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You Can Slash Your State Tax Bill in Half by Moving. Here's How.

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Are you fed up with high state and local taxes? Voting with your feet might not be as far-fetched as it sounds, says financial advisor Grant Rawdin.

Dozens of Rawdin's wealthy clients have pulled the trigger over the years, moving from high-tax states like New York and California to low-tax ones like Florida and Nevada. "Almost all of the moves work out swimmingly," says Rawdin, the founder and CEO of Wescott Financial Advisor Group in Philadelphia, which serves clients from around the country.

The spread between different states' tax rates helps explain why few relocators regret their decision. An average New Yorker pays 14.7% of their personal income on state and local taxes, but can slash that percentage in half by moving to Florida, according to a 2018 study from the conservative Cato Institute.

And Rawdin points out that it's not just retirees playing the tax-arbitrage game. Each year about two of his mid-career clients, who are mobile because their businesses are largely online, decamp to tax-friendlier states.

More of Rawdin's clients may make the exodus in the coming few years: Interest in doing so has perked up because of the 2017 federal tax overhaul, which capped the state and local tax deduction at \$10,000 per year.

If you're serious about moving to a lower-tax state, take your time and do your research, Rawdin advises. "Planning and advance preparation is the key," he says. "Begin the search a couple, even a few, years before you move."

You'll have plenty of company for the move. In 2016, for example, a net total of nearly 600,000 people relocated to the 25 lowest-tax states from the 25 highest, (including the District of Columbia), according to Cato. Across those 25 highest-tax states, the average total of income, sales and property taxes equaled 9.8% of personal income, according to Cato. That compares with 7.6% for the lower-tax states.

Aside from New York and California, Maryland and Minnesota were among the states with high income taxes and net out-migration in 2016. Low-income-tax states gaining population, in addition to Florida and Nevada, included Texas and Washington.

A good way to get the ball rolling on a possible move is to establish what you'll save by relocating to specific locales, says Rawdin. Think about not just immediate savings, but also

savings over time as you sell a business, sell appreciated shares of stock, tap an inheritance and so on, he says. The further out you project, the better a move might look.

Second, evaluate the extent to which tax savings might be offset by various costs at a new location. Finally, take a hard look at the non-economic stuff—your connections to family and community, whose loss Rawdin likens to a psychological tax. Folks who make the move can wind up homesick.

If you proceed, be prepared to take the plunge in earnest. High-tax states conduct thousands of so-called non-residency audits each year. They look at whether you've sold your home and where your kids are enrolled in school. They study credit card bills, cellphone records and social media posts.

You'll need to be able to prove you were in your home state at least 183 days per year. But taxing authorities make subjective judgments about this as well, so the less time spent in your former state, the better. One of Rawdin's clients is so scrupulous about this that he avoids flying over his previous home state when he visits Wescott's offices.

There's good reason for the prudence. Audit fees by themselves can eclipse \$100,000. That's not to mention any taxes, penalties and interest that might result.

To be sure, a few of Rawdin's clients have boomeranged—typically to spend more time with family, or to be close to them for medical assistance. But most are glad they moved. Disappointment typically arises because they've chosen the wrong community within their new state, an error that's rectified by loading up a moving truck and heading to a better one.

"People find new friends," says Rawdin. "I have four clients in one Florida country club community who didn't know each other but are now friendly."