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Migration a net-negative for Pennsylvania & Allegheny County

Introduction: The Internal Revenue Service (IRS) earlier this year released migration data for the period of 2022 to 2023. The data show that both Pennsylvania and Allegheny County lost more migrants than they gained. But where did they go and where did new migrants come from? The IRS data provides the details.

Using 2022 and 2023 federal tax return data, the IRS tracks migration "based on year-to-year address changes reported on income tax returns filed with the IRS." The three main categories are the total number of returns, the total number of individuals on the returns (not just the principal tax-filers but also dependents) and the total adjusted gross income of those returns.

As the IRS notes in its user guide, this does not represent the population in full because many are not required to file a return. But it does give a reasonable estimate of how many people migrated into or out of the state and county. And this important question: did Pennsylvania and Allegheny County gain or lose population as measured by the IRS migration data?

The data are broken out into inflow and outflow patterns for states and counties. An inflow measures the number of tax-filers (and their dependents) who moved to a state or county and from where they migrated. Likewise, outflows are the number of tax-filers leaving a state or county and where they went. The data also includes tabulations of the number of non-migrant returns within a state or county.

This is important because taxpayers at the federal level are also taxpayers at the state and local levels.

Pennsylvania

Based on the 2022 and 2023 returns, the number of migrants leaving Pennsylvania was 219,077. This was based on 138,742 returns with a total adjusted gross income (AGI) of $11.86 billion. AGI is defined by the IRS as the total (gross) taxable income minus certain items (deductions).

The number of migrants entering Pennsylvania was slightly lower (203,138) for a net loss of 15,939 people—not a big loss, just 0.2 percent of all individuals on Pennsylvania-based tax returns (10.334 million non-migrants plus outflow migrants) but a loss, nonetheless. And more importantly a loss of taxable income to the state and to the local levels of government. AGI from the inflows of foreign and domestic migrants to Pennsylvania was just $9.57 billion—for a net loss of $2.3 billion from the state and local tax bases.

So where did these migrants head? The top three states receiving Pennsylvania migrants were Florida, New Jersey and New York, accounting for 35 percent of out-migrants. The remainder of the top 10 were Maryland; North Carolina; Texas; Virginia; Delaware; Ohio and California. The top ten accounted for 69 percent of Pennsylvania out-migrants. Half of the states receiving Pennsylvania's out-migrants were border states while only four are considered "Sunbelt" states.

The same 10 states that had out-migrants from Pennsylvania also were the top 10 states sending migrants to Pennsylvania. New York was the top in-migrant state followed by New Jersey then Florida. Both New York and New Jersey had more people migrate to Pennsylvania than they had in-migrants from the Keystone State—on net, Pennsylvania added nearly 14,000 New Yorkers and 4,500 New Jersey migrants. Maryland also sent 2,500 more people to Pennsylvania than Pennsylvania sent to that state.

On net, Florida took in more Pennsylvanians than those who left for Pennsylvania (9,650), as did North Carolina (4,550); Delaware (3,600); Texas (3,000); Ohio (1,425); Virginia (1,250) and California (460).

Allegheny County

As mentioned above, the IRS migration data are also available at the county level. For Allegheny County specifically, there was a loss of 38,793 domestic migrants, tax-filers and their dependents, based on 25,464 federal tax returns from 2022 to 2023. While many migrants remained in Pennsylvania (42.6 percent), an even larger percentage moved out of state (57.4 percent).

The IRS data show that with the number of outflow migrants, domestic along with non-domestic (604 migrants), Allegheny County lost $2.35 billion in AGI from the county's taxable income.

But how many were replaced with in-migration?

The IRS data shows that Allegheny County gained 32,390 migrants based on 23,015 tax returns during this time frame representing a net loss of just over 7,000 migrants. Given the total number of residents, this represents about 1 percent. But a loss is still a loss, and probably more important when they are taxpayers. The AGI from the new in-migrants was $1.68 billion for a net loss of $673.7 million to taxable income.

Of the migrants to Allegheny County, a very small number came from another country (377), 18,769 arrived from another state while the remainder (13,244) arrived from elsewhere in Pennsylvania.

Of the out-migrants leaving Allegheny County, but staying in Pennsylvania, 71 percent just moved to one of the border counties of Westmoreland, Washington, Butler and Beaver counties, in that order. Another 6 percent stayed in the metro area's counties.

The top five non-Pennsylvania counties sending migrants to Allegheny County were Cook (Ill.); Franklin and Cuyahoga (Ohio); Los Angeles (Calif.) and Kings (N.Y.). These five accounted for nearly 1,500 migrants relocating to Allegheny County.

However, as mentioned earlier, 57.4 percent of tax-filers and their dependents left not only Allegheny County but the state altogether. The top three out-of-state counties receiving migrants were Santa Clara (Calif.); Cook (Ill.) and New York County with just over 400 migrants apiece. This was then followed by Mecklenburg (N.C.); Los Angeles and Harris County (Texas). This pattern suggests that migrants left the county for major cities, perhaps for better employment opportunities in San Jose (Silicon Valley); Chicago; New York; Charlotte; Los Angeles and Houston.

Implications

The federal tax return data track tax-filers and their dependents as they move in and out of Allegheny County and Pennsylvania. Typically, working-age adults are moving due to job opportunities. The net drain to the county and state implies that there aren't enough job opportunities available.

At the county level, even if the data were heavily influenced by college students—most of the out-migration counties were centered on bigger cities than Pittsburgh—it means that they may be getting educated at the local colleges and universities but there aren't enough job opportunities to keep them here—the so-called "brain drain".

Not only has the intellect left the county, so has the tax money. Both Allegheny County and Pittsburgh are experiencing budget shortfalls in their current, and likely, future budgets, despite the recent real estate tax increases.

The focus should be on nurturing the business community and fostering job growth rather than imposing business restricting mandates and regulations. The current state of the business environment is a blatant failure of the policy makers in the city, county and state.

Allegheny County and the metro area have been losing population over the last few decades. While this study covers just a one year-to-year time span, it is very clear that for Pittsburgh and Allegheny County, this has been a long-term problem.

To quote Pittsburgh Mayor O'Connor; "If you don't grow, there's not enough people to support the city." And we would add, nor the county or state.

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