group, Wisconsin was slightly above the U.S. average (55%) and higher than neighboring Minnesota and Michigan. With 66% of its movers leaving, Illinois ranked last among Midwest states on this measure.

The good news is that over time, Wisconsin's numbers among higher-income filers have improved. Between 2012 and 2020, the percentage

TABLE 1: High-Income Movers Likelier to Leave State
% Of All Movers Who Moved Out of State, 2012-2020

	U.S.	Wis	Minn.	Mich.	Iowa	Ill.
Under \$10K	45%	38%	33%	33%	47%	50%
\$10K to \$25K	43%	37%	31%	34%	45%	49%
\$25K to \$50K	40%	33%	26%	32%	39%	44%
\$50K to \$75K	43%	36%	29%	30%	42%	47%
\$75K to \$100K	46%	40%	34%	33%	46%	51%
\$100K to \$200K	49%	43%	38%	36%	49%	56%
\$200K or more	55%	56%	51%	41%	59%	66%

of high-income movers leaving the state has declined more than six percentage points, from 46.6% to 40.0% for those with incomes between \$100,000 and \$200,000 and from 60.3% to 52.2% for those with incomes above \$200,000.

CONCLUSION

If Wisconsin is to sustain its labor force over the next decade, it needs to attract more people from elsewhere. Nine years of migration data through 2020 provide both good news and bad news.

Information from federal income tax returns show Wisconsin losing more families than it gained. These data tend to underestimate migration since not all individuals are required to file a return. However, the annual trend shows a state headed in the right direction as the numbers moving in approached those leaving in 2020.

The loss of young adults has long been a challenge for Wisconsin. Their desire for big cities and the high-paying jobs they often provide is a perennial issue that Wisconsin faces. However, these young people are critical for the long-term economic health of Wisconsin as they are entering their prime working and family formation years. With the draw of big city lights in Chicago and Minneapolis so near to Wisconsin's border, retaining and attracting younger movers will continue to prove difficult for the state.

Perhaps more importantly, the state can focus efforts on retaining and attracting middle-income and middle-aged movers in the family formation age group. The state has much to offer those looking to raise families. The cost of living is 5% below the national average and the state has improved its tax ranking over the past two decades. Wisconsin schools consistently rank among the nation's best. For example, Wisconsin eighth graders had the fourth highest scores in math and fifth highest in reading compared to students from other states. In higher education, the University of Wisconsin-Madison ranks among the top 15 public universities in the country and the state has many quality and affordable colleges and universities.

Wisconsin has a lot of work to do over the next decade to maintain its population and workforce. One of the most important aspects of that work involves attracting working families. That needs to begin today.



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