

More Than Sunshine: Establishing Florida Residency for Tax Savings

Florida, with its year-round warm weather, beaches, tourist attractions and golf courses, has long been a haven for retirees and seasonal snowbirds seeking a more relaxed lifestyle. In 2013, after Congress passed the American Taxpayer Relief Act of 2012, more families began exploring the possibility of relocating to Florida to take advantage of its favorable tax status: no state income tax and no state inheritance tax.

Florida is looking more attractive to many individuals, not just retirees. Business owners, high wage earners and their families see the potential benefits. Rick Scott, Florida's current governor, estimated that individuals with a combined \$2 trillion of income have relocated to the Sunshine State. Calamos Wealth Management highlighted this trend in an October 2015 article titled *"So, Where Do You Live?"*

The spotlight on Florida residency was thrust into the news recently when it was widely reported that billionaire hedge fund manager David Tepper relocated his company, Appaloosa Management, and his personal residence to Florida from New Jersey. Mr. Tepper follows in the footsteps of other Wall Street executives who have relocated. South Florida is now home to 60 hedge funds, according to communications firm Newslink Group.

According to a CNBC report, sources close to Mr. Tepper have indicated his decision was based on lifestyle choices and proximity to family, not taxes. However, Florida residency will save him millions of dollars per year as he leaves behind New Jersey's state income tax—one of the highest in the country at 8.97%.

Mr. Tepper followed a well-established protocol for establishing residency. He filed a Declaration of Domicile with the Clerk of the Circuit Court and sent a copy to the tax authorities in his former home state. In addition, he purchased a home and registered to vote in Florida.

This is a good start; however, additional steps anyone who wishes to establish Florida residency should take include:

- » Apply for Florida Homestead Exemption. Only legal residents who own property can qualify.
- » Update your address on all documents to reflect your Florida address. This includes your driver's license, passports, voter registration, social security records and other important documents.
- » Establish relationships and use local financial institutions, including bank and brokerage firms located in the state.
- » Register and insure your car in Florida and return your old license and plates.

- » Revise your estate planning documents with an attorney who is licensed to practice law in the state to ensure your documents conform to state laws.
- » Become active in your local community.
- » Keep a journal with detailed records of your travels so you are able to prove that you spend the majority of your time in Florida in case you are audited.

Attention to detail during this process is important. As states face declines in tax revenues, they become proactive in seeking to tax individuals on their income when a change of domicile is not properly documented. As always, consult with your legal, tax and financial professionals when seeking to make any changes.



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