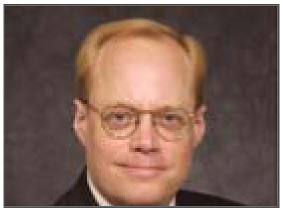

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Toyota's California Texas Two-Step's Tax Savings For Employees Too

Toyota's move from California to Texas is big news. Considering the high cost of operating in the Golden State, Toyota will save big. Still, many Toyota employees moving from California to Texas stand to reap big tax savings themselves. In fact, the National Center for Policy Analysis says that its State Tax Calculator shows it's not just thousands.

For some workers, it could be more than a million dollars in tax savings over their lifetimes, says the study. Here are some examples the National Center for Policy Analysis produced: a 30-year old single California renter earning $75,000 annually and could gain an additional $14,909 in discretionary income by moving to Texas; if saved and invested this would amount to $1,513,727 over her lifetime.

English: Akio Toyoda, President of Toyota Motor Corporation, at the annual results conference in Tokyo, May 17, 2011. Picture by Bertel Schmitt (Photo credit: Wikipedia)

That's a pretty impressive tally, pumped up by the assumed savings. Another example: a 30-year old single earning $100,000 a year in California could gain an additional $14,653 a year in discretionary income, and $1,487,723 over her lifetime. Finally, the figures say 40-year old married California homeowners earning $150,000 a year could gain an additional $2,535 a year in discretionary income, and more than $209,000 over their lifetime.

The State Tax Calculator is free from the National Center for Policy Analysis. The NCPA notes that it computes the difference in the federal and state income taxes, property taxes and sales taxes one can expect to pay over the rest of your life when you move from one state to another. And the savings feature is unique. So says NCPA Senior Fellow Laurence Kotlikoff, director of the Tax Analysis Center.

Moving states can indeed produce impressive tax differences. Remember Phil Mickelson's gaffe about taxes? The brouhaha died down, helped some by Tiger Woods who confessed that he too had left California in part over its high tax rates. See Tiger Woods admits he left California because of tax rates.

Since 2012, California tax rates have risen significantly. In fact, the Golden State now boasts a top tax rate of 13.3%. When you add California's rates to federal, it can be punishing. And understandably, high state tax rates are one of the key factors causing people to think critically about where to live.

If you move, it pays to plan ahead and create a good record. Your old state may try to tax you even after you've left. 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.).

Toyota made its decision, and that counts for the company and for it's many California-based employees. But if you are toying with moving, get some good professional advice. Finally, don't assume every tax rule is logical. It isn't.

You can reach me 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.