



ON THE ROAD
TO FLORIDA

A Practical Guide for Changing
Your Residence from
New Jersey or New York

Cole Schotz P.C.

YOUR HOW-TO GUIDE FOR SAVING SIGNIFICANT TAXES BY MOVING FROM NEW JERSEY OR NEW YORK TO FLORIDA

By the Cole Schotz Tax, Trusts & Estates Attorneys

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INTRODUCTION

Most of us who have visited the Sunshine State from the Northeast have from time to time been tempted to move there for a variety of reasons. Its warm climate is inviting and offers proven health benefits: physically – a greater opportunity for outdoor activities like tennis and golf; and mentally – greater exposure to natural light that wards off the “winter blues.”

There are also substantial tax advantages to be gained from permanently relocating to Florida from the Northeast, which are explored in this Florida guidebook. This guidebook addresses the often asked questions: Can I maintain a residence or conduct business in New Jersey or New York, but still be treated as a Florida resident for income tax purposes? Assuming I become a Florida resident, will I necessarily save money on state income taxes? The answers to these questions are fact-sensitive and often depend on the connections with, and how much time one spends in, the Northeast versus Florida and the sources from which the income is earned or derived.

Our guidebook, now in its 3rd edition, was first introduced in April of 2010, and many changes have happened since then. New legislation passed at the end of 2017 doubling the federal estate tax exemption, which had been \$5.49 million, to \$11.4 million as of 2019, with a scheduled reversion to \$5.6 million in 2026.

In addition, New Jersey repealed its estate tax as of 2018, though the inheritance tax is still imposed in New Jersey on transfers to individuals other than bloodline decedents. In July 2018, New Jersey also passed a millionaire’s tax of 10.75% on income over \$5 million. As of January 2019, the New York estate tax exemption is \$5.74 million, but is not currently aligned with the doubled federal exemption amount. Despite the increased exemption amount in New York and elimination of estate tax in New Jersey, each state levies individual income taxes, at rates that are among the highest in the United States. These high tax rates in the Northeast, including local property taxes, are causing people to consider whether a move to Florida could substantially lower their overall tax bill.

The Tax Cuts and Jobs Act (P.L. 115-97) (“TCJA”) represents the most significant overhaul of the federal tax system in decades and this legislation has disadvantaged Northeast states with high income and property taxes over those states with lower state taxes. Namely, TCJA limits the State and Local Tax (“SALT”) deduction to \$10,000 for state and local income, sales, and property taxes paid, applying to tax years beginning after December 31, 2017, and scheduled to sunset after December 31, 2025. The TCJA has had a major impact by increasing federal tax bills of those living in states like New Jersey and New York where taxpayers have significant amounts of state and local taxes beyond the \$10,000 cap, which cannot be deducted on the federal return. States with no income taxes, such as Florida, will be less affected, since taxpayers can elect to deduct the sales or property tax they paid during the year in lieu of state and local income taxes. As a result, without the subsidy of a significant reduction in federal taxes resulting from the payment of

state and local taxes, there is an increasing number of relocations out of New Jersey and New York to Florida by individuals hoping to escape some of the highest property and state income taxes in the country, as well as estate tax in New York.

The purpose of this guidebook is to provide a practical road map of the issues that need to be considered to effectively change a taxpayer's residence from New Jersey or New York to Florida for income and estate tax purposes. Many factors make perfect sense such as the relative sizes of each residence, while others such as where your pets live or where your professionals reside may seem trivial or obscure, but are based on statutes and case law established in New Jersey or New York. We will review many of them in hopes of providing you with a better understanding of whether a move to Florida will accomplish complete relief or at least partially mitigate the high tax burdens levied upon New Jersey, New York and New York City residents.

We hope that this guidebook will give you a clearer understanding of what can be done within your control to successfully change your residence from New Jersey or New York to Florida and to avoid common pitfalls. However, each situation requires an individual tax analysis as to whether a change of domicile has occurred and to what extent a change of residency will ultimately reduce state and local taxes. This guidebook is not intended to nor should be a substitute for competent legal advice from an experienced state and local tax attorney.

With our new office in Boca Raton, Florida, our experienced tax professionals in New Jersey, New York and now Florida, including our dedicated Snowbird Counsel team, are ready to assist you with your deliberations about changing your residency and implementing the strategies you need to minimize your exposure in a residency exam. In addition, we offer comprehensive estate planning to ensure that you minimize your estate taxes and achieve your wealth transfer goals. Finally, we conduct business planning, nexus studies and tax controversy resolution with the IRS and State taxing authorities for individuals and closely-held operating businesses.

Based on our collective tax and estate planning experience, we strongly recommend meeting with our clients to make sure they are in compliance with their federal and state personal and business tax reporting obligations to prevent amassing years of tax debt and, in many cases, personal liability that is not dischargeable in bankruptcy.



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