CAPTRUST



Ask the Experts: Taxes and Relocation

Q: I want to go live in a warmer state. What do I need to think about from a tax perspective?

A: Moving to another state for the weather, greater access to the outdoors, or to be closer to loved ones is a big life decisionâ??one that will impact the taxes you pay no matter where you land.

But to make a good decision, itâ??s important to consider all the taxes that can apply to a state resident. In fact, itâ??s possible you could pay higher or lower property taxes, income taxes, or sales taxes when you move. How much youâ??ll pay depends on the individual stateâ??s laws:

- **Property taxes.** Many states, such as Nevada and Florida, that donâ??t have income taxes make up for them with property taxes. These spots draw a lot of retirees, but itâ??s important to consider that they have relatively high property taxes. Some states offer property tax relief programs for older individuals or those with limited income or disabilities. If youâ??re set on moving to a high property tax state like Texas or California, consider renting as a cheaper alternative to owning a home.
- **Income taxes.** Many statesâ?? income tax rates range between 1 percent and 10 percent. Some states have no income tax. In Tennessee, for example, regular income is generally not subject to state tax, but a flat tax rate applies to dividends and interest income. Income tax rates will affect different forms of retirement income, as well, such as Social Security, retirement accounts, and other investments. New Mexico and West Virginia are two of the 13 states in the country that apply taxes to Social Security benefits.
- **Sales taxes.** Thirty-eight states have local sales taxes that can vary widely. A state with a moderate statewide sales tax rate like Louisiana and Alabama could actually have a very high combined state and local rate compared to other states.

Paying attention to tax efficiencies can help you stretch your savings; however, these implications are just one piece of the bigger picture.

Itâ??s important to get an accurate analysis of the true cost of living in your desired location. In addition to state and local taxes, get familiar with the day-to-day life and expenses in the areas you are interested in moving to, such as transportation, groceries, access to good health care, and cultural resources. While itâ??s important to consider taxes, deciding to move solely based on this factor might have you missing the bigger picture.

Moving to another state can save you money if you plan ahead to maximize all available benefits. Just be sure to consider all the implications before you start packing those boxes. Do some research and contact a financial planner and a tax professional for perspective on your new state. Taking these steps will help you look at the many factors that come with moving and help you avoid making a bad decision that could be difficult and expensive to unwind.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948 or schedule an appointment with a retirement counselor today.

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