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Florida's Tax Benefits Woo the Wealthy

President Trump's recently announced adoption of Florida as his home state over his native New York. This follows a rich tradition of high-profile financiers who have ditched Northeastern states for warmer climate with lower taxes.

David Tepper, Paul Tudor Jones and Barry Sternlicht are among the prominent transplants who have pulled up roots in New York, New Jersey or Connecticut in recent years for Florida. Carl Icahn has said he is moving his company to Florida in 2020.

Connecticut, with a struggling economy, and New York have been shedding residents. Connecticut's population of 3.57 million in 2018 represents a decline of 22,000 since its 2013 peak. New York's population declined 119,000 to 19.54 million from its peak in 2015. New Jersey's population has been rising. *Wall Street Journal* 11/12/19 p. A2.

Blue State Redistribution

The U.S. population grew last year at the slowest rate since World War I as the birth rate and immigration declined. Slowing population growth will have significant economic and social implications for the country, but especially for high tax states.

The Census Bureau and the IRS released state population growth and income migration data for 2018 that show the exodus from high tax to low tax states is accelerating. Over the last decade, New York has lost more of its population to other states (7.2%) than any other but Alaska (8%), followed by Illinois (6.8%), Connecticut (5.6%) and New Jersey (5.5%). Note that New Jersey loses population to other states but receives migration from New York.

Governor Andrew Cuomo of New York grouched last year "Tax the rich, tax the rich, tax the rich. We did that. God forbid the rich leave."

Connecticut was a tax haven in the Northeast before it adopted an income tax in 1991 and Democrats raised the rate to 6.99%. This makes it higher than Massachusetts' 5.1% tax, though a bargain compared to New Jersey's 8.9% "Millionaire's tax" which added a 10.75% surtax in 2018 on the wealthy.

Then there is California where the top rate is 13.3% and the nation's highest. Democrats in the Golden State have long proclaimed that raising taxes on the rich will not make them leave.

No More! People vote with their feet! Last year, California lost \$8 billion in adjusted gross income to other states up from \$135 million in 2012. New York lost \$9.8 billion in 2018, up from \$3.8 billion in 2012. Connecticut lost \$1.2 billion in 2018, down from \$2 billion in 2012. New Jersey lost \$3.2 billion in 2018, up from \$2.3 billion in 2012. Illinois lost \$5.6 billion in 2018, up from \$2.8 billion in 2012.

Who gained? Florida picked up \$16.5 billion in 2018, up from \$7.7 billion in 2012. Arizona picked up \$3.5 billion in 2018, up from \$1 billion in 2012. Texas garnered \$3.5 billion in 2018, up from \$2.8 billion in 2012. North Carolina gained \$3 billion in 2018, up from \$1.5 billion in 2012. Nevada won \$2.3 billion in 2018, up from \$0.7 billion in 2012. Colorado gained \$2.1 billion in 2018, up from \$1.1 billion in 2012. Washington and Idaho gained \$1.7 and \$1.1 billion up from \$0.6 billion and \$0.02 billion respectively.

All this explains why Democrats are nervous about the 2020 Census, which will decide the apportionment of House seats and electoral votes for the next decade. California, Illinois and New York are each projected to lose a seat while Texas is forecast to pick up 3, Florida 2 and Arizona 1.

We know that Progressives believe in redistribution and it looks like the Blue States will spread their wealth and political power to other states. *Wall Street Journal* 1/8/20 p. A16.

Using a DNA Ancestry Company

for genetic health testing services? The IRS says in a private ruling issued to 23andMe that individuals who buy the DNA collection kit AND pay extra to include the genetic testing can allocate the price of the kit between the nondeductible ancestry services and the deductible health testing. Taxpayers can also use the flexible spending account funds to pay for the health services. People who buy the cheaper kit only for ancestry services will not get a deduction. *The Kiplinger Tax Letter* Vol 94 #16 8/9/19.

How To Pump Up Retirement Savings With A Very Late Start

The following steps are some of the best ways to “pump up” retirement savings after a very late start. None of these are easy, but each is doable. Each can help anyone approaching retirement, including those who are confident their finances are in good shape.

- Keep Working - Studies find that more than half of retirees retired sooner than expected because of layoffs, ill health and family responsibilities.
- Slash Debt
- Get Ruthless with expenses
- Downsize

Are You A Partnership That Owns An LLC?

If you are in a partnership that owns a single member LLC you could owe self-employment tax on the LLC’s income. Temporary regulations issued in 2016 extended this rule to an LLC wholly owned by a partnership and the IRS recently issued final rules confirming this.

As always, if you have any questions about these or any other matters, do not hesitate to call us.

Remember, We’re Here For You!