

# Taxing Billionaires: Estate Taxes and the Geographical Location of the Forbes 400

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## Abstract

We study the effect of state-level estate taxes on the geographical location of the Forbes 400 richest Americans and its implications for tax policy. First, we use a change in federal tax law to identify the tax sensitivity of the ultra-wealthy's locational choices. Before 2001, there was no cross-state variation in effective estate tax rates on billionaire's estates due to a federal credit. This credit was phased out between 2001 and 2004, resulting in substantial variation between states with and without estate taxes. We find the number of Forbes 400 individuals in estate tax states fell by 35% after 2001 compared to non-estate tax states. We also find that billionaire's sensitivity to the estate tax increases significantly with age. Second, using data on obituaries of Forbes 400 decedents and state-level estate tax revenues, we estimate the effective tax rate reflective of Forbes wealth mismeasurement, charitable and spousal deductions, and tax avoidance/mitigation measures. The effective rate is found to be a little over half of the statutory rate. Lastly, we estimate the revenue costs and benefits for each state of having an estate tax, either just on billionaires or the population of federal estate taxpayers. The benefit is the one-time tax revenue gain when a wealthy resident dies, while the cost is the foregone income tax revenues over their remaining lifetime. We find that, despite the high estimated tax mobility elasticity, the benefit exceeds the cost for either a broad or billionaire-only estate tax for the vast majority of states. The cost-benefit ratio is higher for states with higher personal income tax rates.

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# 1 Introduction

The United States exhibits vast geographical differences in the degree to which personal income, corporate income and wealth are taxed. There has been much debate in recent years on the costs and benefits of state and local governments imposing high taxes on their richest residents and firms, especially in light of the potential for tax flight [Kleven et al., 2019, Slattery and Zidar, 2019]. But despite the strong interest of policymakers and voters, the effect of state and local taxes on the geographical location of wealthy individuals and businesses is not fully understood. Although there have been some important recent advances, there is still too “little empirical work on the effect of taxation on the spatial mobility of individuals,” especially among high income individuals [Kleven et al., 2013a].

In this paper, we study the effects of state-level estate taxes on the geographical location of the Forbes 400 richest Americans and their implications for tax policy. The estate tax is essentially a wealth tax imposed at the time of death (Kopczuk [2009]). Federal and state estate taxes in the U.S. apply only to the very wealthy and have progressive tax rate schedules. We use a change in federal tax law to identify the tax sensitivity of the ultra-wealthy’s locational choices. Before 2001, some states had an estate tax and others didn’t. However, there was also a federal credit against state estate taxes. For the ultra-wealthy, the credit amounted to a full offset. In practice, this meant that the estate tax burdens for the ultra-wealthy was independent of their state of residence. As part of the so-called “first Bush tax cuts” enacted in 2001, the credit was eliminated. The estate tax liability for the ultra-wealthy suddenly became highly dependent on domicile state.<sup>1</sup>

We find that the number of Forbes 400 billionaires in estate tax states fell significantly after 2001 compared to non-estate tax states, and this decline was particularly large for older billionaires. We use the implied tax mobility elasticity, along with an estimate we obtain on the effective state estate tax rate based on an analysis of Forbes 400 deaths, to estimate the revenue costs and benefits for each state of having an estate tax, either just on billionaires or the population of federal estate taxpayers. Surprisingly, given the high tax mobility elasticity, we find that for most states (including most states that currently do not have an estate tax), the benefit of additional revenues from adopting an estate tax significantly exceeds the cost of foregone income tax revenue due to tax-induced mobility.

Estate taxes on the ultra-wealthy have potentially important consequences both for tax-

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<sup>1</sup>As explained further below, all states had a separate so-called “pick-up” tax that was structured to exactly equal the federal credit. A number of states additionally had an estate tax not directly tied to the federal credit. However, the rate schedule of the credit was such that for the ultra-wealthy (and not for those further down the wealth distribution) the credit fully offset their state estate tax liability. Put differently, these state estate taxes in practice did *not* exceed the credit for, and only for, the ultra-wealthy because every state’s top marginal tax rate equaled the top marginal credit rate.

payer families and for state governments. Given the rise of wealth owned by those at the top of the distribution, taxes on large estates have a growing potential to significantly impact budgets of entire states. Consider, for example, David Koch who died in August 2019 with an estimated net worth of \$52.2 billion. He was a resident of New York state, which has an estate tax. Given our estimate in this paper of the effective state estate tax rate on Forbes-reported wealth (which accounts for typical charitable deductions and sheltering), New York should eventually expect to receive revenues in the neighborhood of \$4.5 billion.<sup>2</sup> For the richest of the Forbes 400, the effect is even larger. Jeff Bezos is currently the richest person in the US, according to Forbes, with an estimated net worth of \$101 billion. He resides in Washington state, which has an estate tax. If he died today, his estate could expect to incur a state tax bill of around \$10.25 billion, raising Washington state’s total tax revenues from all sources by about 25% in a single year. (Since the median person in the 2017 Forbes 400 has estimated net worth of “only” \$3.7 billion, the typical impact of a Forbes 400 death on state revenues is much smaller.)

We begin the empirical analysis by investigating the quality of the Forbes 400 data. While prior research has found that individual net worth reported by Forbes is consistent with IRS confidential tax return data (Saez and Zucman [2016]), there has been no previous assessment of Forbes data on state of residence. We conduct an audit using published obituaries of deceased Forbes 400 individuals. State of death is likely to be highly correlated with the true state of residence, as people are more likely to die in their true primary residence state than in any other state.<sup>3</sup> We find that the state of residence listed by Forbes matches the state listed in obituaries in 90% of cases.

Furthermore, for each billionaire death, we estimate the effect on estate tax revenues of the state that Forbes identifies as the one of residence. We find a sharp and economically large increase in estate tax revenues in the three years after a Forbes billionaire death. We estimate that, on average, a Forbes billionaire death results in an increase in state estate revenues of \$165 million. This implies an effective tax rate of 8.25%—a rate that is consistent with IRS estimates of federal estate tax liability for this group of taxpayers.

Having validated the Forbes data, we then turn to the core of our empirical analysis, namely the sensitivity of the ultra-wealthy’s locational choice to estate taxes. We exploit the sudden change created by the 2001 federal tax reform. Before 2001, the domicile state had no effect on the combined federal and state estate tax liability due to a federal tax credit.

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<sup>2</sup>In practice, the timing of estate tax payment depends on marital status and the time of the death of the spouse. Our estimate is based on an effective tax rate of 8.25%, which we estimate in Section 4

<sup>3</sup>For estate tax purposes, what matters is the primary domicile state; the physical location of death is irrelevant and thus individuals have no incentive to strategically die in a state other than their residence state for tax purposes.

The credit's elimination introduced substantial variation in tax burdens between states with and without an estate tax.

We first use a double-difference estimator to estimate the differential effect of having an estate tax up to versus after 2001 on the number of Forbes 400 individuals in a state, allowing for state and year fixed effects. We find that before 2001, there is a slight *positive* correlation between estate tax status and the number of Forbes 400 individuals in the state, after conditioning on state fixed effects. After 2001, the opposite becomes true: the number of Forbes 400 individuals in estate tax states becomes significantly lower. On average, estate tax states lose 2.35 Forbes 400 individuals relative to non-estate tax states. Given the pre-2001 average baseline Forbes 400 population in estate tax states, which is near 8, the implied semi-elasticity is -0.33. Instrumenting contemporaneous estate tax status with estate tax status as of 2001 yields very similar results, confirming that the OLS result is not due to endogenous estate tax adoption or repeal after the 2001 reform.

We then turn to a triple-difference estimator exploiting the notion that a billionaire's sensitivity to the estate tax should increase as they age. In terms of identification, the main advantage of triple-differenced models over the difference-in-difference models is that the former allow us to control for the interaction of estate tax state  $X$  post-2001. Thus, threats to validity stemming from the correlation between unobserved differences across states in the determinants of Forbes' 400 geographical locations and estate status after 2001 are accounted for. We find that the number of old Forbes billionaires in estate tax states relative to the number of younger Forbes billionaires in estate tax states drops after 2001.<sup>4</sup>

Overall, we conclude that billionaires' geographical location is sensitive to state estate taxes. The 2001 EGTRRA Federal Reform introduced large differences in billionaires' estate tax burdens among states where there had been none. These ultra-wealthy individuals appear to have responded by leaving states with estate taxes in favor of states without estate taxes. One first-order implication of this tax-induced mobility is a large reduction in the aggregate tax base subject to state estate taxation. We estimate that tax-induced mobility resulted in 23.6 fewer billionaires and \$80.7 billion less in Forbes 400 wealth exposed to state estate taxes.

In the final part of the paper, we estimate the implications of our estimates for state tax policy. States face a trade off in terms of tax revenues. On the one hand, adoption of an estate tax on billionaires implies a one-time estate tax revenue gain upon the death

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<sup>4</sup>This is consistent with Kopczuk [2007], who finds that the onset of a terminal illness leads to a very significant reduction in the value of estates reported on tax returns and that this reduction reflects "deathbed" estate planning. He interprets this as evidence that wealthy individuals care about disposition of their estates, but that this preference is dominated by the desire to maintain control of their wealth while young and healthy.

of a billionaire in the state. On the other hand, our estimates indicate that the adoption of an estate tax lowers the number of billionaires residing in the state. In terms of state tax revenue, the main cost is the foregone income tax revenues over the remaining lifetime of each billionaire who leaves the state due to the estate tax (as well as any potential new billionaires that might have moved to the state in the absence of an estate tax). The cost of foregone income tax revenues is, of course, higher the higher is the state's top (average) income tax rate. We use our estimates of the elasticity of billionaires geographical location with respect to the estate tax to compare the magnitude of the costs and the benefits for different states.<sup>5</sup>

We estimate that the cost-benefit ratio for each state based on our estimates of the elasticity of mobility with respect to estate taxes and data on expected life expectancies by age and the number and wealth of billionaires by age in each state. We find a ratio 0.85 for the average state (with at least one person in the Forbes 400), indicating that the additional revenues from an estate tax exceed the loss of revenues from foregone income taxes. Put differently, despite a high elasticity of billionaires to state estate taxes, estate tax revenue benefits exceed personal income tax revenue costs. The ratio varies across states as a function of the state income tax rate and, to a lesser extent, the ages of the state's billionaires. In California, the cost-benefit ratio is 2.09, indicating that if California adopted the estate tax, the state would lose revenues among billionaires by a significant margin. (Currently, California does not have an estate tax.) By contrast, in Texas or Washington state the ratio is 0, since there is no income tax. The adoption of an estate tax in these states increases tax revenues unambiguously. We estimate that 27 states (out of 30) that currently do not have estate taxes and have at least one billionaire would experience revenue gains if they adopted an estate tax on billionaires.<sup>6</sup>

Finally, we extend the analysis to consider the costs and benefits of adopting a broader estate tax, one that applies to all wealthy taxpayers, not just the top 400. We define wealthy taxpayers as those with estate value above the 2017 exemption threshold for the federal estate tax—\$5.5 million for individuals and \$11 million for couples. For each state, we compute the costs and benefits of an estate tax on this broader group of wealthy taxpayers

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<sup>5</sup>This is not the usual Laffer-curve style trade off that the literature typically focuses on, where states with high tax rates are compared to states with low tax rates. There is little empirical variation in estate tax rates—with virtually all states at either zero or 16%. While states are free to set different rates, in practice they generally have stuck with 16%, which is a historical carryover from the 16% maximum rate in the federal credit. Thus, in our calculations we compare tax revenues in the case where a state adopts a 16% estate tax with the case where a state does not adopt an estate tax.

<sup>6</sup>Our measure of costs only includes the foregone taxable income of the billionaires who relocate due to the estate tax. If their relocation has additional costs for the state because it causes relocation of firms and investments, then our measures of costs are underestimated.

under alternative assumptions on the elasticity of mobility. Our findings suggest that that the policy implications for states that we draw based on a billionaire estate tax extend to a broad estate tax: for most states, the benefits of adopting an estate tax exceed the costs, whether the tax is imposed on the ultra-wealthy or the merely wealthy.

Our paper is not the first to study the geographic sensitivity of individuals to subnational estate taxes. Bakija and Slemrod [2004] also look at state estate taxes, but they focus on the years before 2001 and on taxpayers with wealth far below that of the Forbes 400, finding mixed results on tax-induced mobility.<sup>7</sup> Brülhart and Parchet [2014] look at the effect of bequest tax differences across Swiss cantons over a 36-year period and, in contrast to our findings, estimate that high-income retirees are relatively inelastic with respect to tax rates.<sup>8</sup> Kopczuk [2009] provides a recent review of the literature on national estate taxes.<sup>9</sup>

More in general, our paper relates growing body of work on the sensitivity of high income individuals locational choices to local and state taxes. Kleven et al. [2019] have a recent survey. Most of the literature has focused on personal income taxes. Moretti and Wilson [2017] and Akcigit et al. [2016] find evidence that top patenters, which have very high income, are quite sensitive to income taxes in their choice of location. On the other hand, Young et al. [2016] and Young and Varner [2011] find limited evidence of tax-induced mobility of millionaires. There is also a related literature on taxes and international mobility. Akcigit et al. [2016] find modest elasticities of the number of domestic and foreign inventors with respect to the personal income tax rate. Kleven et al. [2013b] study a specific tax change in Denmark while Kleven et al. [2013a] focus on European soccer players. Both find substantial tax elasticities.<sup>10</sup>

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<sup>7</sup>Our study complements that of Bakija and Slemrod in several ways. Bakija and Slemrod focus on estates worth millions, we focus on estate worth billions. Importantly, while combined federal and state estate ATRs varied across states even prior to 2005 due to state differences in exemption levels and marginal rate schedules, the pre-2001 federal credit effectively offset any cross-state ATR differences for estates far above \$10 million.

<sup>8</sup>Brülhart et al. [2017] study differences across Swiss cantons in wealth taxes, finding significant effects on reported wealth, with mobility playing a modest role.

<sup>9</sup>Slemrod and Gale [2001] discuss the equity and efficiency of federal estate taxes.

<sup>10</sup>On business taxation, Serrato and Zidar [2016] find moderate effects of state corporate taxes on wages, total employment, and land prices, while Giroud and Rauh [2019] find an effect of business taxes on the number of establishments and establishment size.

## 2 Background on State Estate Taxes

### 2.1 History and Structure

State level estate taxes in the United States date back to the early nineteenth century, pre-dating the 1916 adoption of the federal estate tax. In 1924, a federal estate tax credit was enacted for state estate tax payments, up to a limit. This credit remained in place for the rest of the twentieth century.<sup>11</sup> This limit was determined by a progressive credit rate schedule. The credit rate schedule prevailing from 1954 to 2001 is shown in Appendix Table A1 (based on Table 1 of Bakija and Slemrod [2004]). The top marginal credit rate of 16% applied to all estate values above \$10,040,000. Thus, for estates far above this value – and note that the minimum wealth in the Forbes 400 in 2001 was \$830 million – both the marginal and average credit rate was 16%.

During the era of the federal credit, there were two types of state taxes on estates. First, many states took advantage of the existence of the federal credit and enacted statutes that imposed so-called “pick-up” taxes that were structured such that the tax liability for a given taxpayer would exactly equal their maximum federal credit amount. In effect, the federal government picked up the tab for taxpayers facing these state pick-up taxes. Thus, state pick-up taxes effected no variation across states in tax liability for any taxpayer and thus should have had no effect on locational decisions of wealthy households. Second, many states imposed estate taxes above and beyond the pick-up taxes. These estate taxes had progressive rate schedules, with the top marginal tax rate typically equaling 16% and applying to estate values near or below \$10 million (as of 2001). Thus, for estate values far above \$10 million, the average tax rate for any state estate tax was never above 16%. For very high net worth estates, such as those of the Forbes 400, the federal average credit rate always equaled or exceeded the state estate average tax rate.<sup>12</sup>

For our purposes, the key point to note here is that, prior to 2001, the combined federal and state estate average tax rate for the ultra-wealthy was independent of their state of residence. Thus, state estate taxes should have had no effect on locational decisions of ultra-wealthy households.

This situation changed completely with the 2001 Economic Growth Tax Relief and Reconciliation Act (EGTRRA). The EGTRRA phased out the credit over 2001 to 2004 and eliminated it completely after 2004. It was replaced with a much less generous deduction.

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<sup>11</sup>The credit was for “estate, inheritance, legacy, or succession taxes paid as the result of the decedent’s death to any state or the District of Columbia.” (IRS Form i706 (July 1998))

<sup>12</sup>Cooper [2006] notes that this convergence between the federal estate average credit rate and state estate average tax rate for the highest value estates dates back to at least 1935.

For our purposes, the main effect of the reform was that combined federal and state estate average tax rate for the ultra-wealthy became highly dependent on their state of residence. Thus, after the reform, state estate taxes could potentially affect the locational decisions of ultra-wealthy households. The exact magnitude of effect is one of the questions that we investigate empirically in this paper.

The estate tax provisions of the 2001 reform were largely unexpected. In our empirical analysis we will investigate empirically the exact timing of the estimated effects. In the years since 2001, some of the states that had estate taxes repealed them, while other states chose to enact new estate taxes or convert expiring pick-up taxes into regular estate taxes (see Michael [2018] 2018).

## 2.2 Estate Tax Planning and Avoidance

Estate taxes are likely to be particularly important to the ultra-wealthy. They tax wealth, rather than income or consumption, and as such apply to a much larger base. State estate taxes are primarily owed to single domicile state, which is the one determined to be the decedent's primary state of residence. Specifically, *intangible* assets – financial and business assets – are taxed solely by the primary domicile state (if the state has an estate or inheritance tax). The tax base for *tangible* property, which is primarily real estate, is apportioned to states in proportion to property value. However, tangible property is generally a small share of the net worth of Forbes 400 individuals. Raub et al. [2010]'s study of federal estate tax returns of Forbes 400 decedents reported that real estate accounted for less than 10% of total assets on average, while financial assets accounted for 85%. (The other 5% was “other assets,” which could be tangible or intangible.)

States consider a long list of both quantitative and qualitative indicators in order to determine the primary domicile state of a decedent. According to Bakija and Slemrod [2004], relevant criteria include “physical location in the state for more than six months of the year, how many years the taxpayer had lived in the state, strength of ties to the local community, and where the taxpayer was registered to vote and maintained bank accounts, among many other factors. Disputes sometimes arise over which state can claim the decedent as a resident for state tax purposes. Most states subscribe to an interstate agreement that provides for third-party arbitration in such situations.” Note that location of death is irrelevant for tax purposes.

In practice, not all estate wealth is taxed (either by federal or state authorities). First, wealth bequeathed to a spouse generally is not subject to estate taxation *until the spouse dies* (assuming the spouse's wealth at time of death is above the estate tax threshold). It



is of course taxed when the spouse dies. Second, charitable bequests are not taxed. IRS Statistics on Income data (SOI 2017) show that estates worth \$20 million or more deducted 24% of their taxable wealth due to charitable bequests. Third, estate taxpayers have some latitude to make valuation discounts on assets that do not have transparent market prices. For example, artwork and the value of privately-held companies can be difficult to appraise. Note that assets in trusts *are* subject to estate taxation as long as the decedent was the trustee (that is, if she controls where assets are invested and who are the beneficiaries).<sup>13</sup>

A recent study (Raub et al. [2010]), utilizing confidential estate tax returns for deceased individuals that had been in the Forbes 400, found that the average ratio of net worth reported on tax returns to that reported by Forbes was 50%. Accounting for spousal wealth, which is excluded from the estate tax base but is often included in the Forbes wealth estimate, brings the ratio up to 53%. The authors attributed the remaining gap primarily to valuation discounts.

In our empirical analysis, we estimate elasticity of the number of billionaires in a state with respect to state estate taxes. The elasticity that we quantify is to be interpreted as inclusive of any sheltering and evasion. This is the reduced-form parameter relevant for policy. In the post-EGTRRA world, without the federal credit to offset state estate tax liabilities, an ultra-wealthy individual's potential combined estate tax liability became hugely dependent on their domicile state. For instance, Washington state enacted an estate tax in 2005 with a top rate of 20%, the highest in the nation. Thus, an individual with a \$1 billion estate could potentially save up to \$200 million in their eventual estate tax liability simply by moving from Washington to Oregon, or any other of the over 30 states without an estate tax. In other words, one's state estate average tax rate (ATR) could vary across states from 0% to 20%. Such variation is much greater than the variation in ATRs across states for personal income, sales, or property. Moreover, the estate tax applies not to a single year of income or sales, but to a lifetime of cumulative wealth. Moving to avoid a high personal income tax will lower one's tax liability resulting from the flow of income in that year and each subsequent year they remain in the state. But moving to escape an estate tax effectively avoids estate taxation on a lifetime of income flows net of consumption. Hence, it is conceivable that estate taxes would factor importantly into the tax and estate planning of ultra-wealthy individuals and could potentially affect decisions of the ultra-wealthy regarding where to live, especially as they get older.

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<sup>13</sup>Slemrod and Kopczuk [2003] investigate the temporal pattern of deaths around the time of changes in the estate tax system and uncover some evidence that there is a small death elasticity.

## 3 Data and Stylized Facts

### 3.1 Forbes 400

Forbes magazine has published a list of the 400 wealthiest Americans every year since 1982. Forbes defines Americans as “U.S. citizens who own assets in the U.S.”. They construct these lists as follows: Forbes reporters begin with a larger list of potential candidates. They first interview individuals with potential knowledge of the person’s assets, such as attorneys and employees, as well as the candidates themselves whenever possible. They then research asset values using SEC documents, court records, probate records and news articles. Assets include “stakes in public and private companies, real estate, art, yachts, planes, ranches, vineyards, jewelry, car collections and more.” Forbes also attempts to estimate and net out individuals’ debt, though they admit that debt figures can be difficult to obtain, especially for individuals associated with privately-held businesses. For more details on their methodology, see: [www.forbes.com/forbes-400](http://www.forbes.com/forbes-400).

We collected the published Forbes 400 tables from 1982 to 2017. Data for the years 1982 to 1994 were originally in paper format and were digitized by us; the remainder was in electronic format. These tables include each individual’s name, net worth, age, source of wealth, and residence location.<sup>14</sup> The listed residence location is typically a single city and state, though there are many instances of multiple listed locations. We record all listed locations, though in our empirical analyses we assume the first listed state is the primary residence. Our results are robust to dropping observations with multiple states of residence. Because the name string for a given individual often has slight variations in the Forbes list from year to year (e.g., William vs. Bill or including vs. omitting a middle initial), we performed extensively cleaning of the name variable in order to track individuals longitudinally.

As has been noted elsewhere (e.g., Saez and Zucman [2016] and Smith et al. [2019]), there has been a stark increase over time in the wealth of the super rich in the US in general, and Forbes 400 in particular. Figure 1 plots average wealth over time, in both real and nominal dollars. (Throughout the remainder of the paper, dollars values are in constant 2017 dollars.) The Figure shows that in real terms, the wealth of the average Forbes 400 billionaire has increased tenfold since 1982.<sup>15</sup>

Panel A of Table 1 shows summary statistics. We have 13,432 individual-year observations, covering 1,755 unique individuals. Over the 1982-2017 sample period, the median age

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<sup>14</sup>The Forbes 400 data we obtained for 2002 did not include state of residence and hence 2002 data are not used in our analyses. Also, data for some years (1995-1998 and 2001) did not include age, though we were able to calculate it using age information for the same individuals from other years.

<sup>15</sup>The wealth tax base of the Forbes 400 is a non-trivial share of total wealth in the U.S. Saez and Zucman [2016] estimate that as of 2013 the Forbes 400 owned about 3% of total wealth.

of a Forbes billionaire was 65 and their median real wealth (in 2017 dollars) was \$1.6 billion. Mean wealth, however, was much higher, at \$3.02 billion, reflecting the highly skewed wealth distribution among the Forbes 400. For example, Panel B shows selected percentiles of the wealth distribution in 2017. Wealth increases gradually as one goes from the 1st percentile to the 10th, 25th, 50th, and 75th. It more than doubles going from the 75th to the 90th and increases another sixfold from the 90th to the 99th. Lastly, in Panel C, we provide summary statistics at the state-year level given that most of our analysis is done at that level. The average state in this period was home to 7.68 Forbes billionaires and statewide wealth of \$22.63 billion.

### 3.1.1 Location of Forbes 400 Billionaires

The Forbes 400 live throughout the United States. However, they tend to be concentrated in some states, such as California, Texas, New York, and Florida. The geographic distribution is not fixed over time. Figure 2 shows a map of the number of Forbes billionaires in 1982 and 2017.

Table 2 shows in more detail the number of Forbes billionaires by state in 2017 (column 1), their mean wealth in 2017 (column 2) and the change in the number between 1982 and 2017 (column 3). The maps and the table point to some significant shifts in the population of Forbes billionaires. Between 1982 and 2017, California has become home to an increasing share of the Forbes 400 while Texas has comprised a smaller share. By 2017, the former has added 37 Forbes billionaires, while the latter has lost 30. This shift likely reflects the shift in wealth generated from the technology sector relative to the oil industry boom of the early 1980's. Within California, the San Francisco MSA has gained 37 Forbes billionaires, confirming the role that new wealth generated in the high tech sector plays, while Los Angeles added only 3. A relative decline in fortunes in the Rust Belt states of Pennsylvania (-12) and Ohio (-7) is apparent. On the other hand, Florida has gained 14 new Forbes billionaires, most of them in Miami, while Wyoming has added 3 in Jackson Hole.

While the geographical unit of analysis in the paper is the state, in order to provide further geographical detail Table 3 reports the 2017 levels in number and mean wealth and the 1982-2017 change in number for the 40 cities (consolidated metro areas (CMAs)) with the largest 2017 number of Forbes billionaires. The Table indicates that, despite its losses, New York city remains the metro area with the largest number of billionaires in 2017 (80), followed by the San Francisco Bay Area (54), Los Angeles (31), Miami (25), and Dallas (18). Chicago, Houston and Washington, D.C. are the other metro areas with 10 or more Forbes billionaires.

### 3.1.2 Quality of the Forbes 400 Data

Forbes data on billionaires net worth and their residence are estimates produced by Forbes' researchers. As such they are likely to contain measurement error. Forbes' estimate of the total net worth of individuals in our sample were found by Saez and Zucman [2016] to be consistent with IRS data. Using a capitalization method to estimate wealth from income reported on tax returns they conclude that "the top 400 wealthiest taxpayers based on our capitalized income method have a wealth level comparable to the Forbes 400 in recent years" (p.573).

Data on location have not been previously validated. Section 4 below provides two pieces of evidence on the quality of the Forbes 400 location data. First, we conduct an audit of obituaries of deceased Forbes 400 individuals, and compare state of residence reported by Forbes with state of death. State of death is likely to be highly correlated with the true state of residence, as people are more likely to die in their true primary residence state than in any other state. We find that the state of residence reported by Forbes generally matches the state of death listed in obituaries.

Second, for each death, we estimate what happens to estate tax revenues in the state of residence listed in Forbes, in the years following the death. If state of residence reported by Forbes is the same as the true state of residence for tax purposes, we should see an increase in estate tax revenues in the state that Forbes identifies as state of residence. We find that, following a Forbes billionaire's death, there is a significant spike in estate tax revenues in the state that Forbes identified as the state of residence of the deceased.

Overall, the amount of measurement error in state of residence reported by Forbes appears to be limited.<sup>16</sup>

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<sup>16</sup>Since our models relate the number of Forbes billionaires in a state to its estate tax status, random measurement error in the number of billionaires in each state would result in increased standard errors but would not affect the consistency of the point estimates. It is in principle possible that the error in billionaire location in Forbes is not just random noise but is systematically correlated with changes in state estate taxes. This might happen, for example, if following an estate tax adoption by a given state, the existing resident billionaires tend to report to Forbes researchers that they have changed their residence to a non-estate tax state (and the Forbes researchers take them at their word), even if their actual residence has not changed. There is no specific incentive to do this type of systematic misreporting, since the location of residence reported by Forbes does not, of course, have any direct role in the determination of domicile state for estate tax purposes. Our analysis of obituaries and estate tax revenues indicates that in practice the Forbes location data is fairly accurate. In addition, even if the errors in Forbes location are systematically correlated with changes in state estate taxes, our triple-difference models that compare changes over time in the number of old Forbes billionaires relative to young Forbes billionaires in states that adopt estate taxes and states that do not should be unaffected (as long as the difference in the measurement error that exists in Forbes estimated location of old billionaires and young billionaires is uncorrelated with changes over time in state estate taxes). It seems plausible that, even if systematic measurement error of this type exists in our Forbes data, it is not correlated with age.

## 3.2 State Estate Taxes

Data on adoption and repeal dates of state estate taxes came from Michael [2018], Walczak [2017], Conway and Rork [2004] and Bakija and Slemrod [2004], augmented as needed with information from individual state tax departments.

For the billionaires in the Forbes 400, the primary geographic variation in the combined federal and state estate tax burden after the 2001 EGTRRA elimination of the federal credit is due simply to which states have an estate tax and which do not. The top marginal estate tax rate – which approximates the average tax rate for the ultra-wealthy – is nearly uniform across states that have an estate tax. Of the 13 states (including D.C.) with an estate tax in 2018, 8 had a top credit rate of exactly 16%, 2 had a top rate between 15 and 16%, two had 12%, and one (Washington) had 20%.

Given this uniformity in the estate average tax rate for billionaires across estate tax states, we simply construct a state-by-year indicator variable for whether or not the state has an estate tax in that year. For pre-2001 years, this indicator is 1 if the state had a stand-alone estate tax beyond the pick-up tax that all states had and 0 otherwise.<sup>17</sup>

The maps in Figure 3 show which states had a (stand-alone) estate tax, and for how many years, both before and after the elimination of the federal credit. Though there is within-state variation over time, it is clear that most states with an estate tax after 2001 already had a stand-alone estate tax prior to then. In other words, the estate tax indicator in the post-2001 sample is highly correlated with the estate tax indicator in the pre-2001, likely due to historical precedence and policy inertia.

Note that states with estate taxes are not necessarily the states with high personal income taxes. California, for example, has the highest top personal income tax rate in the nation (13.3% as of 2018), but has no estate tax, while Washington state has no income tax but the highest estate tax rate in the nation. Appendix Figure A1 shows the distribution of top personal income tax rates across all states by state estate tax status in 2004 (top) and in 2017 (bottom). In both years, estate tax states and non-estate tax states have wide dispersion in top income tax rates, indicating a less than perfect correlation between estate status and income tax rates on high income taxpayers. The vertical red line indicates the average. On average, the mean income tax rate of estate tax states in 2004 is slightly above that of non-estate tax states. However, the mean rates in the two groups of states are almost unchanged between 2004 and 2017. Overall, Figure A1 suggests that while there is some

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<sup>17</sup>We do not include state inheritance taxes, which a handful of states have had during our sample period, in this indicator variable because they typically have a zero or very low tax rate on inheritances by lineal heirs (parents, children, grandchildren, etc.). As we show in Section 5, our results are not sensitive to this choice.

correlation between estate status and personal income tax rates, it is not very strong and, more importantly, it has not changed much over the years.

## 4 Location of Forbes Billionaires Deaths and Effect on Estate Tax Revenues

Before studying the effect of estate taxes on the location of Forbes billionaires, in this section we present the findings of an audit using obituaries of deceased Forbes 400 individuals and estimated how close Forbes reported state matches the state listed in obituaries. We then quantify the impact on estate tax revenues. The objectives are to assess the quality of the location information provided by Forbes and to empirically estimate what fraction of wealth at the time of death ends up being actually taxed. We use this effective tax rate in our cost-benefit analyses in Section 6.

### 4.1 Location of Billionaire Deaths

For estate tax purposes, what matters is the primary domicile state. The physical location of death is irrelevant and thus individuals have no incentive to strategically die in a state other than their residence state for tax purposes.<sup>18</sup> Yet, state of death is likely to be highly correlated with the true state of residence, as people are more likely to die in their true primary residence state than in any other state. The correlation between state of death and true residence state need not be one, as individuals in our sample who die may die in a different state due to travels, vacations or other idiosyncratic reasons.

To identify potential deaths, we first identified individuals in our sample who were in the Forbes 400 for at least 4 consecutive years before permanently exiting and that, as of their last observation, were older than 50 and in the top 300 of wealth. The top 300 requirement is useful because some less wealthy individuals may disappear from the sample due to their wealth falling below the top 400 threshold rather than due to death. For this subsample of 152 individuals, we searched online for obituaries. Forbes 400 individuals are often known to the general public, and their obituaries are typically published in major newspapers such as the New York Times and the Los Angeles Times. 128 of these 152 individuals were found to have died; the other 24 had dropped out of the Forbes 400 for other reasons.

The resulting 128 deceased individuals are listed in Appendix Table A2.<sup>19</sup> From the

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<sup>18</sup>As noted above, intangible assets comprise the vast majority of Forbes 400 estates and a decedent's intangible assets are taxable by a single domicile state.

<sup>19</sup>It is worth noting that 123 out of the 128 (96%) individuals had at least one child according to the obituaries, underscoring the likelihood of strong bequest motives for the Forbes 400 population.

obituaries, we recorded both the state in which the death physically occurred as well as the state of primary residence mentioned in the obituary. We find that for 103 of the 128 cases (80%) the state where death physically occurred was the same as the primary residence state listed in Forbes. Moreover, the mismatches were frequently due to deaths occurring at out-of-state specialized hospitals such as the Mayo Clinic or while on vacation, as indicated in the obituaries and reported in the last column of Appendix Table A2. After accounting for these factors, the state indicated by the obituary was the same as the primary residence state listed in Forbes in 115 deaths, or 90%. Overall, it appears that in the vast majority of cases, the primary residence of the individuals in our sample matched that listed by Forbes.<sup>20</sup>

We have done a similar analysis comparing the state of residence (as opposed to state of death) reported in the obituaries to the Forbes state of residence. It seems unlikely that newspaper obituaries, when listing one's primary state of residence, would take into account which potential state of residence would imply the lowest estate tax. However, it is possible that Forbes magazine could influence what gets reported in the obituary, making the two sources of information not completely independent. With this caveat in mind, we find that the state of primary residence listed in the obituaries matched that listed in Forbes for 107 (84%) of the 128 deaths.

## 4.2 Effect of Billionaire Deaths on State Estate Tax Revenues

For each death, we estimate what happens to estate tax revenues in the state of residence, as listed in Forbes, in the years following the death. If Forbes location is accurate, and Forbes 400 billionaires pay estate taxes, we should see an increase in estate tax revenues in the state that Forbes identify as state of residence. If Forbes location is inaccurate, or Forbes billionaires are able to shelter most of their wealth from estate taxation, we should see limited effect on state estate tax revenues in the state that Forbes identify as state of residence. If Forbes location is accurate, and Forbes billionaires are able to shelter part of their wealth from estate taxation, the estimated effect will be informative of the effective tax rate for this group.

Since we are using the time of death to empirically estimate its effect on state estate tax revenues, we focus our analysis on the subset of deaths of unmarried individuals. The reason is that if the deceased is married at the time of death, estate taxes are not due until the time of death of the spouse. To be clear, estate taxes will ultimately need to be paid, irrespective of the marital status of the deceased. However, in the case of married taxpayers, the timing

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<sup>20</sup>Forbes publishes its list in April of each year. If a death occurs between January and April, it is conceivable that Forbes reported state of death is a function of location of death. Our results do not change if we correlate state of death with a one-year lag in Forbes location.

of the payment is a function of the time of death of the spouse, which we don't observe. In our sample of deaths, there are 41 decedents who were unmarried at the time of death.

Figure 4 shows two case studies. The top panel shows estate tax revenues in Arkansas leading up to and after the death of James (“Bud”) L. Walton, co-founder of Walmart along with his brother Sam Walton. Bud Walton died in 1995 and was unmarried at the time. The dashed vertical line in the figure indicates the year of death. As can be clearly seen in the figure, estate tax revenues in Arkansas were generally stable in the years leading up to his death, averaging around \$16 million in inflation-adjusted 2017 dollars between 1982 and 1994. In the year after Walton's death, Arkansas estate tax revenues increased 425%, from \$34.8 million to \$183.2 million – an increase of \$148.3 million.<sup>21</sup>

Forbes estimated Bud Walton's net worth in 1994 to be \$1 billion, or \$1.65 billion in 2017 dollars. Thus, assuming the \$148 million jump in Arkansas estate tax revenues in 1996 was due solely to Walton's death, this implies that the effective average tax rate on the Walton estate was approximately 9.0%.

The fact that this effective ATR is below Arkansas' top statutory tax rate of 16% is to be expected. Recall from Section 2.2 that in practice estate taxpayers are able to reduce their effective tax rates by reducing their estate tax base through a combination of charitable bequests, asset valuation discounts, and other tax sheltering measures. In fact, the 9% effective tax rate on the Walton estate is close to what we would expect from IRS data for this population. Specifically, Raub et al. [2010] found that the estate values of Forbes 400 decedents reported on federal estate tax returns is about 50% of the net worth estimated by Forbes, and IRS Statistics on Income data indicate that for estates with wealth above \$20 million, on average 24% is deducted for charitable bequests. This implies an effective average tax rate in practice of around 38% ( $50\% \times (1 - .24)$ ) times the statutory tax rate of 16%, which is 6.1%.<sup>22</sup>

The bottom panel of Figure 4 shows estate tax revenues in Oklahoma before and after the 2003 death of Edward Gaylord, a media and entertainment mogul. In the years leading up to and including his death, state estate tax revenues were declining. They jumped in the year after Gaylord's death by approximately \$44 million (in 2017 dollars). The last estimate by Forbes (in 2001) of Gaylord's net worth was \$1.8 billion, equivalent to \$2.49 billion in 2017 dollars. This implies an effective tax rate of just 2%. The low effective rate can be attributed to some combination of Forbes' estimate being too high, an usually high share of

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<sup>21</sup>Arkansas had a “pick-up” tax of the type described earlier, not a separate stand-alone estate tax. The Arkansas pick-up tax expired in 2005 when the federal credit to which it was tied was eliminated. This explains the near-zero estate tax revenues in Arkansas after 2004 shown in the figure.

<sup>22</sup>According to IRS rules, federal estate taxes are not subtracted from the base before state taxes are calculated.



Gaylord’s estate going to charity, and/or an usually high degree of tax sheltering.

Of course, these are just two selected cases. We now turn to our full sample of deaths to estimate the average response of state estate tax revenues to a Forbes 400 death. Figure 5 shows the average across all 41 deaths of unmarried individuals in our sample. The figure plots state estate tax revenue from 5 years before a death to 5 years after a death. State revenues are demeaned by national yearly means to account for aggregate year-to-year variation (e.g., due to business cycle and other aggregate movements in asset values).

The figures shows that in the five years leading up to a death there is no obvious pre-trend. The horizontal line marks the average revenue between  $t - 5$  and  $t - 1$  for a death occurring in year  $t$ . In the years after a death, we uncover an economically large increase in estate tax revenues. In the year of the death, state estate tax revenues exceed the pre-death average by around \$45 million 2017 dollars. The peak is in the year following the death, year  $t + 1$ , when state estate tax revenues exceed the pre-death average by around \$65 million. The corresponding estimates for  $t + 2$  and  $t + 3$  are \$30 and \$25 million, respectively.

The average effect does not all occur in a single year (relative to the death year). The timing of estate tax payments can vary from decedent to decedent based on the particular situation. Some payments may occur in the year of the death if the death occurred early in the year and asset valuation was relatively straightforward. In other cases, especially if estate asset valuation is particularly complicated or there are legal disputes, payment may occur a few years after the death. Figure 5 depicts the average response over cases.

By summing the difference between the pre-death mean and the tax revenues in the 5 years after death, we estimate that, on average, a Forbes billionaire death results in an increase in state estate revenues of \$165 million. This estimate, combined with the fact the average net worth of the deceased individuals that we included in Figure 5 is \$2.01 billion, implies that this group of individuals paid an effective estate tax rate of 8.25%. This rate is about half of the typical 16% statutory average tax rate, suggesting that about half of their Forbes estimated wealth ends up taxed. This effective rate is close to the 6.1% back-of-the-envelope effective rate we calculated above based on IRS federal estate tax data (Raub et al. [2010]).<sup>23</sup>

We draw two main conclusions. First, following a death of a Forbes billionaire, we see a measurable increase in estate tax revenues in the “right” state, i.e. the state that Forbes identifies as the state of residence. Second, the magnitude of the increase is similar to what we would expect based on IRS data. Having validated the Forbes data, we turn to the core

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<sup>23</sup>In the cost-benefit analysis in Section 6, we will use the 8.25% to compute the benefit in terms of tax revenue that states can expect from adoption estate taxes. The qualitative results are similar using the 6.1% rate instead.

of our empirical analysis, estimating the sensitivity of the ultra-wealthy’s locational choice to estate taxes.

## 5 Effect of Estate Tax on Location of Forbes 400

We use the elimination of the federal credit for state estate taxes in 2001 for assessing the locational sensitivity of the ultra-rich to estate taxes. Prior to the elimination, all states had essentially the same average estate tax rate for billionaires, combining federal and state liabilities. After the elimination, there was stark geographical variation in estate tax liability depending on whether a state has estate taxes or not.

We start with a difference-in-difference estimator that compares the change in the number of billionaires (or their wealth) prior to the 2001 credit elimination and after the elimination in estate tax states and non-estate tax states. We expect to observe no systematic correlation between estate taxes and where billionaires live prior to the 2001 credit elimination. If the ultra-rich locational choices are sensitive to estate taxes, we expect to observe a negative correlation after the elimination.

Our main empirical specification is based on a triple-difference estimator, where we add a third difference (across age) to the differences across states and before/after 2001. Because estate taxes only apply at death and are only based on the domicile state at that time, billionaires should become more locationally sensitive to estate taxes as they age. [Kopczuk \[2007\]](#), for example, finds evidence that wealthy individuals care about disposition of their estates significantly more when they are closer to death.

We also look at the probability that individuals switch state of residence ET status, namely the probability that individuals observed in an ET state in 2001 are observed in a non-ET state after the reform; and the probability that individuals observed in a non-ET state in 2001 are observed in an ET state after the reform.

Finally, we quantify the aggregate losses for the state tax base caused by geographical mobility of Forbes billionaires from estate tax states to non estate tax states.

### 5.1 Difference-in-Difference Estimates

Table 4 shows the double-difference estimates. The level of observation is a state-year pair, and the sample includes a balanced sample of 50 states observed for 35 years for a total of 1,750 state-year observations. The dependent variables are the number of Forbes 400 individuals in that state in that year or the total wealth of Forbes 400 individuals in that state in that year. Because the total across states is a constant 400 every year, the

estimates based on number of billionaires would be proportional if we used the share of the Forbes 400 in a state in that year.

In column 1 we regress the number of Forbes 400 individuals in the state-year only on an indicator for whether or not the state has an estate tax, an indicator for whether or not the year is post-2001, and an interaction of the two. In the second column we include year fixed effects and in the third column we include both year and state fixed effects.

The coefficient on the estate tax state indicator is positive, indicating that before 2001 more Forbes 400 individuals live in estate tax states than in non-estate tax states. By contrast, the coefficient on the interaction term is negative, indicating that the average estate tax state saw a drop of billionaires after 2001 compared with the average non-estate tax state. The coefficient on the interaction term in column 3 is -2.358 (with a standard error of 0.683), suggesting that after 2001 the average estate tax state lost 2.36 billionaires relative to non-estate tax states. Since the average number of billionaires in an estate tax state in 2001 was 7.2 (7.01 over the full sample), a drop of 2.36 billionaires represents a 32.8% decline, as reported at the bottom of the Table.<sup>24</sup>

In column (4) we control for the top marginal income tax rate, by state-year, by including both the rate and its interaction with the post-2001 indicator. We find that the negative post-2001 effect of the estate tax is robust to controlling for the PIT. This likely reflects the limited correlation between estate taxes and PIT taxes across states over time that we discussed in the data section above. We also find that the coefficient on the interaction between PIT and the indicator for after 2001 is insignificant, lending credibility to the notion that it is changes in estate taxes that affect the changes in the number of billionaires in estate tax states, not other changes in fiscal policies.

The 2001 EGTRRA reform was federal and exogenous from the point of view of states. However, in the years following the EGTRRA reform, states were free to adopt new estate taxes or repeal existing ones, and some did. One possible concern is that changes in estate tax status after 2001 may be correlated with unobserved determinants of location choices of billionaires. In column 5, we instrument estate tax status after 2001 with estate tax status in 2001. The first-stage coefficient is 0.653 (0.097) and the first-stage F statistic is 45.7, indicating a high degree of persistence in estate tax status. The point estimate in column 5 is -3.019 (1.635). One cannot reject the null hypothesis that the IV estimate is equal to the corresponding OLS estimate in column 3.

In column 6, the dependent variable is the per capita number of Forbes billionaires in a

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<sup>24</sup>Since there is a fixed number of Forbes billionaires, treatment of one state comes at the expense of the control group (the other 49 states). Thus models where the dependent variable is the number of billionaires in a state suffer from a small source of bias. The bias, however, is likely to be negligible since for a treated state there are 49 potential destination states.

state. The diff-in-diff coefficient is -0.662 (0.333). In column 7, the dependent variables is wealth (in billions of 2017 dollars). The coefficient on the interaction term is -16.52 (2.442), suggesting that after 2001 the average estate tax state lost \$16.5 billion relative to non-estate tax states. The implied elasticity is -39.7%.<sup>25</sup>

In columns 8 to 10 we probe the robustness of the estimates. In column 8, the indicator for estate tax state is expanded to include states that have a inheritance tax. In column 9 we drop New York state, which is the state with the most Forbes billionaires. In column 10 we drop the years 2002 to 2004, which is the period where the federal credit for estate taxes was being phased out. Our estimates are robust to these changes.

One concern is that some of the variation over time in the geography of the Forbes 400 individuals reflects changes in the sample. Every year, there is entry and exit from the sample, as some of less wealthy individuals in the sample are replaced by wealthier individuals and some individuals die. There is no obvious *a priori* reason to expect that entry or exit are systematically correlated with estate tax status after 2001. Nonetheless, to assess the sensitivity of our estimates to different definitions of the sample, Panel A in Appendix Table A3 shows estimates based only on the wealthiest 100 individuals (column 1); the wealthiest 200 individuals (column 2); the wealthiest 300 individuals (column 3); and those who are in the sample for at least 10 years. Models in this Panel correspond to the model in column 3 of the previous table. For the wealthiest 300 individuals and those who are in the sample for at least 10 years, the coefficient on the estate tax status interacted with the post-2001 indicator appears similar to that for the full sample, and larger than estimates for the wealthiest 100 and 200 individuals. However, because the baseline pre-reform number of billionaires in the latter two samples are much smaller, the implied elasticities (shown at the bottom of the table) are not very different from those estimated in the full sample. If anything, the elasticity for the top 100 group and for those who are in the sample for at least 10 years appear larger than the corresponding elasticity for the full sample.

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<sup>25</sup>Note that, as we discussed above, if a decedent owned tangible property (eg, real estate) in multiple states, they actually pay estate taxes to each of those states in proportion to the property value in each. By contrast, intangible property (eg, financial assets) get taxed solely by the primary domicile state. The Forbes wealth estimates are for total wealth of an individual and do not distinguish between tangible and intangible assets. A separate issue is the fact that there is a very strong increase in the wealth of the average Forbes billionaire in our sample period: As shown in Figure 1, after adjusting for inflation, the mean Forbes billionaire is 10 times wealthier in 2017 than in 1982. This makes the calculation of the elasticity tricky, as the baseline average computed in the the years before 2001 is significantly lower than the average in the later years. To compute the elasticity entry in column 7, we conservatively deflate mean real wealth to be constant over the sample period (by dividing pre-2001 wealth by 2017 mean wealth). The estimated elasticity obtained using non-adjusted wealth (in 2017 dollars) is larger.

## 5.2 Triple-Difference Estimates

If billionaires are sensitive to the estate tax, we expect the probability of a billionaire to live in an estate tax state to be independent of the billionaire’s age prior to 2001, but to decrease with age in 2001 onward.

In Figure 6, each point represents a 1-year age group. Its y-axis value is the fraction of billionaires of that age that live in an estate tax state. This fraction can be interpreted as the probability that a billionaire in the Forbes 400 sample of that age was living in an estate tax state at that time. Hence, this is equivalent to estimating a linear probability model as a function of age. Panel A shows the relationship with age over the pre-reform (2001) sample, while Panel B shows the relationship over the post-2004 sample (after the federal credit was fully phased out). The solid red line in each figure shows the estimated linear relationship between the probability of a billionaire living in an estate tax state and age.

The figure suggests that the probability of a billionaire to live in an estate tax state does increase with billionaire’s age prior to credit phase-out, and decreases with age after the credit phase-out. Appendix Figure A2 shows the same exercise using personal income taxes instead of estate taxes. In that case one observes a positive gradient both in the early period and in the later period, suggesting that the effect uncovered in Figure 6 is specific of estate taxes.

Figure 7 shows that the estimated age gradient separately for every year of our sample. For any given year the confidence interval is fairly large, but it is clear that the slope coefficients before 2001 tend to be near zero or slightly positive, while the slope coefficients after 2001 are consistently negative.

Table 5 shows estimates of triple-differenced models that include the difference between young and old. We split the Forbes 400 into young and old, with the latter defined by age greater than or equal to 65, the median age of the Forbes 400 in our sample. We regress the number of billionaires by state, year, and age group on indicators for post-2001, “old,” estate tax state, the interactions estate tax state X post-2001, estate tax state X old, old X post 2001 and estate tax state X post-2001 X old. The coefficient on that last interaction tests whether older billionaires (relative to younger) are more sensitive to state estate taxes after 2001 than before.

In terms of identification, the main advantage of triple-differenced models over the difference-in-difference models is that the former allow us to control for the interaction of estate tax state X post-2001. Thus, threats to validity stemming from the correlation between unobserved differences across states in the determinants of Forbes’ 400 geographical locations and estate status after 2001 are accounted for. For example, if non-estate tax states become more attractive to wealthy taxpayers after 2001 because of policy changes correlated

to estate status—whether personal income taxes, corporate taxes, or any other factor that may affect attractiveness of a state to ultra wealthy—the interaction of estate tax state X post-2001 would absorb such differences.<sup>26</sup>

We find that older billionaires, compared with younger billionaires, are less likely to live in an estate tax state after 2001. The coefficient on the triple interaction in column 1 is -0.991 (0.330), indicating that the negative effect of estate taxes after 2001 is greater for older billionaires than younger billionaires. This remains true when we condition on PIT (column 2); when we instrument current estate tax status with 2001 status (column 3); when the dependent variable is the per capita number of Forbes billionaires in a state (column 4) or wealth (col 5). Estimates appear robust to variants of the specification in columns 6 to 8.

As we did for the difference-in-difference models, we assess the sensitivity of our estimates to different definitions of the sample. Panel B in Appendix Table A3 shows estimates based only on the wealthiest 100 individuals (column 1); the wealthiest 200 individuals (column 2); the wealthiest 300 individuals (column 3); and those who are in the sample for at least 10 years. Models in this Panel correspond to the model in column 3 of the previous table. Estimates for the wealthiest 300 individuals and those who are in the sample for at least 10 years appear larger than estimates for the wealthiest 100 and 200 individuals. In terms of elasticities, however, the elasticity for the top 100 group is by far the largest.

The level of observation in Table 5 is a state\*year\*age-group and the dependent variable is the number of Forbes billionaires. As an alternative way to look at the same question is use individual-level data and estimate how the probability of living in an estate tax state varies with age before versus after 2001. In particular, Table 6 reports estimates from a linear probability model where the dependent variable is the probability of living in an estate tax state and the level of observation is an individual-year. Unlike Table 5, where we split individuals into just two age groups, here age enters linearly. The standard errors are based on two-way clustering by state-year and by individual.

Consistent with Table 5 and Figure 6, the coefficients from the linear fit regressions in column (1) indicate that there was no systematic relationship between estate taxes and age prior to 2001. After 2001, however, the estimates in column (2) reveal a strong negative relationship.<sup>27</sup> Column (3) estimates the difference in the age gradient from before 2001

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<sup>26</sup>Moreover, the triple difference model allays concerns about systematic measurement error. Consider the case where state of residence as reported in Forbes is systematically biased, and more so after 2001 because Forbes 400 individuals become more likely to mis-report their state of residence to Forbes reporters after 2001 in order to minimize the chance that state tax authorities perceive them as resident of estate tax states. This may introduce bias in the difference in difference models. The triple difference estimates are unbiased if the difference in the measurement error that exists in Forbes estimated location of old billionaires and young billionaires is uncorrelated with changes over time in state estate taxes.

<sup>27</sup>The coefficients from the linear fit regressions in Figure 7 are provided in columns (1) and (2) of Table

to after 2001. It is strongly negative and significant. The estimated slope coefficients in column 4, which control for state fixed effects, indicate that over 2001 to 2017, with each additional year of age, the probability of living in an estate tax state falls by -0.26 percentage point. Given the unconditional probability of a 40-year old billionaire in our sample living in an estate tax state after 2001 is about 22%, this age gradient implies that, for example, a 50-year old, 70-year old and 90-year billionaire would be expected to have only a 19.4%, 14.2% and 9.0% probability of living in an estate tax state after 2001, respectively.

Overall, columns (1) to (4) confirm the findings from the triple-differenced models: older billionaires tend to shift from estate tax states and to non-estate tax states, relative to younger billionaires.<sup>28</sup> In the last column, we perform a falsification test by assessing whether there is any similar before- vs. after-2001 difference in age-dependence for personal income tax. We divide states into a “high income tax” group and “low/zero income tax” group according to whether or not the state has a top marginal tax rate above 3%, which is close to the median. We repeat the prior age-dependence regressions but now using the fraction of each age group in a high income tax state as the dependent variable. We find no difference in age-dependence before versus after 2001. In other words, the negative differential age-dependence before versus after 2001 appears to be specific of the estate and inheritance tax.

### 5.3 Probability of Switching from ET State to Non-ET and Vice-Versa

An additional way to test whether estate taxes affect Forbes billionaires locational choices is to focus on the probability that individuals who are observed residing in ET states before the reform switch their state of residence to non-ET states after the reform; and, inversely, the probability that individuals who are observed living in non-ET states before the reform switch to ET states afterwards. If Forbes billionaires were indeed induced to move away from ET states after the 2001 reform, we expect to observe a high probability of switching from ET states to non-ET states after 2001 and a low probability switching from non-ET states to ET states. We also expect this to be particularly true for older individuals.

For this analysis, we focus specifically on the 376 individuals in the Forbes 400 in 2001 for which there is non-missing data on age and state of residence. For those in an estate tax (ET) state in 2001 and also observed in given later year, we ask what share of them switched by that year to a non-estate tax (non-ET) state. For those in a non-ET state in 2001 and

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6, Panel A.

<sup>28</sup>We tried models that include individual fixed effects. The sample size appears too small to allow for such a demanding specification.

also observed in a given later year, we ask what share of them switched by that year to an ET state. The results are shown in Panel A of Table 7 for each year from 2003 to 2010. (Recall that state is missing in the Forbes 400 for 2002.)

Entries in the first column indicate that of all of the Forbes billionaires living in ET states in 2001 (and who had not exited the sample by 2003), 6.67% were living in a non-ET state 2 years later; and of all the Forbes billionaires living in non-ET states in 2001, 4.00% are observed living in an ET state 2 years later. The difference, 2.67%, is the net shift toward non-ET states. The fact that the flows toward ET states is not zero likely reflect the fact that mobility decisions are driven by many factors, not just estate taxes. But the difference of 2.67% indicates that there are more individual switching from ET to non-ET than there are switching in the opposite direction. This difference tends to grow over time, as individuals have more time to contemplate and initiate moving, although the increase is not monotonic. By year 2010—namely 9 years after the reform—46.43% of individuals who originally were in a ET state were in a non-ET state; while only 11.38% of individuals who originally were in a non-ET state were in an ET state.<sup>29</sup>

Panels B and C, respectively, report similar percentages for 2001 Forbes billionaires who were 65 and older and who were younger than 65. Consistent with the triple-differenced models in table 5, these two panels show that most of the switching away from ET to non-ET states is among older individuals. Entries in the first column indicate that among all the old Forbes billionaires in ET states in 2001, 11.43% are observed living in a non-ET state 2 years later, while among all of the old Forbes billionaires living in non-ET states in 2001, only 4.58% are observed in a non-ET state 2 years later. The difference grows over time. By year 2010, 64.29% of old individuals who originally were in a ET state are in a non-ET state, a remarkably high fraction. Only 6.35% of individuals who originally were in a non-ET state are in an ET state by 2010. The difference for young individuals is actually negative until 2007. While it becomes positive starting in 2008, it is much smaller than the difference for old individuals.

Overall, the findings in Table 7 confirm the findings from our diff-in-diff and triple-diff models above.

## 5.4 Effect of Tax-Induced Mobility on State Aggregate Tax Base

The 2001 EGTRRA Federal Reform introduced potential tax competition among states where there was none and induced some billionaires to relocate from estate tax states to non-estate tax states. One first-order effect of such mobility was that it reduced the aggregate

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<sup>29</sup>Since the sample for each column consists of Forbes 400 billionaires observed in both 2001 and year  $t$ , sample size shrinks over time from 335 in 2003 to 195 in 2010.



tax base for states. Here we use our estimates of the effect of estate taxes on the number of billionaires in a state to quantify the magnitude of the decline in the aggregate tax base caused by mobility.

Table 8 shows the effect of the tax induced mobility on the total number of Forbes billionaires subject to state estate taxes (row 1) and their aggregate wealth (row 2). In particular, Column 1 shows the total number of Forbes billionaires subject to state estate taxes in 2001 and their total wealth. Column 2 shows the estimated changes due to mobility, obtained by multiplying the baseline number of Forbes billionaires in 2001 and their 2001 wealth by  $-0.328$  and  $-0.397$ , respectively—the estimated elasticities from columns 3 and 7 of Table 4.

Entries indicate that there were 72 Forbes billionaires subject to state estate taxes in 2001, and that tax induced mobility after 2001 resulted in 23.1 fewer Forbes billionaires subject to state estate taxes. Moreover, \$203.3 billion of Forbes billionaires' wealth was subject to state estate taxes in 2001, and that tax induced mobility resulted in a drop of \$80.7 billion in wealth subject to state estate taxes. This appears to be a large aggregate loss in the estate tax base of states. The way to interpret these numbers is that they represent the long-run effect of mobility stemming from state tax differences on the stock of billionaires and the stock of wealth subject to state estate taxes, rather the annual flow of tax revenues. If we assume an effective estate tax rate of 8.25% as estimated in Section 4 above, the loss of \$80.7 billion implies an aggregate long term loss of tax revenues of \$6.66 billion. Since 10 states had an estate tax in 2001, this amounts to a mean loss per state equal to \$666 million.<sup>30</sup>

## 6 Costs and Benefits for States of Enacting an Estate Tax

In section 5, we found a high elasticity of Forbes billionaires' state of residence with respect to state estate taxes, especially for older individuals. In this section, we study what that estimated elasticity implies for state tax policies. Should estate tax states repeal estate taxes? Should non-estate tax states adopt estate taxes?

States face a trade-off. On the one hand, adoption of the estate tax implies a one-time estate tax revenue gain for the state when a resident billionaire dies. As discussed in the introduction, the magnitude of this revenue can be substantial, and in some cases it can amount to a significant fraction of a state's overall annual revenue. On the other hand, our

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<sup>30</sup>Again, this is not the change in the annual tax revenue flow. Rather it is the overall change in (undiscounted) revenues over all future years from the pool of Forbes 400 billionaires observed in 2001.

estimates indicate that the adoption of estate reduces the number of billionaires residing in the state. In terms of state tax revenue, the main cost is the foregone income tax revenues over the remaining lifetime of each billionaire who leaves the state due to the estate tax, as well as any potential new billionaires that might have moved to the state in the absence of an estate tax. The cost of foregone income tax revenue from a given billionaire is different for different states: it is higher the higher is the state's income tax rate on billionaires, which is approximately equal to their top marginal rate.

This trade-off is not the usual Laffer-curve style trade-off that the literature typically focuses on, where states with high tax rates are compared to states with low tax rates. There is little empirical variation in estate tax rates—with virtually all states at either zero or 16%. While states are free to set different rates, in practice they generally have stuck with 16%, which is a historical carryover from the 16% maximum rate in the federal credit that existed until 2001. Thus, in our calculations we compare tax revenues in the case where a state has a 16% estate tax with tax revenues in the case where the state has no estate tax at all. This is consistent both with the binary nature of state estate tax choices in practice, and with the variation that is used to identify our empirical estimates of the effect of estate taxes on billionaires' geographical location.

We seek to compare the magnitude of the costs and the benefits for different states of adopting estate taxes in 2017. We use estimates of the elasticity of location with respect to estate taxes from the previous section. We consider two types of estate tax in turn. First, we provide an analysis of the costs and benefits for states of an estate tax that specifically targets billionaires, or more precisely, members of the Forbes 400. Second, we generalize our findings and provide costs and benefits of an estate tax on the full population of wealthy taxpayers, defined as taxpayers with wealth above the 2017 federal estate tax exemption. This last part of the analysis is more speculative, as it inevitably depends on an assumption of how the elasticity that we have estimated for the ultra-wealthy maps to the analogous elasticity for the broader population of federal estate taxpayers.

## 6.1 An Expression for Costs and Benefits

To fix ideas, consider the simplest possible case of a representative Forbes billionaire in a representative state. For state  $s$  that does not have an estate tax in 2017 and adopts it in 2017, we can write the benefit as the net present value of additional tax revenues due to the estate tax at the time of death of billionaires who remain in the state after the tax adoption. We can write the cost as the net present value between 2017 and infinity of the lost personal tax revenues due to the loss of some of the billionaires who would have resided in the state

had it not been for the estate tax.

$$Benefit_s = \left(\frac{1}{1+r}\right)^T \cdot W \tau_s^W \cdot (1 - \eta) N_s \quad (1)$$

$$Cost_s = \sum_{i=1}^T \left(\frac{1}{1+r}\right)^i \cdot Y \tau_s^Y \cdot \eta N_s \quad (2)$$

where  $Y$  and  $W$  are the taxable income and wealth of the median billionaire;  $N_s$  is the initial number of billionaires in state  $s$  before adoption of an estate tax; and  $\eta$  is our estimate of the elasticity of the Forbes 400 population in a state with respect to the estate indicator. Thus,  $(1 - \eta)N_s$  in equation 1 is the number of billionaires left in the state after adoption and  $\eta N_s$  in equation 2 is the number of billionaires who leave the state because of adoption.  $\tau_s^W$  and  $\tau_s^Y$  are the effective state estate tax rate and the effective personal income tax rate that applies to Forbes billionaires, respectively;  $T$  is remaining lifetime for a billionaire or his spouse, whichever is longer (recall that estate taxes are paid when the surviving spouse of a couple dies.);  $r$  is the discount rate.

In practice, the benefits and costs are more complicated because the effect of estate tax adoption on the number of billionaires was found to vary significantly depending on age. Thus, we use a more general expression of costs and benefits that allows for the elasticity  $\eta$  to vary by age and for states to differ in the the age structure of their billionaire population:

$$Benefit_s = \sum_{a=0}^{100} \left[ \left(\frac{1}{1+r}\right)^{T_a} \cdot W \tau_s^W \cdot (1 - \eta_a) N_{a,s} \right] \quad (3)$$

$$Cost_s = \sum_{a=0}^{100} \left[ \sum_{i=1}^{T_a} \left(\frac{1}{1+r}\right)^i \cdot Y \tau_s^Y \cdot \eta_a N_{a,s} \right] \quad (4)$$

where  $a$  indexes age;  $\eta_a$  is the estimated elasticity at age  $a$ ;  $N_{a,s}$  is the initial number of billionaires of age  $a$  in the state in the before adoption of the estate tax; and  $T_a$  is remaining life expectancy of a billionaire at age  $a$  or his spouse, whichever is longer.

We use our estimates from the previous section to set  $\eta_a$ . In particular, based on Table 6, column 3, we set  $\eta_a = 0.0016 - 0.00394 * a$ , where 0.0016 is the estimated intercept and -0.00394 is the estimated elasticity age gradient.  $N_{a,s}$  is observed in our data. We set  $W$  equal to 40% of the mean wealth of the Forbes 400 in 2017 (\$6.69 billion), which yields \$2.668 billion. 40% is the estimated share of Forbes reported wealth that is ultimately taxed by the federal estate tax (after accounting for charitable deductions), according to Raub et al. [2010]'s analysis of confidential IRS data on Forbes 400 decedents.<sup>31</sup> We set  $Y$  equal

<sup>31</sup><https://www.irs.gov/pub/irs-soi/08es031k.xls>

to 9.4% of  $W$ , which yields \$252 million.<sup>32</sup> State personal income tax rates  $\tau_s^Y$  are from Taxsim. In particular, we use the top marginal rate in each state in 2017. Recall that for this high-wealth, high-income population that average tax rate will be approximately equal to the top marginal tax rate. Empirically, the top rate in 2017 varies from 0 to 14%. We set  $\tau_s^W = 8.25\%$ , which we estimated in section 4 to be the effective ET rate for deaths of Forbes billionaires. For  $T_a$ , we use the 2017 joint expected life expectancy for married couples, by age of the older spouse, from the IRS (Publication 590-B, Appendix B). In particular, we set  $T_a$  equal to the remaining life expectancy of an individual at age  $a$  or his or her spouse, whichever is longer. For  $r$ , we use 0.04.

Costs and benefits are measured in dollars, and their ratio tells us whether a state that does not have an estate tax in 2017 would experience an increase or a decrease in the NPV of tax revenues if it adopted an estate tax in 2017. For states that do have an estate tax in 2017, we use the same expression to estimate whether the state would experience an increase or a decrease in tax revenues if it repealed the tax. For both groups, we present costs and benefits defined as costs and benefits of having an estate tax relative to not having one.<sup>33</sup>

Three caveats need to be considered. First, the costs exclude sales tax and property tax revenues, which are mostly local (city and county). Second, the joint expected life expectancy published by the IRS is for the general population. If billionaires of a given age live longer, or tend to have younger wives, the benefits are overestimated and the costs underestimated. Finally, and most importantly, our measure of costs only includes the foregone taxable income of the billionaires who relocate due to the estate tax. Their relocation may have additional costs for the state if it causes relocation of firms and investments. An analysis of these indirect effects is a paper in itself, and outside the scope of the current analysis.

## 6.2 Estimates of Costs and Benefits of an Estate Tax on Billionaires

Based on these assumptions, we estimate that the cost-benefit ratio of having a billionaire estate tax in 2017 is 0.85 for the average state (with at least one billionaire), indicating

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<sup>32</sup>An alternative approach to estimating  $Y$  would be based on the mean taxable income of the top 400 *income* taxpayers from the latest year (2014) of IRS statistics on income data. Saez and Zucman [2019] estimate (based on Survey of Consumer Finances data) that top 400 income taxpayers likely had income twice as large as that of the Forbes 400, which would imply 2017 income for the Forbes 400 of roughly \$165 million. 9.4% is the ratio of taxable income to gross estate value for federal estate taxpayers under 70 (given the median age of the Forbes 400 is 65), according to IRS statistics on income data for 2008.

<sup>33</sup>In practice,  $N_{a,s}$  is measured as the number of billionaires of age  $a$  observed in the state in 2017 in our data. For states that do not have ET in 2017,  $\eta_a N_{a,s}$  is the estimated long-run loss in the number of billionaires caused by adoption. For states that do have ET in 2017,  $\eta_a N_{a,s}$  is the estimated long-run gain in the number of billionaires caused by repeal. Similarly for  $(1 - \eta_a)N_{a,s}$ .

that the the additional revenues from the estate tax exceeds the cost of foregone income tax revenues by a significant margin. In other words, for the average state, despite the high elasticity of billionaires to state estate taxes, the gain from taxing the estates of the remaining billionaire population exceeds the loss of income tax flows from those billionaires that flee.

However, the cost-benefit ratio varies greatly across states due to the variation in state income tax rates. States with a cost benefit ratio above 1 tend to be those with high personal income tax rates, while states with a low cost benefit ratio have low personal income tax rates. States with zero personal income tax rates have a cost-benefit ratio equal to 0.

Table 9 shows estimates of costs and benefits for each state. Panel A includes states that had an estate tax as of 2017. The first row indicates that Connecticut had 7 Forbes billionaires in 2017, with an aggregate wealth of \$47.2 billion. Based on the state personal income tax rate, we estimate the cost of having an estate tax to be 19% larger than the benefit, with a cost-benefit ratio equal to 1.19. In the last column we show that expected present value of having an estate tax is -\$77 million. (We stress that entries in column 5 are not annual figures, but the net present value computed between 2017 and infinity.) By contrast, row 4 indicates that for Illinois the benefit of having an estate tax is 15% larger than the cost, with a cost-benefit ratio equal to 0.85. The expected present value of having an estate tax is \$108 million.

In general, we find that half of states that currently have an estate tax have a cost-benefit ratio above one and half have a ratio below one.

The difference states with above-one cost-benefit ratios like Connecticut and those like Illinois is the level of their personal income tax rate. The lower the PIT rate, the lower will be the opportunity cost of forgone billionaires' income tax streams. Indeed, for the state of Washington, which has no PIT, estate taxes have only benefits. We estimate that expected present value of having an estate tax is \$553 million, the largest in this group. Maryland, Massachusetts and Pennsylvania are other examples of states with benefits much larger than costs, with cost-benefit ratios equal to 0.92, 0.87 and 0.60, respectively. New York has a cost-benefit ratio of 1.19, and an expected present value of having estate tax equal to -\$790 million.

The last row in panel A indicates that for the average state in 2017 that had at least one billionaire, the cost of having an estate tax is 8% larger than the benefit.

Panel B shows results for states that did not have an estate tax in 2017. In this group, California has by far the largest cost-benefit ratio—2.55—because it has the highest PIT rate. We estimate that if California adopted the estate tax, it would lose \$7.763 billion in EPV of revenue. However, California is more the exception than the rule. For most other

states in this panel, we estimate that the cost-benefit ratio is below 1, indicating that estate tax adoption would increase their tax revenues. For example, Florida and Texas have no personal income tax and therefore the cost-benefit ratio for them is 0. The adoption of an estate tax in these states would increase tax revenues unambiguously. We estimate that they would gain \$2.138 and \$1.922 billion, respectively, in EPV of revenues if they adopted estate tax. The two other states with the largest absolute gains from adoption in this group are Nevada and Tennessee.

Of the 30 states that in 2017 did not have estate tax and had at least one billionaire, 21 states would increase their revenues if they adopted estate taxes. The last row indicates that on average, the cost-benefit ratio for this group is 0.77 indicating that the average non-adopting state would benefit significantly from adoption.

We conclude that for the average state without estate taxes in 2017, which describes most states, the tax revenue benefit of having an estate tax on billionaires would significantly exceed the cost from foregone income tax revenues. For the ten states that had an estate tax in 2017 and at least one billionaire, the evaluation is mixed; half benefit on net for taxing billionaire estates and half do not. Overall, the vast majority of US states would benefit from adopting an estate tax on billionaires. However, the ratio depends strongly on the personal income tax rate: the cost substantially exceeds the benefit in states with high income tax rates.

### 6.3 Estimates of Costs and Benefits of a Broad Estate Tax

Above we calculated costs and benefits for states of adopting an estate tax on billionaires' estates. Here, we extend the analysis to consider the costs and benefits of adopting a broader estate tax, one that applies to all wealthy taxpayers. We define wealthy taxpayers with estate value above the 2017 exemption threshold for the federal estate tax: \$5.5 million for individuals and \$11 million for couples.<sup>34</sup>

For each state, we compute the costs and benefits of an estate tax on this broader group of wealthy taxpayers using the same approach that we used above for billionaires. In particular, we use the same formula for costs and benefits—equations (3) and (4)—with different parameters and data.

The key parameter that we need is the elasticity of mobility with respect to the estate tax. It is not clear how the elasticity that applies on average to all wealthy taxpayers—those with wealth above \$5.5-\$11 million—compares to the elasticity that we have estimated for the ultra-wealthy—the Forbes 400 billionaires. We present estimates of costs and benefits

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<sup>34</sup>Many estate-tax states follow this federal exemption level in 2017, while some had lower exemptions. (The lowest is \$1 million in Massachusetts and Oregon (see Michael [2018])).

under two alternative assumptions about the elasticity: (a) the elasticity for taxpayers with wealth above \$5.5-\$11 million is the same as the elasticity that we estimated for Forbes billionaires or (b) it is half of what we estimated for billionaires. We note that within the sample of Forbes billionaires, we did not find major differences for those in the top 100 group, top 200 or top 300.

To quantify the cost-benefit analysis for the broad group of wealthy taxpayers, we also need state-by-state data on (1) the estate tax base ( $(W_{as}N_{as})$  – i.e., the total wealth of all state residents with wealth above the exemption level, (2) the income tax base for potential estate taxpayers ( $(Y_{as}N_{as})$  – i.e., the total income of all state residents with wealth above the exemption level, (3) the average effective tax rates on estate wealth ( $\tau_s^W$ ) and income ( $\tau_s^Y$ ) for potential estate taxpayers, and (4) the elasticity of mobility with respect to the estate tax. We discuss the data sources for each of these variables in Appendix A.

Table 10 shows estimates of costs and benefits under each of the two alternative assumptions on the elasticity of tax mobility. Starting with estimates based on the baseline elasticity, Panel A shows that among states that in 2017 have a estate tax, the costs of adoption exceed the benefits only in four states: Hawaii, Minnesota, Oregon and Vermont. These same states had a cost-benefit ratio larger than 1 in the previous table. In the other 10 states, the benefits of adoption exceed the costs. The last row in panel A indicates that for the average state that in 2017 had an estate tax, the benefits of having the estate tax are 15% larger than the cost. Overall, a comparison of Panel A in Table 10 with Panel A in the previous table indicates that the cost-benefit ratio of a broad estate tax generally is a bit lower than that for a billionaire estate tax. The net present value of the benefits is of course much larger in the case of a broad estate tax, since the tax base is much larger.

Panel B shows results for states that did not have an estate tax in 2017. California remains the state with the largest cost-benefit ratio by far: 1.81, which is similar to the ratio in the previous table. Just like in the previous table, the estimated cost-benefit ratio is below 1 for most states. In particular, of the 36 states that in 2017 did not have estate tax, the cost of the tax exceeds the benefit in only two cases: California and New Jersey. In the remaining 34 states, the benefits of adoption exceed the costs. The last row indicates that on average, the cost-benefit ratio for this group is 0.56 indicating that the average non-adopting state would benefit significantly from adoption.

Overall, estimates of the cost-benefit ratio for a broad estate tax based on the baseline elasticity are generally similar, or slightly lower, to cost-benefit ratio for a billionaire estate tax. They indicate that in the most of the states that currently have an estate tax, benefits exceed costs. And the vast majority of US states that currently do not have an estate tax would benefit from adopting estate taxes.

Entries in the last two columns of the table report estimated costs and benefits when we use an elasticity of mobility with respect to an estate tax for the population of wealthy taxpayers that is equal to half of the elasticity estimated for Forbes billionaires. The costs benefits ratios are even lower. This is to be expected: lower elasticity means that the adoption of the tax causes a smaller loss in the number of wealthy taxpayers, and therefore a smaller decline in personal tax revenues. In this scenario, the cost-benefits ratio is below one for all states, including California.

Based on Tables 9 and 10 we conclude that the policy implications for states that we draw from focusing on a billionaire estate tax are qualitatively similar to the implications that we draw from broad estate tax: for most states, the benefits of adopting an estate tax exceed the costs, whether the tax is imposed on the ultra-wealthy or the merely wealthy. For the latter group, we can't be certain of the exact benefits and costs, since the true elasticity of mobility with respect to estate taxes is unknown. But with only two exceptions, states that have a cost benefit ratio below 1 in the baseline scenario tend to have a cost benefit ratio below 1 also in the alternative scenario.

## 7 Conclusion

Estate taxes are a form of wealth taxation that takes place at death. The 2001 federal tax reform introduced stark cross-state variation in estate tax liabilities for wealthy taxpayers. Our findings indicate that the ultra-wealthy are keenly sensitive to this variation. Specifically, we find that billionaires responded strongly to geographical differences in estate taxes by increasingly moving to states without estate taxes, especially as they grew older. Our estimated elasticity implies that \$80.7 billion of 2001 Forbes 400 wealth escaped estate taxation in the subsequent years due to billionaires moving away from estate tax states.

Yet, despite the high elasticity of geographical location with respect to the estate tax, we find that for most states the benefit of additional revenue from the estate tax exceeds the cost of foregone income tax revenue by a significant margin. Adoption of an estate tax implies a one-time tax revenue gain for the state when a resident billionaire dies, but it also reduces its billionaire population and thus their flow of income tax revenue over remaining lifetimes. For the average state the benefit of additional revenue from the estate tax exceeds the cost of foregone income tax revenue by 30%. While the cost-benefit ratio varies substantially across states, most states that currently do not have estate taxes would experience revenue gains if they adopted estate taxes. California, which has the highest personal income top tax rate, is the main exception.



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## Appendix A

In this appendix, we discuss the data that we use in section 6.3 to compute the costs and benefits of a broad-based estate tax on wealthy taxpayers.

We use equations (3) and (4). We need state-by-state data or estimates on (1) the estate tax base ( $(W_{as}N_{as})$  – i.e., the total wealth of all state residents with wealth above the exemption level, (2) the income tax base for potential estate taxpayers ( $(Y_{as}N_{as})$  – i.e., the total income of all state residents with wealth above the exemption level, (3) the average effective tax rates on estate wealth ( $\tau_s^W$ ) and income ( $\tau_s^Y$ ) for potential estate taxpayers.

**Estate tax base.** In 2017, the federal estate tax applies to estate values above \$5.5 million for individuals and \$11 million for couples. Most current estate-tax states follow this federal exemption level, while some had lower exemptions. (The lowest is \$1 million in Massachusetts and Oregon (see Michael [2018])). In our calculations, we use for simplicity the same exemption threshold that applies U.S. federal estate tax and same degree of progressivity – except with a 16% top marginal rate, which is the top rate nearly all estate-tax states have currently.

To estimate the potential estate tax base in each state, we start with IRS Statistics on Income (SOI) data on total estate values reported on federal estate tax returns by state of residence.<sup>35</sup> Because the wealth by state on federal estate tax returns can be volatile from year to year, especially for small states, we use the average over 2015-2017 rather than just 2017. To fully utilize age-specific IRS data on income to wealth ratios discussed below, we apportion the statewide estate values to three broad age group (under 70, 70-79, and over 79) using national shares of estate tax returns by age group. Following the estate multiplier technique of Kopczuk and Saez [2004] and others, we estimate the underlying living population of wealthy taxpayers in each state by dividing the total estate values by the mortality rate for each age group from the Social Security Administration.<sup>36</sup> Given that mortality rates have been found to be considerably lower for the wealthy than for the general population, we adjust the mortality rates based on the mortality differentials provided in Saez and Zucman [2019].

**Income tax base.** The income tax base for the population of potential estate taxpayers, by state and age group, can be estimated by multiplying the state-specific taxable estate tax values ( $(W_{as}N_{as})$ ) obtained above by the aggregate ratio of taxable income ( $(Y_aN_a)$ ) to taxable estate value ( $(W_aN_a)$ ) over all federal estate taxpayers:  $Y_{as}N_{as} = W_{as}N_{as} \left( \frac{Y_aN_a}{W_aN_a} \right)$ . The national aggregates of  $Y_aN_a$  and  $W_aN_a$ , by age group, are provided by the IRS Statistics on Income. Specifically, for 2008, the IRS matched all federal estate tax returns to the Form

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<sup>35</sup><https://www.irs.gov/statistics/soi-tax-stats-estate-tax-statistics-filing-year-table-2>.

<sup>36</sup><https://www.ssa.gov/oact/STATS/table4c6.html#ss>.

1040 income tax returns filed by the decedent in the year prior to death. They report both total estate value and prior-year total income across taxpayers within each broad age group. In aggregate, these taxpayers had gross estate values of \$117.1 billion and prior-year taxable incomes of \$7.9 billion – an income/wealth ratio of 0.067. The ratio falls with age (due primarily to labor income falling sharply over these three age groups): It is 0.094 for those under 70, 0.066 for ages 70 to 79, and 0.053 for those over 79.

**Average effective tax rates.** For the average effective income tax rate, we use the top marginal tax rate, as we did in the previous section. Top income tax brackets among states generally start at incomes well below the income levels of individuals with wealth above the federal estate tax exemption (\$11 million for couples). Given that we seek to estimate the costs and benefits of states adopting an estate tax with the same degree of progressivity as the federal estate tax, albeit with a lower top rate (16%), we need to take account of this progressivity when estimating the average effective estate tax rate. To estimate this average rate, we multiply the top marginal rate in state estate taxes, 16%, by the ratio of the average tax rate to the top marginal tax rate in the federal estate tax. The federal top marginal rate in 2017 was 40%. The average effective tax rate, based on 2017 IRS SOI data on total estate tax payments as a percentage of gross estate values (adjusted for spousal deductions) 25%. Hence, we estimate the effective state average estate tax rate would be  $16\% * (25/40) = 10\%$ .

Table 1: Summary Statistics

Panel A. Individual-by-Year Observations. 1982 – 2017

	Mean	Median	Standard Deviation	Minimum	Maximum
Age	64.31	65.00	13.11	23.00	96.00
Net Worth (billions, 2017 dollars)	3.02	1.60	5.73	0.19	125.06
Observations	13432				

Panel B. Distribution of Net Worth – 2017

	1st	10th	25th	50th	75th	90th	99th
Net Worth (Billions, 2017 Dollars)	2.0	2.2	2.7	3.7	5.5	12.0	71.0

Panel C. State-by-Year Observations. 1982 – 2017

	Mean	Median	Standard Deviation	Minimum	Maximum
Population of Forbes 400	7.68	3.00	15.07	0.00	98.00
Net Worth (billions 2017 dollars)	22.63	5.86	53.36	0.00	617.80
Estate Tax Indicator	0.30	0.00	0.46	0.00	1.00
Top PIT Rate	4.86	5.40	2.96	0.00	14.10
Observations	1750				

Table 2: Forbes 400 by State, 2017

State	Forbes Population in 2017	Mean Wealth in 2017 (mil)	1982-2017 Change in Forbes Population
Alabama	0		0
Alaska	0		0
Arizona	5	2780	4
Arkansas	5	16800	3
California	92	6715	37
Colorado	5	8540	0
Connecticut	7	6743	3
Delaware	0		-14
Florida	35	4229	14
Georgia	9	4767	1
Hawaii	1	9600	0
Idaho	1	2700	-2
Illinois	14	3443	-2
Indiana	3	4300	1
Iowa	1	3900	1
Kansas	2	25800	0
Kentucky	1	2700	-1
Louisiana	1	2800	0
Maine	0		-1
Maryland	7	3371	3
Massachusetts	8	5988	0
Michigan	6	4417	-1
Minnesota	3	3500	-5
Mississippi	0		0
Missouri	5	5700	2
Montana	3	4700	3
Nebraska	2	41100	1
Nevada	8	7475	5
New Hampshire	0		-1
New Jersey	6	5083	0
New Mexico	0		-1
New York	71	6256	-10
North Carolina	3	5800	3
North Dakota	0		0
Ohio	3	3467	-7
Oklahoma	5	6860	-2
Oregon	1	25200	-2
Pennsylvania	5	3500	-12
Rhode Island	0		-1
South Carolina	1	3500	0
South Dakota	1	2200	1
Tennessee	8	3813	5
Texas	34	5600	-30
Utah	0		0
Vermont	0		-2
Virginia	4	8775	-2
Washington	10	24590	9
West Virginia	0		-1
Wisconsin	9	5122	8
Wyoming	4	11700	3
Average	8	7988	0

Table 3: Forbes 400 by Consolidated Metro Area (Top 40), 2017

City	Forbes Population in 2017	Mean Wealth in 2017 (mil)	1982-2017 Change in Forbes Population
Atlanta-Sandy Springs-Gainesville, GA-AL	9	4767	2
Austin-Round Rock-Marble Falls, TX	4	8025	4
Boston-Worcester-Manchester, MA-RI-NH	8	5988	-2
Charleston-North Charleston-Summerville, SC	1	3500	1
Chattanooga-Cleveland-Athens, TN-GA	1	2400	0
Chicago-Naperville-Michigan City, IL-IN-WI	14	3443	-2
Columbia, MO	2	6800	2
Dallas-Fort Worth, TX	18	5950	-9
Denver-Aurora-Boulder, CO	4	9900	-1
Detroit-Warren-Flint, MI	3	4400	-1
Fayetteville-Springdale-Rogers, AR-MO	4	20375	3
Houston-Baytown-Huntsville, TX	11	4464	-10
Indianapolis-Anderson-Columbus, IN	2	2700	0
Jackson, WY	4	11700	4
Kalamazoo-Portage, MI	2	3950	0
Knoxville-Sevierville-La Follette, TN	2	3050	2
Las Vegas-Paradise-Pahrump, NV	7	7471	4
Livingston	1	4200	1
Los Angeles-Long Beach-Riverside, CA	31	4806	3
Miami-Fort Lauderdale-Pompano Beach, FL	25	4416	13
Milwaukee-Racine-Waukesha, WI	4	3800	3
Minneapolis-St. Paul-St. Cloud, MN-WI	2	4100	-5
Naples-Marco Island, FL	3	5033	2
Nashville-Davidson-Murfreesboro-Columbia, TN	4	4275	3
New York-Newark-Bridgeport, NY-NJ-CT-PA	80	6368	-9
Oklahoma City-Shawnee, OK	3	7867	-2
Omaha-Council Bluffs-Fremont, NE-IA	2	41100	1
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	5	3500	-16
Phoenix-Mesa-Glendale, AZ	5	2780	5
Portland-Vancouver-Hillsboro, OR-WA	2	14450	0
Raleigh-Durham-Cary, NC	2	6700	2
Rochester-Batavia-Seneca Falls, NY	2	2850	2
San Diego-Carlsbad-San Marcos, CA	2	3750	-2
San Jose-San Francisco-Oakland, CA	54	8154	37
Santa Barbara-Santa Maria-Goleta, CA	2	4250	2
Seattle-Tacoma-Olympia, WA	8	29775	7
St. Louis-St. Charles-Farmington, MO-IL	2	5450	1
Tampa-St. Petersburg-Clearwater, FL	4	2375	3
Tulsa-Bartlesville, OK	2	5350	0
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	10	5490	4
Average	9	7243	1



Table 4: Difference-in-Difference  
 Dependent Variable: Population of Forbes 400

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					IV	Per Capita	Wealth	Incl. inher. tax	Drop NY	Drop 2002-04
ET-State X post-2001	-4.016*** (0.745)	-4.126*** (0.747)	-2.358*** (0.683)	-2.387*** (0.810)	-3.019* (1.635)	-0.662** (0.333)	-16.52*** (2.442)	-2.269*** (0.657)	-2.339*** (0.718)	-2.558*** (0.700)
ET-State	1.639*** (0.383)	1.748*** (0.388)	1.345*** (0.512)	1.243** (0.513)	-0.466 (0.395)	0.346*** (0.106)	11.67* (6.596)	1.156*** (0.417)	1.028*** (0.372)	1.215** (0.528)
post-2001	1.018*** (0.203)									
PIT X post-2001				0.0000430 (0.00101)						
PIT				0.00320*** (0.000940)						
Observations	1750	1750	1750	1750	1750	1750	1750	1750	1715	1650
Semi-elasticity	-.558	-.573	-.328	-.331	-.419	-.541	-.397	-.315	-.325	-.355
<i>Std. Error</i>	.103	.104	.095	.112	.227	.272	.059	.091	.1	.097
State Fixed Effects	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Driscoll-Kraay (with 10-year bandwidth) standard errors in parentheses. IV regression instruments for  $ET\text{-}State_{s,t}$  and its interactions using a variable (and its corresponding interactions) equal to  $ET\text{-}State_{s,t}$  for  $t < 2001$  and to  $ET\text{-}State_{s,2001}$  for  $t \geq 2001$ .

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 5: Triple-Difference  
 Dependent Variable: Population of Forbes 400

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			IV	Per Capita	Wealth	Incl. inher. tax	Drop NY	Drop 2002-04
ET-state X post-2001 X old	-0.991*** (0.330)	-0.798*** (0.282)	-1.907*** (0.549)	-0.659*** (0.214)	-22.65*** (4.611)	-1.056*** (0.360)	-1.179*** (0.416)	-1.161*** (0.269)
ET-state X old	0.335* (0.185)	0.159 (0.225)	3.073*** (0.459)	0.476*** (0.158)	6.643*** (2.427)	0.399** (0.169)	0.560*** (0.180)	0.335* (0.185)
ET-State X post-2001	-1.567*** (0.416)	-0.794* (0.445)	-0.556 (1.001)	-0.00184 (0.0802)	3.065 (2.777)	-0.631** (0.284)	-0.580** (0.252)	-0.699** (0.349)
old X post-2001	1.717*** (0.271)	2.953*** (0.571)	2.066*** (0.464)	0.330*** (0.0741)	18.59*** (3.084)	1.738*** (0.294)	1.472*** (0.271)	1.782*** (0.265)
ET-State	0.707*** (0.248)	0.542 (0.336)	-1.769*** (0.0853)	-0.0653 (0.0787)	2.513 (4.189)	0.421* (0.228)	0.234 (0.248)	0.440 (0.323)
old	-0.616*** (0.214)	-1.803*** (0.0922)	-1.473*** (0.459)	-0.0886* (0.0495)	-7.344*** (1.479)	-0.636*** (0.232)	-0.625*** (0.217)	-0.616*** (0.214)
PIT X post-2001 X old		-0.273*** (0.0918)						
PIT X old		0.262*** (0.0201)						
PIT X post-2001		0.138** (0.0631)						
PIT		0.0289 (0.0457)						
Observations	3500	3500	3500	3500	3500	3500	3430	3300
Semi-elasticity	-.225	-.181	-.433	-.859	-.777	-.24	-.268	-.264
Std. Error	.075	.064	.125	.049		.082	.095	.061

Driscoll-Kraay (with 10-year bandwidth) standard errors in parentheses. All regressions include year fixed effects. Note state fixed effects are absorbed by old-young differencing. IV regression instruments for ET-State<sub>s,t</sub> and its interactions using a variable (and its corresponding interactions) equal to ET-State<sub>s,t</sub> for t<2001 and to ET-State<sub>s,2001</sub> for t≥2001..

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 6: Linear Probability Model  
Probability of Living in Estate Tax State

	(1)	(2)	(3)	(4)	(5)
	1982-2001	2002-2017	1982-2017	1982-2017	High MTR
Age	0.00160 (0.00129)	-0.00233* (0.00128)	0.00160 (0.00129)	0.000457 (0.000605)	0.0000501 (0.000257)
Age X post-2001			-0.00394** (0.00178)	-0.00257** (0.00107)	-0.000628 (0.000552)
Observations	7386	5525	12911	12911	12910
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
State Fixed Effects	No	No	No	Yes	Yes

Standard errors (in parentheses) two-way clustered by individual and by state.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 7: Probability of Switching State of Residence from ET to Non-ET and from Non-ET to ET

Panel A: All Forbes 400 Individuals Observed in 2001

	2003	2004	2005	2006	2007	2008	2009	2010
% from ET to non-ET	6.67	7.84	10.42	8.89	17.65	25.71	32.26	46.43
% from non-ET to ET	4.00	3.23	7.96	7.14	6.74	6.67	11.41	11.38
Difference	2.67	4.62	2.45	1.75	10.91	19.05	20.85	35.05

Panel B: Forbes 400 Individuals Observed in 2001 – 65 and Over

	2003	2004	2005	2006	2007	2008	2009	2010
% from ET to non-ET	11.43	12.50	13.79	14.81	30.00	35.00	46.67	64.29
% from non-ET to ET	4.58	2.63	4.95	5.62	4.41	2.90	5.71	6.35
Difference	6.85	9.87	8.84	9.20	25.59	32.10	40.95	57.94

Panel C: Forbes 400 Individuals Observed in 2001 – Under 65

	2003	2004	2005	2006	2007	2008	2009	2010
% from ET to non-ET	0.00	0.00	5.26	0.00	0.00	13.33	18.75	28.57
% from non-ET to ET	3.47	3.73	10.40	8.26	8.18	9.01	14.91	14.42
Difference	-3.47	-3.73	-5.14	-8.26	-8.18	4.32	3.84	14.15

Notes: “ET” denotes status of living in estate tax state; “Non-ET” denotes status of living in non-estate tax state. Sample for each column consists of Forbes 400 billionaires observed in both 2001 and year  $t$ . Entries indicate the percentage of individuals observed in 2001 who, by year  $t$ , have switched ET status. Age is measured in 2001.

Table 8: Effect of Tax Induced Mobility on State Aggregate Tax Base

	2001 Level in Estate Tax States	Estimated 2001-2017 Change Due to Mobility
	(1)	(2)
Number of Billionaires	72	-23.6
Total Wealth (Billions)	203.3	-80.7

Notes: Column (2) is based on the estimated semi-elasticities from columns 3 and 7 of Table 4. Dollars figures are in 2017 Dollars.

Table 9: Cost-Benefit Calculations for Billionaire Estate Tax

Panel A. States with Estate Tax

State	Forbes Population	Forbes Wealth (mil)	Personal Income Tax Rate	Cost/Benefit	EPV Net Revenues from Adopting (mil)
Connecticut	7	47,200	6.99	1.19	-77
Delaware	0	0	6.80		0
Hawaii	1	9,600	11.20	2.44	-63
Illinois	14	48,200	4.35	0.85	108
Maine	0	0	7.15		0
Maryland	7	23,600	5.83	0.92	32
Massachusetts	8	47,900	5.10	0.87	63
Minnesota	3	10,500	10.15	1.28	-66
New York	71	444,200	6.89	1.19	-790
Oregon	1	25,200	9.99	1.44	-32
Pennsylvania	5	17,500	3.07	0.60	107
Rhode Island	0	0	5.99		0
Vermont	0	0	8.80		0
Washington	10	245,900	0.00	0.00	553
Average	9	65,700	6.59	1.08	-12

Panel B. States without Estate Tax

State	Forbes Population	Forbes Wealth (mil)	Personal Income Tax Rate	Cost/Benefit	EPV Net Revenues from Adopting (mil)
Alabama	0	0	3.42		0
Alaska	0	0	0.00		0
Arizona	5	13,900	4.47	0.88	34
Arkansas	5	84,000	5.33	0.89	33
California	92	617,800	14.10	2.55	-7,763
Colorado	5	42,700	4.77	0.78	72
Florida	35	148,000	0.00	0.00	2,138
Georgia	9	42,900	6.18	1.01	-8
Idaho	1	2,700	7.49	1.49	-28
Indiana	3	12,900	3.23	0.54	81
Iowa	1	3,900	6.38	1.07	-5
Kansas	2	51,600	5.28	0.84	21
Kentucky	1	2,700	6.18	0.75	20
Louisiana	1	2,800	4.17	0.36	58
Michigan	6	26,500	4.25	0.58	178
Mississippi	0	0	5.07		0
Missouri	5	28,500	6.08	1.10	-31
Montana	3	14,100	6.11	0.99	2
Nebraska	2	82,200	7.71	0.81	33
Nevada	8	59,800	0.00	0.00	495
New Hampshire	0	0	0.00		0
New Jersey	6	30,500	8.97	1.60	-207
New Mexico	0	0	3.83		0
North Carolina	3	17,400	5.50	0.87	27
North Dakota	0	0	2.34		0
Ohio	3	10,400	5.00	0.82	35
Oklahoma	5	34,300	2.59	0.42	190
South Carolina	1	3,500	5.55	1.04	-2
South Dakota	1	2,200	0.00	0.00	76
Tennessee	8	30,500	0.00	0.00	482
Texas	34	190,400	0.00	0.00	1,922
Utah	0	0	5.00		0
Virginia	4	35,100	5.83	1.11	-24
West Virginia	0	0	6.50		0
Wisconsin	9	46,100	6.51	1.11	-59
Wyoming	4	46,800	0.00	0.00	221
Average	7	46,783	4.38	0.77	-56

Table 10: Cost-Benefit Calculations for Broad Estate Tax

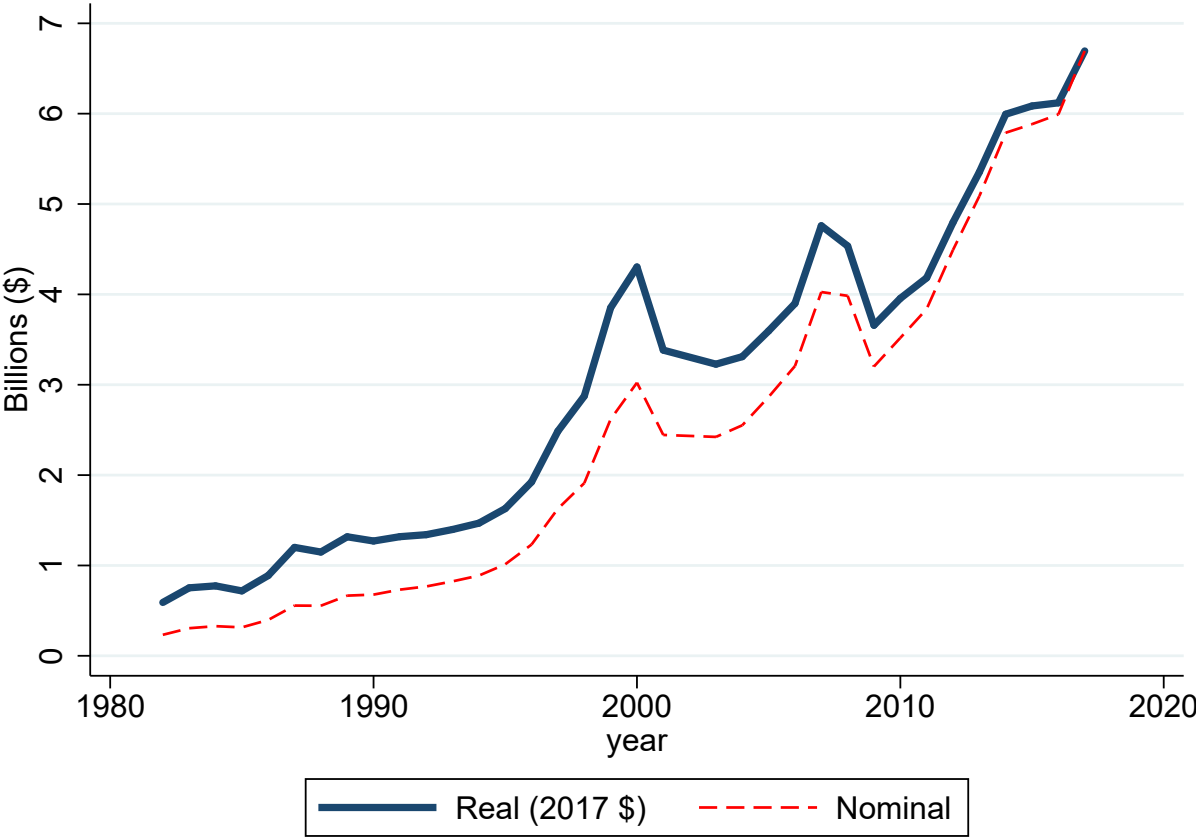
Panel A. States with Estate Tax

State	Personal Income Tax Rate	Baseline Elasticity		Lower Elasticity	
		Cost/Benefit	EPV Net Revenues from Adopting (mil)	Cost/Benefit	EPV Net Revenues from Adopting (mil)
Connecticut	6.99	0.90	989	0.38	7,156
Delaware	6.80	0.87	123	0.37	730
Hawaii	11.20	1.44	-769	0.61	819
Illinois	4.35	0.56	8,659	0.24	17,814
Maine	7.15	0.92	118	0.39	1,051
Maryland	5.83	0.75	1,952	0.32	6,318
Massachusetts	5.10	0.66	3,940	0.28	9,819
Minnesota	10.15	1.30	-2,290	0.55	4,030
New York	6.89	0.89	6,433	0.37	41,701
Oregon	9.99	1.28	-1,155	0.54	2,221
Pennsylvania	3.07	0.39	10,488	0.17	17,141
Rhode Island	5.99	0.77	576	0.32	2,004
Vermont	8.80	1.13	-101	0.48	482
Washington	0.00	0.00	7,766	0.00	9,218
Average	6.59	0.85	2,623	0.36	8,607

Panel B. States Without Estate Tax

State	Personal Income Tax Rate	Baseline Elasticity		Lower Elasticity	
		Cost/Benefit	EPV Net Revenues from Adopting (mil)	Cost/Benefit	EPV Net Revenues from Adopting (mil)
Alabama	3.42	0.44	2,082	0.19	3,596
Alaska	0.00	0.00	687	0.00	815
Arizona	4.47	0.57	2,717	0.24	5,743
Arkansas	5.33	0.68	1,103	0.29	2,954
California	14.10	1.81	-85,945	0.76	29,786
Colorado	4.77	0.61	2,741	0.26	6,233
Florida	0.00	0.00	67,395	0.00	79,994
Georgia	6.18	0.79	1,872	0.33	7,177
Idaho	7.49	0.96	35	0.41	649
Indiana	3.23	0.41	3,398	0.17	5,689
Iowa	6.38	0.82	648	0.35	2,792
Kansas	5.28	0.68	1,221	0.29	3,219
Kentucky	6.18	0.79	626	0.33	2,399
Louisiana	4.17	0.54	1,551	0.23	3,070
Michigan	4.25	0.55	5,180	0.23	10,429
Mississippi	5.07	0.65	632	0.27	1,561
Missouri	6.08	0.78	2,448	0.33	8,907
Montana	6.11	0.78	352	0.33	1,299
Nebraska	7.71	0.99	32	0.42	2,302
Nevada	0.00	0.00	8,552	0.00	10,151
New Hampshire	0.00	0.00	2,230	0.00	2,647
New Jersey	8.97	1.15	-2,391	0.49	9,585
New Mexico	3.83	0.49	609	0.21	1,127
North Carolina	5.50	0.71	2,420	0.30	6,875
North Dakota	2.34	0.30	695	0.13	1,031
Ohio	5.00	0.64	3,237	0.27	7,837
Oklahoma	2.59	0.33	3,097	0.14	4,734
South Carolina	5.55	0.71	1,178	0.30	3,410
South Dakota	0.00	0.00	1,316	0.00	1,562
Tennessee	0.00	0.00	4,991	0.00	5,924
Texas	0.00	0.00	29,367	0.00	34,858
Utah	5.00	0.64	705	0.27	1,706
Virginia	5.83	0.75	2,510	0.32	8,126
West Virginia	6.50	0.84	157	0.35	732
Wisconsin	6.51	0.84	930	0.35	4,354
Wyoming	0.00	0.00	2,371	0.00	2,814
Average	4.38	0.56	1,965	0.24	7,947

Figure 1: Average Wealth of Forbes 400 Sample (1982 to 2017)

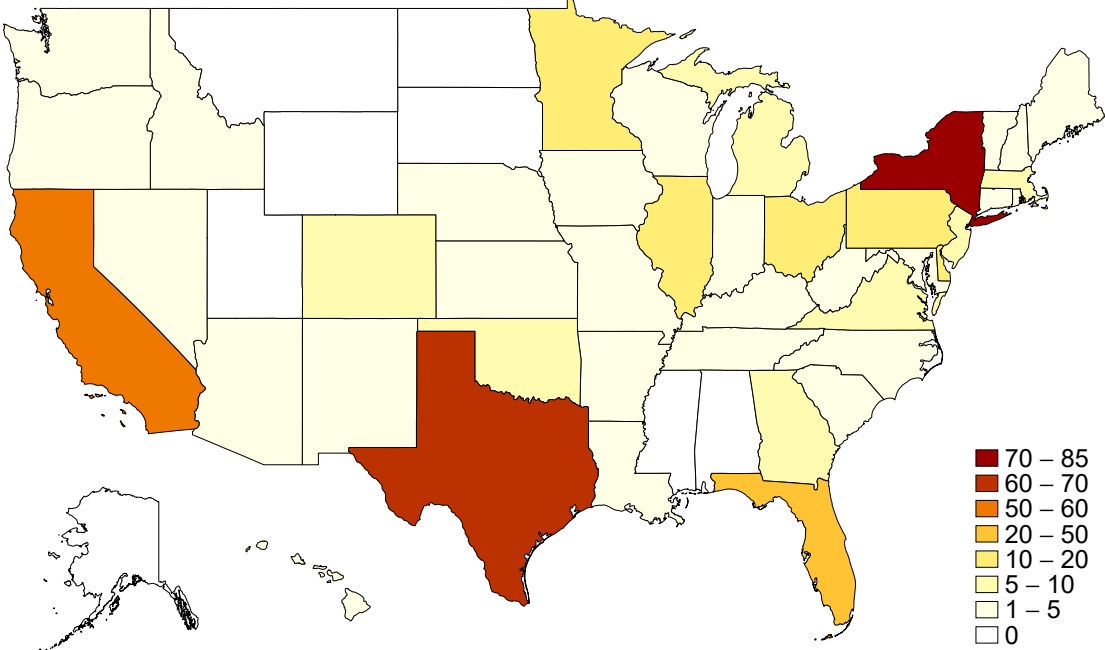


\*Based on our sample of Forbes 400 individual-year observations, which excludes those with no data on age or state of residence.



Figure 2: Population of Forbes 400 by State

Panel A. 1982



Panel B. 2017

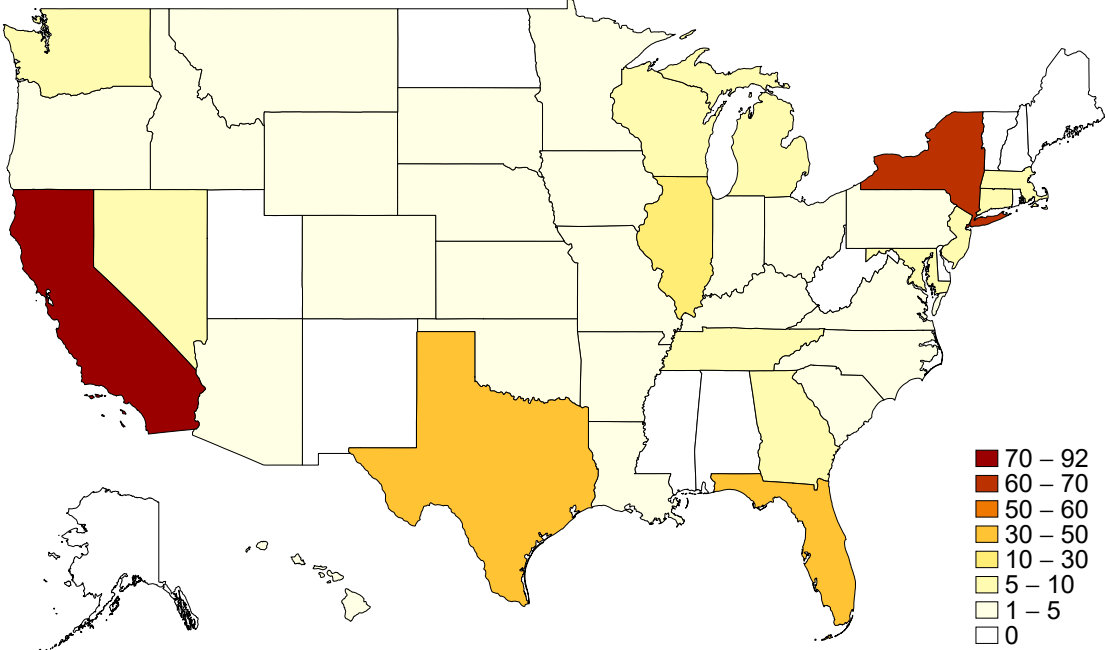
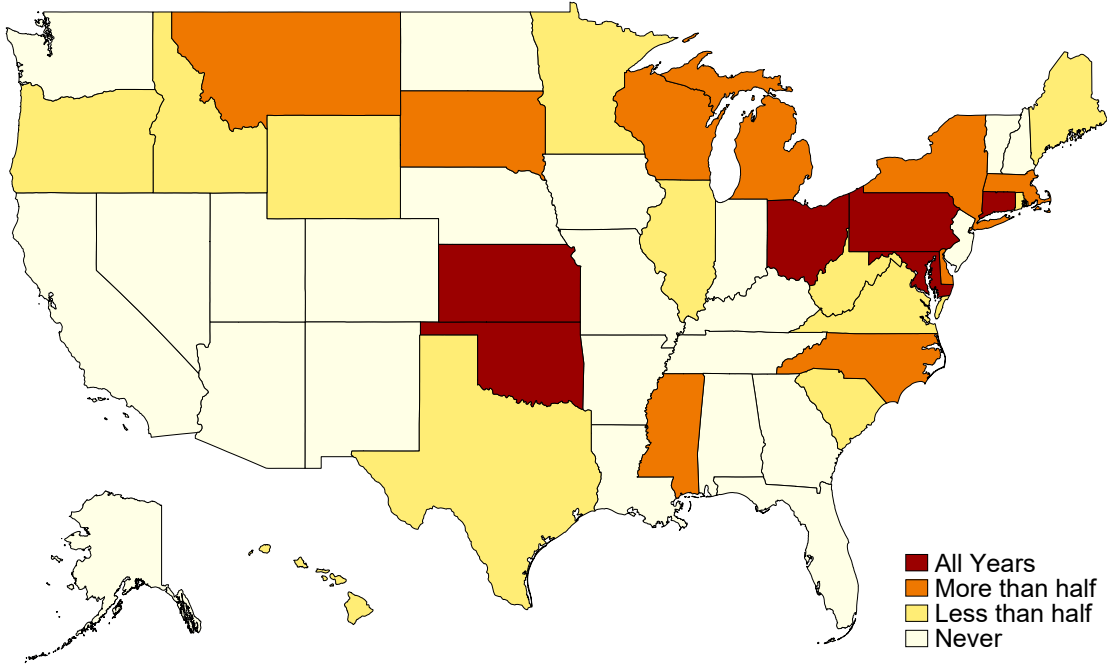
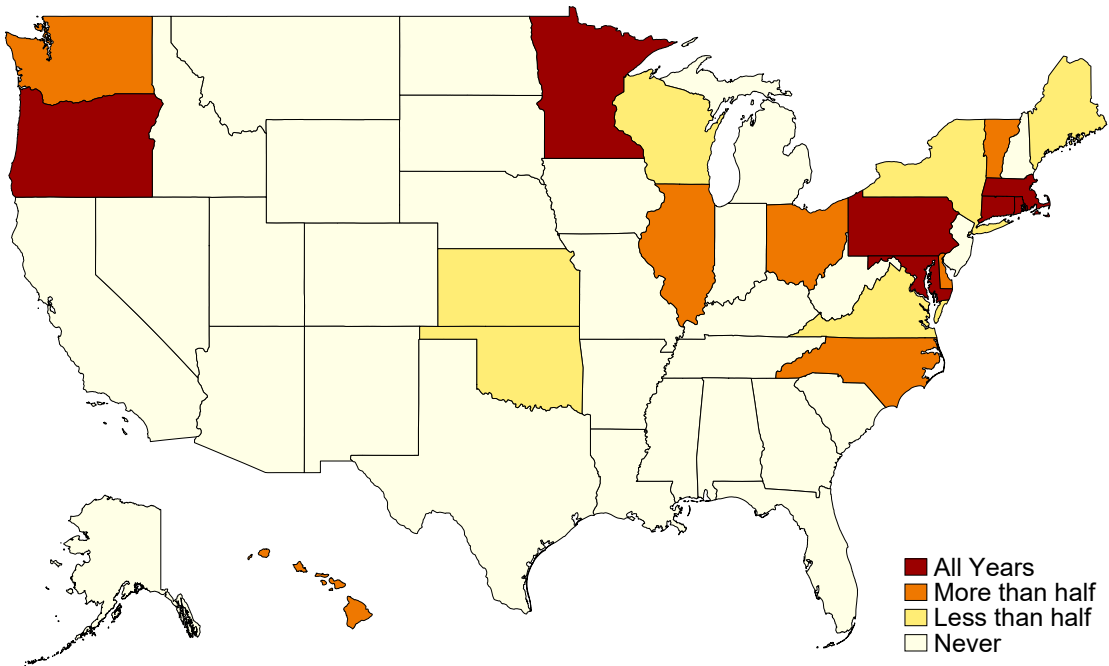


Figure 3: Percentage of Years with Estate Tax by State

Panel A. 1982-2001\*



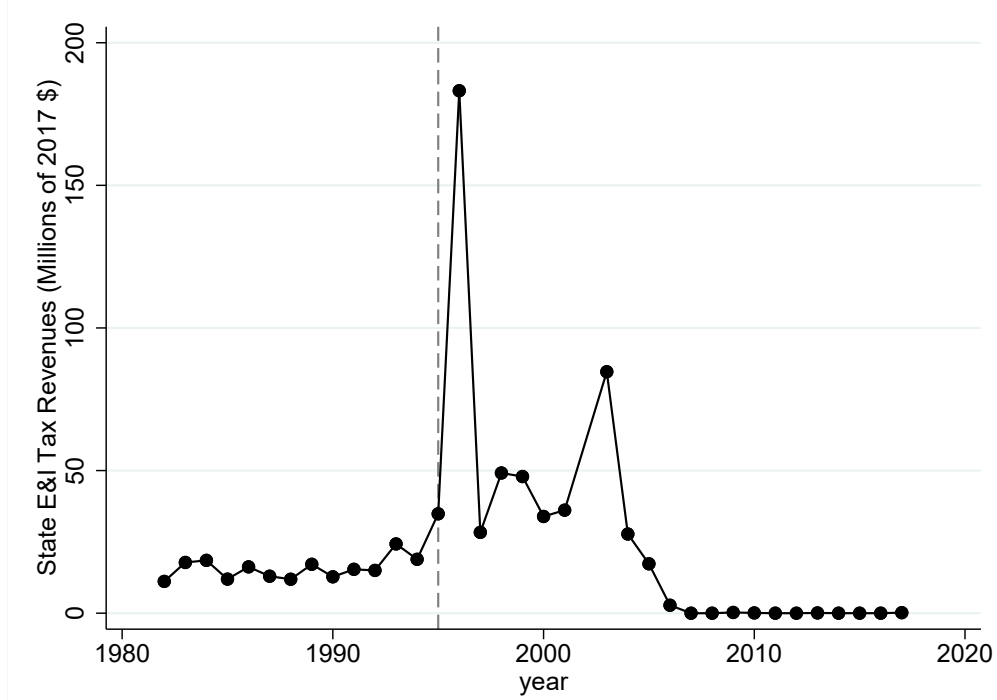
Panel B. 2002-2017



\*Excluding “pick-up” taxes. See text for details.

Figure 4: Impact of Billionaire Death on State Estate Tax Revenues  
Two Case Studies

Bud Walton of Arkansas, Died in 1995



Edward Gaylord of Oklahoma, Died in 2003

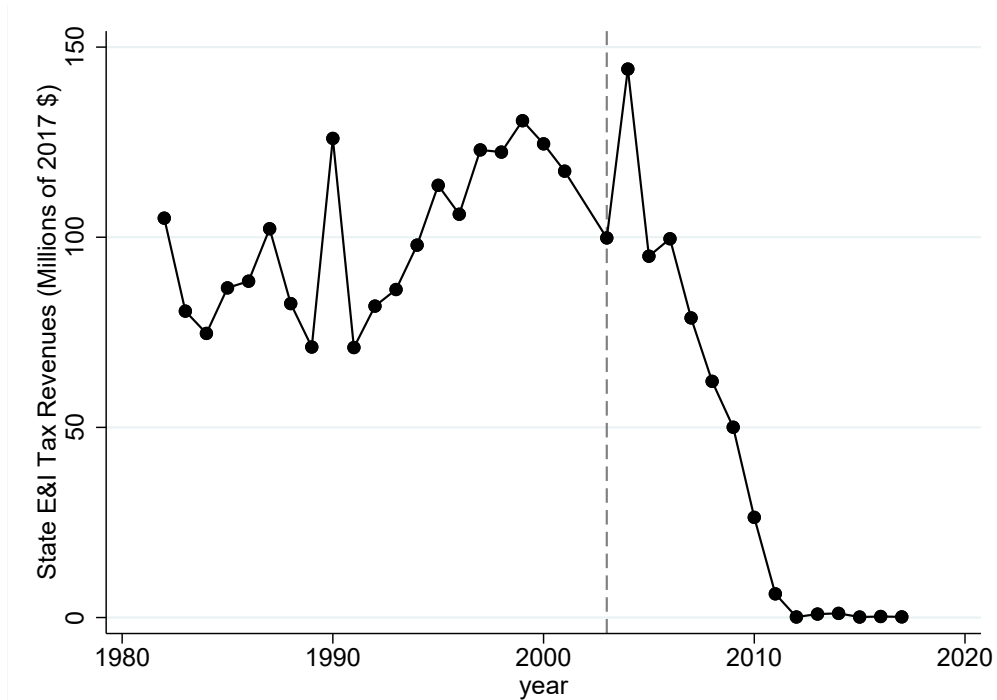
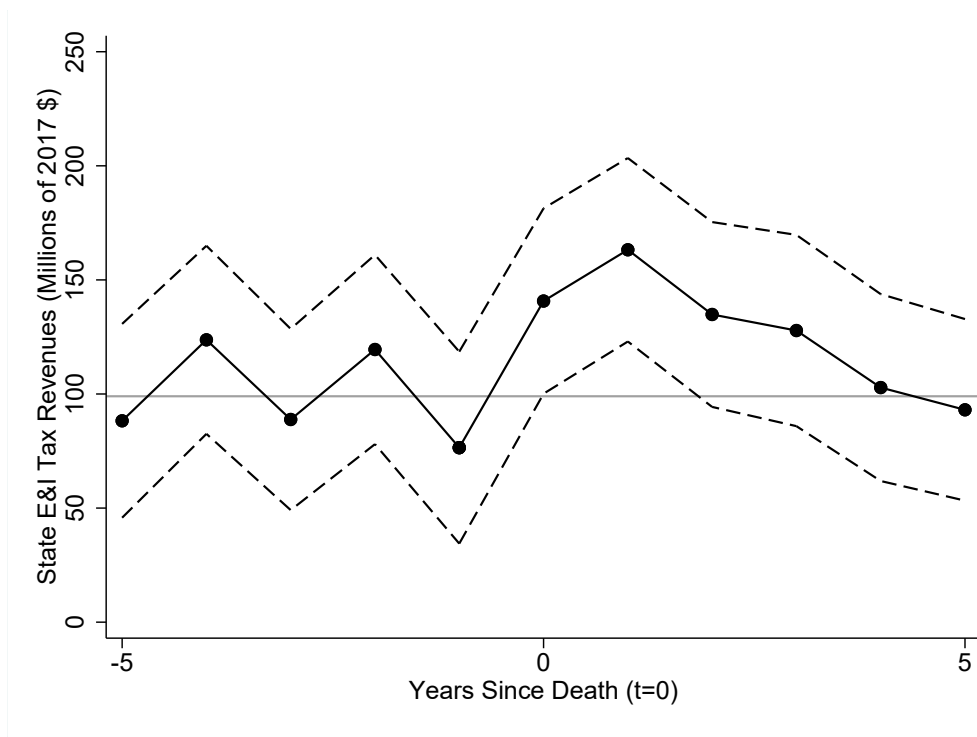


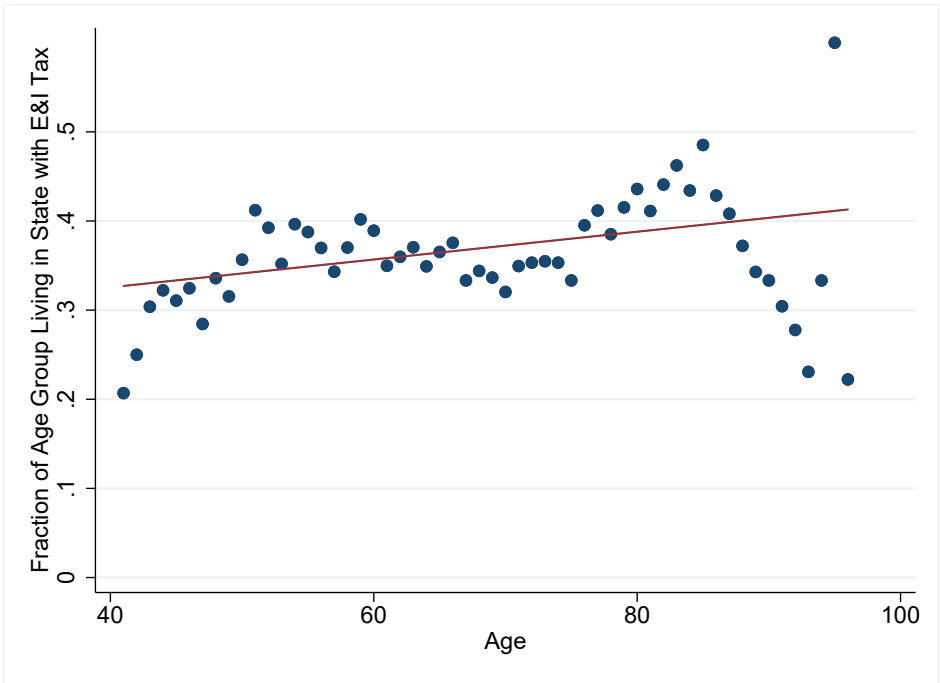
Figure 5: Impact of Billionaire Death on State Estate Tax Revenues  
Event Study



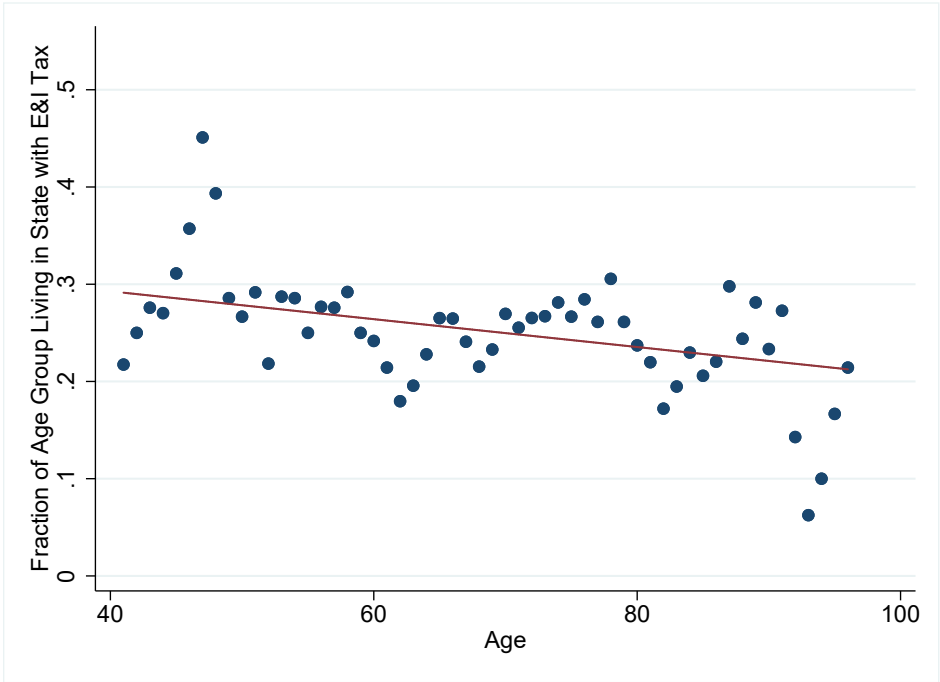
Notes: Horizontal line equals average coefficient over pre-death periods (-5 to -1). Dashed lines indicate 90% confidence interval.

Figure 6: Probability of living in Estate Tax State By Age

Panel A. 1982-2001



Panel B. 2005-2017



Notes: Age Groups below 40 are excluded. Individuals above 95 are pooled and displayed at Age 96.

Figure 7: Estimated Age Gradient for Probability of Living in Estate Tax State  
Year-by-Year Regressions

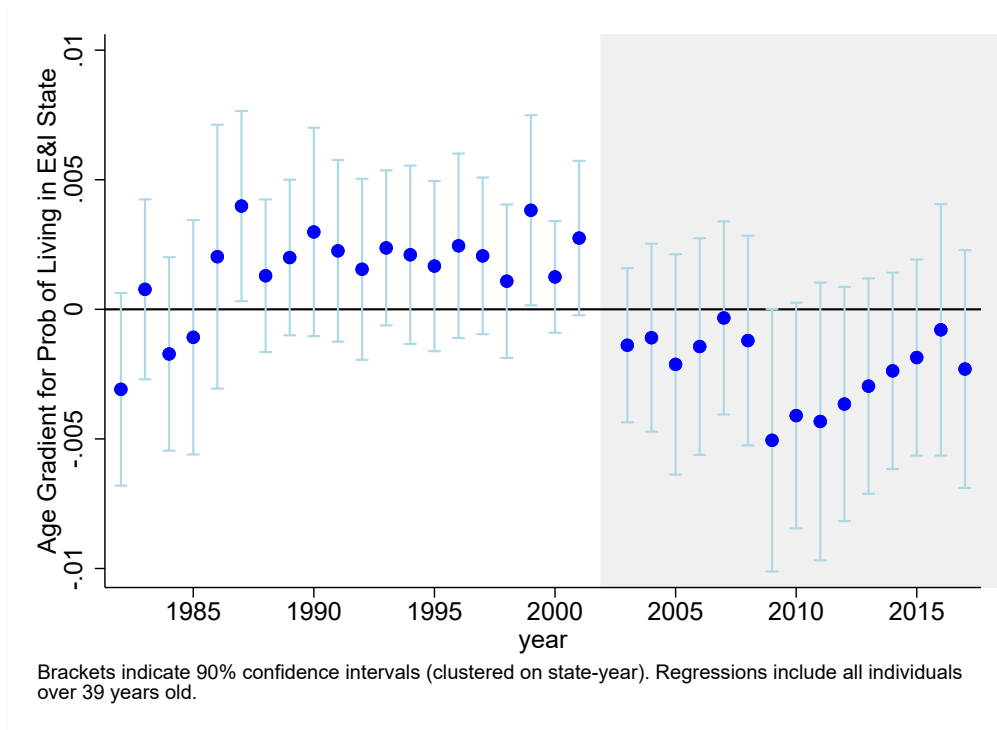


Table A1:  
Maximum Federal Credit Schedule for State Estate Taxes  
1954-2001

Taxable Estate (\$)	Base Amount of Credit (\$)	Credit Rate on Excess (%)
100,000	0	0.8
150,000	400	1.6
200,000	1,200	2.4
300,000	3,600	3.2
500,000	10,000	4.0
700,000	18,000	4.8
900,000	27,600	5.6
1,100,000	38,800	6.4
1,600,000	70,800	7.2
2,100,000	106,800	8.0
2,600,000	146,800	8.8
3,100,000	190,800	9.6
3,600,000	238,800	10.4
4,100,000	290,800	11.2
5,100,000	402,800	12.0
6,100,000	522,800	12.8
7,100,000	650,800	13.6
8,100,000	786,800	14.4
9,100,000	930,800	15.2
10,100,000	1,082,800	16.0

Source: Bakija and Slemrod [2004], Table 1

Table A2: State of Deaths and State of Residence Reported by Forbes

Name	Death Year	Death State	Obituary Res. State	Forbes Res. State	Notes
Liliore Green Rains	1985	CA	CA	CA	
Mary Belin Du Pont Faulkner	1985	MA	MA	MA	
Abram Nicholas Pritzker	1986	IL		IL	
David Whitmire Hearst	1986	CA	CA	CA	
Gordon Barton Mclendon	1986	TX	TX	TX	
Howard Vollum	1986	OR	OR	OR	
Arnold Bernhard	1987	NY	NY/CT	CT	
Burton Green Bettingen	1987	CA	CA	CA	
Henry Ford II	1987	MI	MI	FL	
Henry John Heinz II	1987	FL	PA	PA	Died at winter home.
Paul Kalmanovitz	1987	CA	CA	CA	
Ruth Chandler Von Platen	1987	CA	CA	CA	
Sol Goldman	1987	NY	NY	NY	
John Wilmer Galbreath	1988	OH	OH	OH	
Lawrence Arthur Wien	1988	CT	CT/NY/FL	NY	
Pierre Samuel Du Pont	1988	DE	DE	DE	
Henry Crown	1990	IL	IL	IL	
Mark Goodson	1992	NY	NY	NY	
Edward John Debartolo	1994	OH	OH	OH	
Milton Jack Petrie	1994	NY	NY	NY	
Albert B Alkek	1995	TX	TX	TX	
Alpheus Lee Ellis	1995	FL	FL	FL	
Erskine Bronson Ingram	1995	TN	TN	TN	
James Lawrence Walton	1995	AR	FL	AR	Died on fishing trip.
John Jeffrey Louis	1995	IL	IL	IL	
Joseph R Coulter	1995	FL	FL	FL	
Walter A Haas	1995	CA	CA	CA	
Bob John Magness	1996	CO	VA		UVA hospital.
Daniel James Terra	1996	WA	IL/WA/France	IL	
David Packard	1996	CA	CA	CA	
Louis Larrick Ward	1996	MO	MO	MO	
Claude Bernard Pennington	1997	LA	LA	LA	
Herbert Allen	1997	NY	NY	NY	
Jack Kent Cooke	1997	DC	DC	VA	
Roberto Crispulo Goizueta	1997	GA	GA	GA	
Betsey Cushing Roosevelt Whitney	1998	NY	NY	NY	
Dwight Lyman Stuart	1998	CA	CA	CA	
John William Berry	1998	OH	OH	OH	
William Michael Cafaro	1998	OH	OH	OH	
Curtis Leroy Carlson	1999	MN	MN	MN	
Forrest Edward Mars Sr	1999	FL	FL	NV	
Henry Earl Singleton	1999	CA	CA	CA	
Jay Arthur Pritzker	1999	IL	IL	IL	
Leon Hess	1999	NY	NY	NJ	
Paul Mellon	1999	VA	VA	VA	
Ruth Ray Hunt	1999	TX	TX	TX	
Ted Arison	1999	Tel Aviv	Tel Aviv	FL	
Bill Daniels	2000	CA	CA	CO	Died in hospital.
Marshall Naify	2000	CA	CA	CA	
Randolph Apperson Hearst	2000	NY	NY	NY	
Edmund Wattis Littlefield	2001	CA	CA	CA	
Larry Fisher	2001	FL	FL/ NY	NY	
Malcom Purcell Mclean	2001	NY	NY	NY	
Michel Fribourg	2001	NY	NY	NY	
Reese Mcintosh Rowling	2001	TX	TX	TX	
William Redington Hewlett	2001	CA	CA	CA	
Alfred Lerner	2002	OH	OH	OH	
Kathryn Mccurry Albertson	2002	ID	ID	ID	
Millicent V Boudjadjji	2002	LA	LA	CA	
Robert Henry Dedman	2002	TX	TX	TX	
Victor Posner	2002	FL	FL	FL	
Walter Hubert Annenberg	2002	PA	PA/CA	PA	
Edward Lewis Gaylord	2003	OK	OK	OK	
Joan Beverly Kroc	2003	CA	CA	CA	
Laurence Alan Tisch	2003	NY	NY	NY	
Samuel Jayson LeFrak	2003	NY	NY	NY	
Charles B Benenson	2004	FL	NY	NY	Died suddenly.
Jay Van Andel	2004	MI	MI	MI	
Laurance Spelman Rockefeller	2004	NY	NY	NY	



Marvin Harold Davis	2004	CA	CA	CA	
Samuel Curtis Johnson	2004	WI	WI	WI	
Susan Thompson Buffett	2004	CA	WY	CA	Died on vacation.
Franklin Parsons Perdue	2005	MD	MD	MD	
Jackson Thomas Stephens	2005	AR	AR	AR	
Peter E Haas	2005	CA	CA	CA	
Preston Robert Tisch	2005	NY	NY	NY	
James R Cargill	2006	MN	MN	MN	
Lamar Hunt	2006	TX	TX	TX	
Margaret Anne Cargill	2006	CA	CA	CA	
Raymond J Noorda	2006	UT	UT	UT	
Robert Edward Rich	2006	FL	FL	FL	
Barbara Cox Anthony	2007	HI	GA/HI	HI	
Helen Walton	2007	AR	AR	AR	
James Martin Moran	2007	FL	FL	FL	
Margaret Hunt Hill	2007	TX	TX	TX	
James LeVoy Sorenson	2008	UT	UT	UT	
John Hugh Macmillan	2008	FL	FL	FL	
John Richard Simplot	2008	ID	ID	ID	
Carl Ray Pohlrad	2009	MN	MN	MN	
Frank Batten	2009	VA	VA	VA	
Melvin Simon	2009	IN	IN	IN	
Samuel J Heyman	2009	NY	NY, FL, CN	NY	Died after surgery.
Trammell Crow	2009	TX	TX	TX	
William Morse Davidson	2009	MI	MI	MI	
Dolph Briscoe	2010	TX	TX	TX	
John Werner Kluge	2010	VA	VA	FL	
Paul Milstein	2010	NY	NY	NY	
Richard N Goldman	2010	CA	CA	CA	
Cargill Macmillan	2011	CA	CA	CA	
Carl Henry Lindner	2011	OH	OH	OH	
Jack N Mandel	2011	OH	OH	OH	
Jean Ellen Du Pont Sheehan	2011	DE	DE	FL	
John Charles Haas	2011	PA	PA	PA	
John Edward Anderson	2011	CA	CA	CA	
Malcolm Green Chace	2011	MA	MA	RI	
Robert Alan Pritzker	2011	IL	IL	IL	
William Alfred Cook	2011	IN	IN	IN	
Albert Lee Ueltschi	2012	FL	FL	FL	
Donald J Schneider	2012	WI	WI	WI	
Barbara Piasecka Johnson	2013	Poland	Italy, Poland, Monaco	NJ	
Edgar Miles Bronfman	2013	NY	NY	NY	
Harold Clark Simmons	2013	TX	TX	TX	
Leonard Samuel Skaggs	2013	UT	UT	UT	
Robert Earl Holding	2013	UT		ID	Res. state unclear.
James Edwards Stowers	2014	MO	MO	MO	
Malcolm Glazer	2014	FL	FL	FL	
Nelson Bunker Hunt	2014	TX	TX	TX	
Patrick Joseph McGovern	2014	NH	CA	NH	
Kirk Kerkorian	2015	CA	CA	CA	
Michael Birck	2015	IL	IL	IL	
Ralph J Roberts	2015	PA	PA	PA	
Forrest Edward Mars Jr	2016	WY	WA	WY	
Jack Crawford Taylor	2016	MO	MO	MO	
Joseph C Mandel	2016	FL	OH	OH	Died at winter home.
Leandro Rizzuto	2017	FL	FL	WY	
Michael Ilitch	2017	MI	MI	MI	
Samuel Irving Newhouse	2017	NY	NY	NY	
Charles B Wang	2018	NY	NY	NY	

Table A3: Robustness

## Panel A. Difference-in-Difference

	(1)	(2)	(3)	(4)
	Top 100	Top200	Top300	10+ Obs
ET-State X post-2001	-0.625*** (0.116)	-1.367*** (0.208)	-1.936*** (0.401)	-2.100*** (0.521)
ET-State	0.0915 (0.210)	0.522 (0.322)	0.922** (0.469)	0.861** (0.352)
Observations	1575	1610	1680	1575
Semi-elasticity	-.391	-.325	-.365	-.389
<i>Std. Error</i>	.073	.049	.076	.096

Driscoll-Kraay (with 10-year bandwidth) standard errors in parentheses.

All regressions include state and year fixed effects.

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## Panel B. Triple-Difference

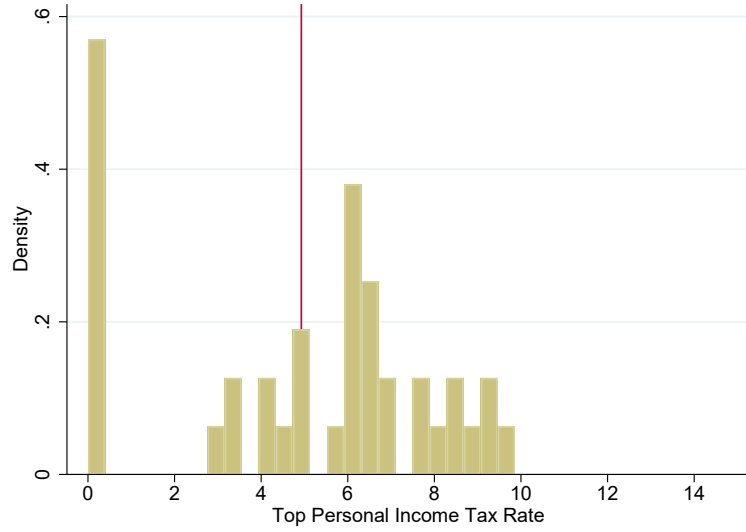
	(1)	(2)	(3)	(4)
	Top 100	Top200	Top300	10+ Obs
ET-state X post-2001 X old	-0.887*** (0.152)	-0.987*** (0.280)	-1.261*** (0.383)	-1.251*** (0.484)
ET-state X old	0.302*** (0.0554)	0.353*** (0.0637)	0.538*** (0.106)	0.588*** (0.219)
ET-State X post-2001	0.131 (0.0833)	-0.190 (0.143)	-0.337** (0.167)	-0.424 (0.265)
old X post-2001	0.914*** (0.111)	1.217*** (0.238)	1.623*** (0.305)	2.145*** (0.525)
ET-State	-0.105 (0.102)	0.0844 (0.160)	0.192 (0.239)	0.137 (0.218)
old	-0.219*** (0.0500)	-0.373*** (0.0773)	-0.531*** (0.145)	-0.487** (0.225)
Observations	3150	3220	3360	3150
Semi-elasticity	-.806	-.411	-.382	-.357
<i>Std. Error</i>	.138	.117	.116	.138

Driscoll-Kraay (with 10-year bandwidth) standard errors in parentheses. All regressions include year fixed effects. State fixed effects are absorbed by old-young differencing.

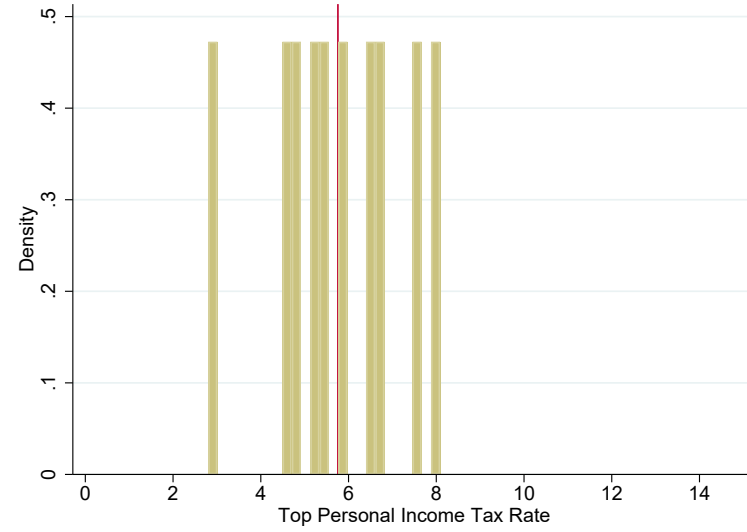
\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Figure A1: Distribution of Top Personal Income Tax Rates by State Estate Tax Status

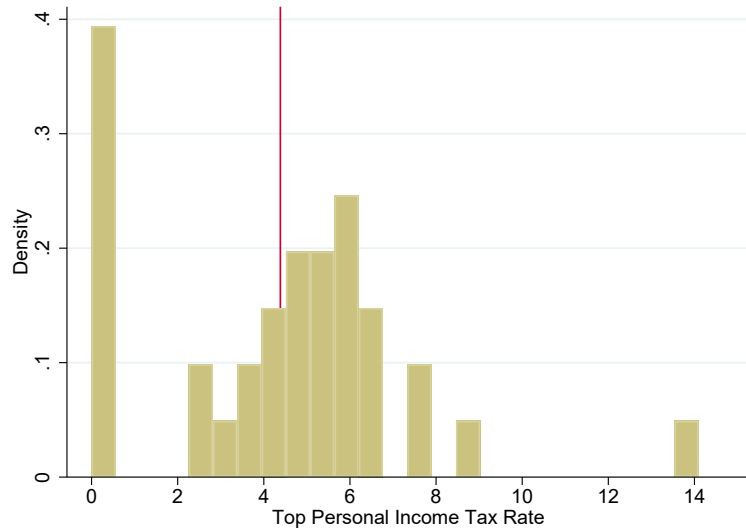
(a) 2001, Non-Estate Tax States



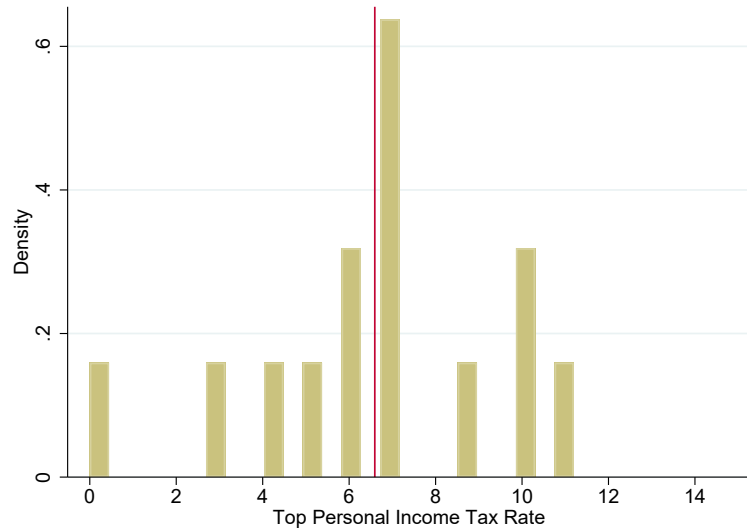
(b) 2001, Estate Tax States



(c) 2017, Non-Estate Tax States



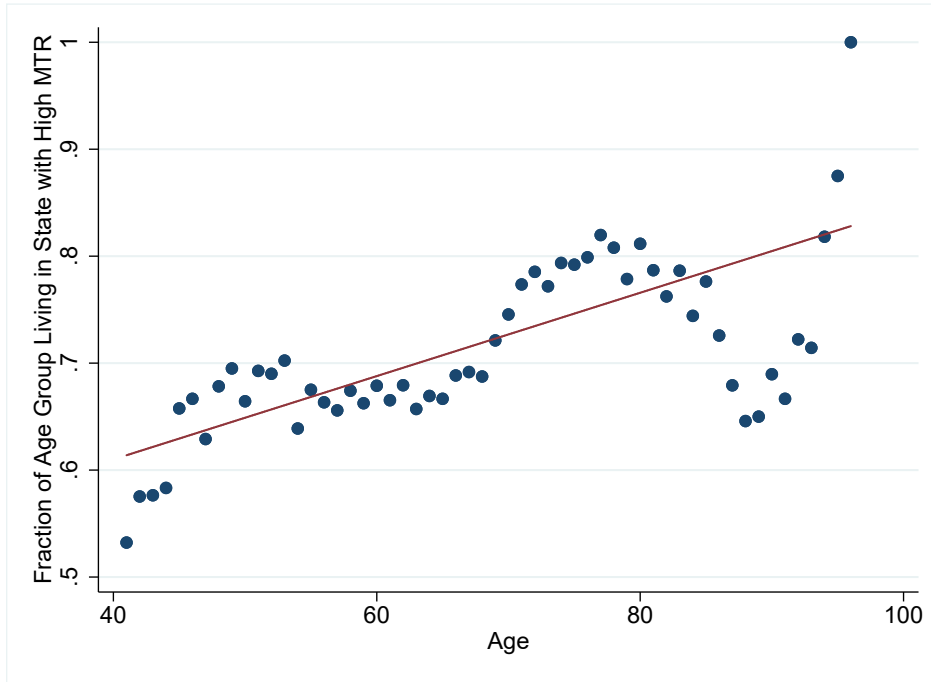
(d) 2017, Estate Tax States



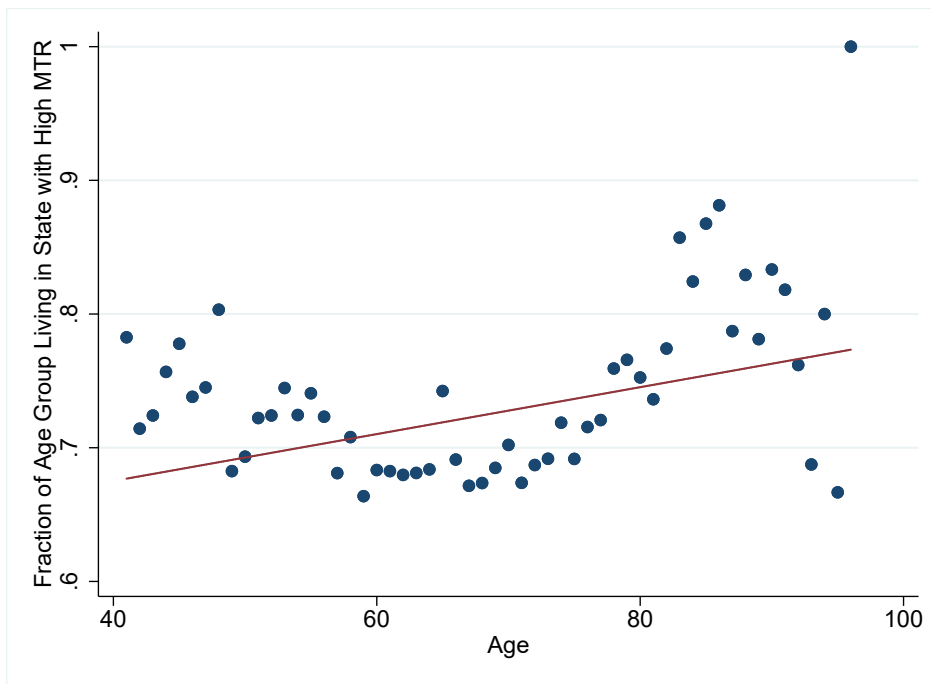
Note: red lines indicate means.

Figure A2: Probability of living in High Income Tax State By Age

Panel A. 1982-2004



Panel B. 2005-2017



Notes: Age Groups below 40 are excluded. Individuals above 95 are pooled and displayed at Age 96.