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# THE RIPPLE EFFECT: Experts weigh impact of Tepper's exit from N.J. to Florida

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By Martin C. Daks, for NJBIZ, June 27, 2016 at 3:00 AM

Billionaire hedge fund manager David Tepper, formerly New Jersey's wealthiest resident, filed for a legal change of residency last year. He is now a Florida resident.

David Tepper moved himself and his \$18 billion Appaloosa Management hedge fund to Florida last year.

The move had short-term and long-term implications for the state of New Jersey.

Some argued Tepper's move — presumably to lower his taxes — proves the state is too expensive in which to live (and ultimately die). And that it could be a bad sign of things to come.

Others stayed in the present, wondering how a state already hurting for revenue would make up for a loss of about \$100 million in taxes.

To be fair, any state would be pained by the departure of an uber-wealthy taxpayer. But in New Jersey, more than one-third of personal income taxes are paid by less than 1 percent of the taxpaying population, so the revenue challenges are magnified when any wealthy individual pulls up stakes and leaves.

“Our personal income tax comprises about 40 percent of our revenue base, and relies on less than 1 percent of taxpayers for nearly one-third of that revenue,” New Jersey Legislative Budget and Finance Officer Frank Haines warned the state Senate Budget and Appropriations Committee in early April.

“Other tax and revenue sources are subject to forecast error as well, but even small departures from our expectations for the income tax can make other problems seem small by comparison.”

The withdrawal of Tepper — who was No. 1 on the NJBIZ 50 Wealthiest New Jerseyans list last year — could leave a hole in the state's coffers of around \$125.6 million a year, based on the state's top personal income tax rate of 8.97 percent.

Some will argue the gap isn't that great, as Tepper undoubtedly used many methods to lower his tax bill.

This much, however, is clear. The gap will certainly grow if more residents follow.

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*[Excerpt:]*

New Jersey's loss of an individual taxpayer like Tepper is only part of the problem, according to Andrew Ebnetter, a Wayne resident and state and local tax practice partner with Marcum LLP.

"Large businesses are also leaving the state, which reduces tax collections here," Ebnetter said. "For example, Hertz left Park Ridge for Florida a few years ago, and Mercedes-Benz recently left Montvale for Georgia. So you don't want to look at budget issues purely from a personal income tax standpoint, which would be a myopic viewpoint.

"That said, the state is pursuing measures to attract and retain businesses through tax credit and incentive programs to bolster its tax base, with varying degrees of success."