https://www.wsj.com/articles/in-florida-homeowners-come-for-the-weather-and-stay-for-the-tax-relief-11578501325

COUNTING HOUSE

In Florida, Homeowners Come for the Weather and Stay for the Tax Relief

Wealthy property owners are fleeing high-tax states like New York, New Jersey, and Connecticut for the Sunshine State, which has no state income or estate tax

By Beth DeCarbo

Jan. 8, 2020 11:35 am ET

There's a way for rich homeowners to potentially shave tens of thousands of dollars from their tax bills. They can get that same savings the next year and the following years as well. They can cut their taxes even further after they die. What's the secret?

Moving to Florida, a state with no income tax or estate tax.

Plenty of millionaires and billionaires have been happy to ditch high-tax states like New York, New Jersey, Connecticut and California. President Donald Trump and Carl Icahn both announced in the fall that they'll be making Florida their primary residence, joining other high-profile executives like financiers Barry Sternlicht, Eddie Lampert and Paul Tudor Jones.

A New York couple filing jointly with $5 million in taxable income would save $394,931 in state income taxes by moving to Florida, according to Taryn Goldstein, head of Florida's state and local tax practice for BDO USA, an accounting firm that provides tax services and financial advice. If they had moved from Boston, they'd save $252,500; from Greenwich, Conn., they'd knock $342,700 off their tax bill.

"I have to admit that I was surprised by how much of a financial savings" is achieved by moving to Florida. "It is crazy money," says Connor Lynch, chief executive of Plastridge Insurance Agency based in Delray Beach, Fla.

¼Escaping state income taxes is a big part of the reason, but the federal Tax Cuts and Jobs Act of 2017 also plays a role. The law limits deductions on state and local taxes as well as the mortgage-interest deduction on federal tax returns. Factor in Florida's lower cost of living relative to high-tax states, and the decision to move gets even easier.

"The rich want to stay rich," says Dina Goldentayer, executive director of sales at Douglas Elliman Real Estate. In South Florida alone, the brokerage saw a 30% increase in total sales volume from 2017 to 2018. She is currently listing a five bedroom, 5½-bathroom property on the Venetian Islands, asking $21 million for the 8,665-square-foot home.

Ms. Goldentayer recently sold an $11 million oceanfront penthouse to a Wall Street financier who is moving his family to Florida to reduce the tax hit.

An 8,665-square-foot home that is currently on the market on the Venetian Islands in Florida's Biscayne Bay.

PHOTO: DOUGLAS ELLIMAN

"Municipal taxes, local taxes, play a big role in the decision, more so than the mortgage [interest] deduction," Ms. Goldentayer notes.

Luxury markets across Florida, defined as the top 10% of listings, have performed better than most luxury markets across the country this year, says George Ratiu, a senior economist with Realtor.com. In November, the average price of a luxury listing was $1,649,380, up 8.6% from the same period in 2018. (News Corp, owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.)

Among the seven U.S. states with no income tax and no tax on dividends and interest, Florida accounted for 45% of home sales in 2019 through November. Texas came in second, accounting

TAX-DRIVEN MIGRATION

Population counts released by the Census Bureau showed that six of the seven states with no income tax and no tax on interest and dividends—Florida, Nevada, Washington, Wyoming, South Dakota and Texas—had population increases from July 2018 to July 2019. Only Alaska, the seventh state, saw population decline, by 0.5%.

Contrast that with seven states with the country's highest income taxes, according to an analysis by TurboTax. Two of them—Hawaii and Vermont—declined in population. The other five were flat or increased by less than 1%.

A separate Census report, the 2018 American Community Survey, breaks out migration patterns by state. While California saw nominal growth in total inhabitants, over 500,000 people moved there from another state. A spokeswoman with the California Development Department, a workplace and labor agency, attributes the influx to high-paying, tech-sector jobs. Still, out-migration from California has exceeded in-migration in recent years, she adds, and less-educated and unskilled workers tend to be the ones moving out.

for 33.6% of home sales, Mr. Ratiu says.

Where you relocate in Florida also packs financial repercussions. The median listing price in Monroe County's luxury market, which includes the Florida Keys, is $2.875 million. In Miami-Dade, the median list price is $2.09 million. But the median in Orange County, which includes Orlando, is $935,000, according to Realtor.com.

One thing transplants should expect to pay more for is homeowner's insurance, says Mr. Lynch, the insurance executive. A policy on a house valued at $2 million can range from about $11,000 to $20,000 a year to cover the replacement value, he estimates. He notes that homeowners in certain areas should also purchase hurricane and flood insurance—coverage that is not typically included in a standard policy.

Multimillionaires aren't just moving their families south, they are taking their businesses with them, says Kelly Smallridge, president and CEO of the Business Development Board of Palm Beach County. "We've brought in well over 70 financial-services firms" in the past few years, she says. "The higher the taxes, the more our phone rings."

The development board helps the business executives find office space, typically 5,000 to 7,000 square feet, for anywhere from five to 50 employees. Board members also take the executives on residential tours, coordinating introductions with mayors, private-school headmasters, country clubs and places of worship in desired areas. Finally, they guide them through the

Florida Tax Savings

Individual state income taxes paid by a married couple, filing jointly, on various incomes

STATE	$5 million	$1 million	$500,000
Fla.	$0	$0	$0
N.Y.	$394,931	$65,207	$30,957
Mass.	$252,500	$50,500	$25,250
Conn.	$342,700	$63,100	$28,600

Source: BDO USA

process of making Florida their legal domicile.

"We are not doing this quietly," Ms. Smallridge says, noting that the board actively recruits business leaders living in places like Greenwich, Conn., Manhattan and Boston.

Write to Beth DeCarbo at beth.decarbo@wsj.com

MAKING IT OFFICIAL IN THE SUNSHINE STATE

Becoming a Florida resident goes beyond getting a new driver's license. Tax collectors from your previous state might say, "Prove it."

For starters, transplants should file a "declaration of domicile" in the Florida county where their primary home is located. Applying for a Florida homestead exemption will lower property taxes as well. Also be sure to get a Florida driver's license, license plates and auto insurance. Registering to vote and opening a bank account locally are also key.

But wait, there's more.

State auditors want proof that even routine things are based in Florida, says Marty Cass, who heads private client services in the Southeast region of BDO USA, an accounting firm that provides tax services and financial advice.

Auditors may ask "Where are your kids? Where is your artwork? Do you still belong to country clubs in New York? Where are your doctors and accountants?" Mr. Cass says. "It's easy for New York to take the position that you didn't really [change your domicile.]" They might also check cellphone data and social-media posts.

New York conducted 15,122 residency audits from 2013 to 2017, according to Monaeo, a company that sells an app to help users prove state residency. Of those audits, 52% of New Yorkers lost their case, costing them an average $144,000 in additional taxes and penalties.

Corrections & Amplifications

Wyoming is one of the seven states with no individual income tax or tax on interest and dividends. An earlier version of this article incorrectly stated that Idaho was one of the seven states. Also, a couple living in New York earning $5 million in taxable income would save $394,931 in state taxes. An earlier version said the couple, filing jointly, would save that amount in state and local taxes. A previous version of this article incorrectly implied that a person must prove residency of at least 183 days in order to take advantage of Florida's tax benefits. (Jan. 9, 2020)