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Jeff Bezos Moves to Tax-Friendly Florida

After spending 29 years in Seattle, Washington, Jeff Bezos announced that he and his fiancée, Lauren Sanchez, will move to Miami, Florida. Jeff and Lauren will claim Florida as their state of residence even though they have other residences in Washington D.C., California, Texas, Hawaii, and New York. Jeff owns a \$68 million mansion in Indian Creek and is combining it with an adjacent \$79 million property to build an even bigger compound.

Bezos cited several reasons for the move: his and Lauren's love for Miami, a desire to live close to his parents, and the relocation of some of his space exploration business operations to Cape Canaveral. Skeptics of this reasoning have pointed out that there are also massive tax benefits of moving from WA to FL. Florida does not have an estate or income tax. Washington, Jeff's current domicile, levies the highest estate tax rates in the country. The estate tax exemption is \$2,193,000, and then the tax rates are progressive, plateauing at a marginal rate of 20%. Since Jeff is worth more than \$140 billion, his WA state estate tax would approximate \$29 billion. Given paying this amount in taxes or none in Florida, the move seems quite appealing!

On the income tax front, Washington passed an unpopular [7% capital gains tax](#) last year that applies to gains above \$250,000. Washington officials are also floating the idea of implementing a 1% wealth tax on households worth more than \$250mm. Many critics argue that high state taxes are counterproductive because wealthy families are motivated to move to tax-free or low-tax states. Earlier this year, we referenced research on the 'tipping point' at which wealthy taxpayers leave [states that levy both income and estate taxes](#). Historically, wealthy taxpayers are less likely to move than others because of high state income taxes. But as they age, the wealthy are more likely to leave states with estate taxes. States can be progressive on income tax or be progressive on estate tax, but if they are progressive on both, it can backfire.

To understand the full tax benefit of Jeff's move, it's important to know that most of his compensation at Amazon was in stock, and therefore, Amazon stock comprises the bulk of his net worth. Bezos needs cash flow to support his lifestyle and sells millions of Amazon shares each year. This makes him particularly vulnerable to Washington's 7% capital gains tax.

Aside from billionaires like Jeff, many taxpayers and businesses have migrated to low-tax states. Florida's population has tripled since 1970, adding more than 3 million people every decade. Florida is also attracting more than just retirees and billionaires. The tech sector is expanding in Miami, Jacksonville, Orlando, St. Petersburg and Tampa. Over 17 new tech and finance companies moved to South Florida recently and created thousands of new jobs, many with high salaries.

Of course, all states have their upsides and downsides, and Florida is no exception. Downsides include the rising cost of P&C insurance related to climate events and even the loss of property value due to uninsurability. Healthcare, education, and cultural alignment should also be evaluated prior to a move. It's up to every individual and family to determine whether the positives of the Sunshine State, or any state, are outweighed by its negatives.

Please reach out to your Wealth Advisor with any questions about relocating for tax purposes.

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