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### California's Reverse Gold Rush? Tax Exodus

Federal income taxes are up, and some state taxes are too. That can create a double whammy. One of the most noted state increases is in California. In November, it enacted a high 13.3% income tax rate on top earners. Worse, the hike is retroactive to January 1, 2012. The huge increase [prompted golfer Phil Mickelson to say he was considering a move](#), although he later backpedaled and swore off talking taxes. See [Lefty's stance on California's tax hikes](#).



USA, CALIFORNIA GOLD RUSH, GOLD 1852  
---HALF DOLLAR a (Photo credit:  
woody1778a)

Still, his first sentiment about considering a move was probably genuine. He's clearly not alone. See [For Millionaire Athletes, States With Highest Tax Rates May Not Make the Cut](#). Tiger Woods got him out of a sand trap, noting that he too was motivated by high state taxes when he moved in the 1990s. California taxes have gone up since then. Moves to Florida or other no-tax states are tempting. See [Tiger Woods admits he left California because of tax rates](#).

As Tiger Woods' comments reveal, tax-motivated moves decades ago were not uncommon, but now a reverse gold rush seems possible.

California's Proposition 30 increased state tax rates on those earning \$250,000 to \$300,000 a year to 10.3%, up from 9.3%. For \$1 million-plus-earners, California's rate is 13.3%, up from 10.3%. By comparison, the combined state and local top rate in New York is 12.7%.

Combined with federal rates and even sales taxes, the mix is causing top athletes (and even some outside the professional sports stratosphere) to think critically about where to live. Pro athletes face aggressive state and local tax collectors, but where athletes reside can make a big difference. Florida, Nevada and Texas beckon. Most PGA Tour players live in no-tax states like Florida or Texas. For endorsement income, the issue is especially important.

Most states and countries tax athletes and entertainers when they play or perform within their boundaries. Foreign athletes and entertainers must file U.S. income tax returns and face [special withholding rules](#). U.S.-source income generally includes pay for performances, endorsements, merchandise sales, and royalty or other income closely related to the event. See [IRS Sand Trap For Pro Golfers](#).

The way states line up for revenue is illustrated by Super Bowl earnings. On the cusp of the Super Bowl, Louisiana state taxing authorities noted that even nonresident athletes earning income in Louisiana must pay state tax. Income inside and outside the state is apportioned so the state gets its fair share. The rules apply to actors, musicians, performers, professional athletes and their associated support personnel.

In fact, it hits any other individual with income from Louisiana sources who is required to file a federal individual income tax return. See Revenue Information Bulletin 13-008, [Compensation from Personal Services Rendered in Louisiana by Nonresidents](#). This is a useful reminder that while athletes and entertainers may face special issues, for all high income earners, some thought about overall tax exposure is tempting.

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