



Robert W. Wood

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Kevin Durant Move To Golden State Nets Huge Taxes, As Many California Dreamers Exit

The Golden State Warriors lost this year's NBA championship to the Cleveland Cavaliers. But next year, Golden State will have all-star NBA forward Kevin Durant. Both the team and Durant benefit. But, how much will [signing for Golden State cost Durant in taxes?](#) You might think that state taxes would not impact such matters too much, but they do. In fact, California's taxes can be so high—a whopping 13.3% on top of the IRS—that it often seems to invite investors, and business people to move *away*, not to move *into* the state. But taxes clearly aren't everything.

As Sports Illustrated noted in this [article](#), Durant would have earned far more staying in Oklahoma or playing for other teams. Golden State's star power and chance for championships was surely a big draw for him, even if taxes are a downside. And how big a downside those taxes are could be staggering. Some calculate that Durant could pay as much as \$17 million more in state taxes between now and 2020. Others figure it could cost him as much as \$7 million a year.



Kevin Durant of the Oklahoma City Thunder walks off the court after being defeated 96-88 by the Golden State Warriors in Game 7 of the Western Conference Finals. (Photo by Robert Reiners/Getty Images)

But, however bleak the state tax hit might seem to outsiders, the fact that [Durant is moving anyway tells us something about tax rates](#). Plainly, taxes are not everything, as legions of Californians can attest. Of course, that doesn't mean you have to like it. Many come to California and try not to be taxed as a resident, or may try to leave. A California resident is anyone in the state for other than a temporary or transitory purpose. A California resident also includes anyone domiciled in California who is outside the state for a temporary or transitory purpose.

The burden is on you to show that you are not a Californian. If you're in California for more than 9 months, you are presumed a resident. Yet if your job requires you to be outside the state, it usually takes 18 months to be presumed no longer a resident. Your domicile is your true, fixed permanent home, the place where you intend to return even when you're gone. Do you maintain a California base in a state of constant readiness for your return?

Many people try to have the best of both worlds, making their money in California, and trying to skip out before California can tax it all. While California taxes residents on all their income, what if you move out of state and then sell your company or collect on that big investment? Year after year, no state has a bigger and more persistent cadre of would-be tax fugitives than California.

Some Californians look to flee the state before selling real estate or a business. Some get the travel itch right before cashing in shares, a public offering, winning a lawsuit, or settling litigation. Some of the carefully orchestrated deals and moves can work just fine. However, many would-be former Californians have unrealistic expectations about establishing residency in a new state. They also may have a hard time distancing themselves from California. Finally, they may not plan on California tax authorities chasing them.

You can have only one domicile, and it depends on your intent. How do you measure intent? Objective facts, and many are relevant. Start with where you own a home. Where your spouse and children reside counts too, as does the location where your children attend school. Your days inside and outside the state are important, as is the purpose of your travels. Where do you have bank accounts and belong to social, religious, professional and other organizations?

Voter registration, vehicle registration and driver's licenses count. Where you are employed is key. You may be a California resident even if you travel extensively and are rarely in the state. Where you own or operate businesses is relevant, as is the relative income and time you devote to them.

Many details may not be significant one by one, yet they can have a cumulative effect. Taxpayers with unrealistic expectations can end up with big bills for taxes, interest and penalties. Like other high tax states, California is likely to pursue you and probe how and when you stopped being a resident. Of course, Kevin Durant won't have that problem for quite some time. On the way in, California tax authorities are likely to welcome him with open arms.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.