

# Research Methods: Tips, Tricks and Common Pitfalls



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# Process of Research



- 1/3 literature review
- 1/3 research design
- 1/3 collecting data and analysis

# Literature Review



- Chart with the following columns
  - Question
  - Time Frame
  - Data
  - Observation
  - Method
  - Dependent Variable
  - Independent Variable
  - Conclusion
  - Limitations (reported)
  - My thoughts

# Question



- Increase the tax rate on incomes over \$1 million by 3%
  - Initially: take amount of income that qualifies and apply the new tax rate.
  - But: What about tax flight?

# Literature Review



- **Maryland:**
  - Millionaires Go Missing - WSJ
  - Where Have All of Maryland's Millionaires Gone Nowhere – They're Probably Just Not Millionaires Anymore- ITEP
- **National**
  - Tax Flight Is a Myth Higher State Taxes Bring More Revenue, Not More Migration – CBPP
  - Tax Flight Is No Myth – John Locke Fdn

# Where Have All of Maryland's Millionaires Gone? Nowhere – They're Probably Just Not Millionaires Anymore - ITEP



- Q: Is the decline in Millionaires due to the increased tax rate effective in 2007-2008
- TF: 2007-2008 tax years
- D: tax collections for 2007 and 2008 from MD Office of the Comptroller
- Obs: number of taxpayers by income range by year
- Method: looked at change in numbers of taxpayers by income level
- DV: change in the number of taxpayers in top income ranges
- IV: n/a
- Conc: Millionaires moved into lower income ranges because of the economy, the number of millionaires declined but the number of taxpayers in lower brackets increased.
- Lim: none
- My thoughts: simple look at change in number of tax payers—no correlation analysis

## Millionaires Go Missing - WSJ



- Q:
- TF:
- D:
- Obs:
- Method:
- DV:
- IV:
- Conc: One-third of the millionaires have disappeared from Maryland tax rolls after tax increase
- Lim:
- My thoughts: look at original analysis by Maryland Comptroller 2009



- Q:
- TF:
- D:
- Obs:
- Method:
- DV:
- IV:
- Conc:
- Lim:
- My thoughts



# Research Design



- Informed by
  - Literature Review
  - Alternative hypotheses generate as many as you can
    - ✦ Third factor e.g. the economy
    - ✦ Although evidence may be consistent with your initial propositions, it may also be consistent with alternative propositions e.g. housing costs
    - ✦ Disprove your initial hypothesis

# Think About



- Look at change in migration patterns
- Do enough millionaires leave to make the rev change negative?
- Could more millionaires come because of tax change?
- Including variables that could also explain migration changes-housing costs
- Did the Millionaires move—or are they just not millionaires anymore?

# Data Collection and Analysis



- Selection Bias
- Problem of Averages
  - Poverty
  - Gender
  - Race
- Collect data that will allow you to test alternative hypothesis
- Collect data that will allow you to falsify your initial hypothesis

# All Done?



- No—Fact Check
- In 2011, Montana collected \$153 million, or almost 9%, of the general fund revenue in natural resource taxes.
- Legislative Fiscal Division, "General Fund Revenue History by Revenue Source," September 1, 2011, [http://www.leg.mt.gov/content/Publications/fiscal/Historical\\_Perspective/General%20Fund%20Revenue%20History.pdf](http://www.leg.mt.gov/content/Publications/fiscal/Historical_Perspective/General%20Fund%20Revenue%20History.pdf).
- For fact check see excel file: general fund revenue history

# Thank You



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