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# Bezos' Florida Move Is a Migration Warning to High-Tax States

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*Amazon's Jeff Bezos' decision to move to Florida should serve as a cautionary tale for states considering aggressive taxation on their wealthiest residents, Marcum's John Bonk says.*

As Amazon.com founder and executive chairman Jeff Bezos transitions his residency from Seattle to Miami's Indian Creek Village—an elite enclave known as the “billionaire bunker”—questions arise about a potential trend and its tax implications for Washington state and beyond.

Bezos, who announced the move on Instagram Nov. 2, attributed it to personal connections and strategic business shifts. Yet it coincides with favorable tax benefits the Sunshine State offers.

Florida's tax policies, including the absence of state individual income tax, estate tax, and inheritance tax, have caught the attention of affluent individuals such as Bezos. His \$147 million investment in Miami real estate isn't just a lifestyle choice but perhaps a savvy financial maneuver, especially in light of Washington's recent introduction of a 7% capital gains tax on earnings over \$250,000 from long-term capital assets.

By selling \$15.7 billion of Amazon stock between 2020 and 2021 before the state's capital gains tax kicked in, Bezos avoided approximately \$1.1 billion in taxes. His future savings will increase due to Florida's tax structure.

The trend of tax-driven migration raises concerns for Washington, which also has proposed a wealth tax targeting billionaires. If enacted, Bezos would have faced an annual tax of \$1.44 billion had he stayed, accounting for almost half of the projected revenue from the tax.

His relocation to Florida deprives Washington of this potential income while challenging the state's reliance on a concentrated pool of wealthy residents for significant tax revenue.

### **Potential Trend**

Bezos' move could signal a trend for other high-net-worth individuals and business leaders in Washington state. The risk of a domino effect is real, as other large company heads relocate to more tax-friendly states. Such a shift could substantially decrease tax revenue, resulting in budget shortfalls and economic stress for the state.

Moreover, by relocating to Florida, Bezos' heirs are now sheltered from Washington's estate tax, the highest in the nation. This estate planning aspect is another factor that could influence wealthy individuals' residency decisions, further complicating the tax landscape and public policy considerations.

High-net-worth individuals often have the flexibility and resources to strategically relocate to states with more favorable tax climates, a practice that can slash their tax burdens. This ease of movement is helped by better access to financial advisers and tax professionals who can guide them through the complexities of tax planning and residency requirements.

Their financial means also allow them to maintain multiple homes and swiftly adapt their lifestyle to align with tax residency stipulations. The combination of expert guidance and financial freedom makes it relatively straightforward for wealthy individuals to transition their domicile to tax-friendly states, optimizing their wealth preservation and accumulation strategies.

### **Unintended Consequences**

The implications of this potential trend extend beyond individual savings for the wealthy. States such as Washington could face unintended economic consequences, including reduced tax revenue and economic activity, if they fail to balance the need for taxation with the reality of taxpayer mobility.

Policymakers must grapple with designing equitable tax systems that don't overly rely on a narrow base of taxpayers while still funding essential services.

Washington isn't the only state focused on the wealthy to increase state revenue. In 2023, at least eight states introduced various plans to increase taxes on millionaires and billionaires. One such tax that passed and became effective in 2023 is in Massachusetts, which increased the tax rate for taxpayers on income over \$1 million by 4%.

The ramification of Bezos' move serves as a cautionary tale for states considering aggressive taxation on their wealthiest residents. The balance between fair taxation and the risk of an exodus of high-net-worth individuals remains a complex and pressing issue for state economies and tax policies across the country.

*This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law and Bloomberg Tax, or its owners.*

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