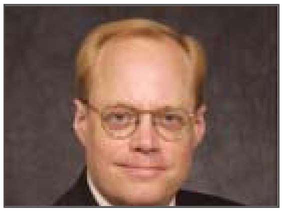

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THE TAX LAWYER

TAXES | 3/06/2013

Texas Is the New California

Taxes aren't the only thing influencing who moves where. Still, taxes can play a key role. We're now told Texas Dominates The Best Cities For Good Jobs. In part, that could be its favorable regulatory climate for business, more moderate housing and other costs. But California still has many advantages and change is slow, which is why Texas may nudge a few Californians to get moving.

Texas Gov. Rick Perry recently toured California to try to entice business owners to move. Despite all the photo-ops, California's Gov. Jerry Brown seemed nonplussed. Yet there's at least some evidence businesses and consumers are taking note of California high cost and hassle when Texas seems downright pristine.

The showing Texas made in this survey of the Best Cities for Good Jobs is impressive. Dallas achieved 2.1% job growth in 2012 and is projected to add jobs at a 2.8% rate through 2019. Houston was projected to have 5-year job growth of 2.6% a year. Austin is even better, ranking No. 2 in the nation with an expected 5-year annual growth rate of 3.9%.

It is hard to argue with these figures regardless of whether you like Mr. Perry. And tax rates are no comparison. If you are Phil Mickelson or Tiger Woods and can live anywhere, it is easy to see why a no tax state like Texas or Florida would beckon. Texas survives just fine without a state individual income tax and businesses are thriving.

Tiger Woods is worth $600 million to Mickelson's $73 million. Woods confirmed that he understood Mickelson's concern about taxes. In fact, Woods confessed that he left California in the mid-nineties in part over high tax rates. See Tiger Woods admits he left California because of tax rates. California taxes were high even then.

Still, that was long before California passed big retroactive tax increases that hiked taxes on those earning $250,000 to $300,000 a year from 9.3% to 10.3%. For $1 million-plus-earners, California's rate went from 10.3% to 13.3%. Combined with state sales taxes and federal taxes, these changes are causing even people with modest incomes to think critically about where to live.

Factors in Determining Residency. Some states have presumptions based on your time there, but most state tax authorities and courts examine many connections. You may be a resident even if you also have substantial connections with another state. Consider such factors as:

- The amount of time in versus out-of-state;
- The location(s) of your spouse and children;
- The location of your principal residence;
- The state that issued your driver's license;
- Where your vehicles are registered;
- Where you maintain any professional licenses;
- Where you are registered to vote;
- The location of banks where you have accounts;
- The location of doctors, dentists, accountants, and attorneys;
- Where your church, temple, professional associations, social and country clubs are located;
- Where you are employed;
- The location of your real property and investments;
- The location of your business interests;
- Where your children attend school;
- Where you file tax returns;

- If you claim a homeowner's property tax exemption;
- Any official statements of residency (such as on a federal tax return); and
- Any listings in state directories (phone, professional, etc.).

If you are toying with moving get some good professional advice and don't assume every tax rule is logical. It isn't.

Robert W. Wood practices law with Wood LLP, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009 with 2012 Supplement, Tax Institute), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.