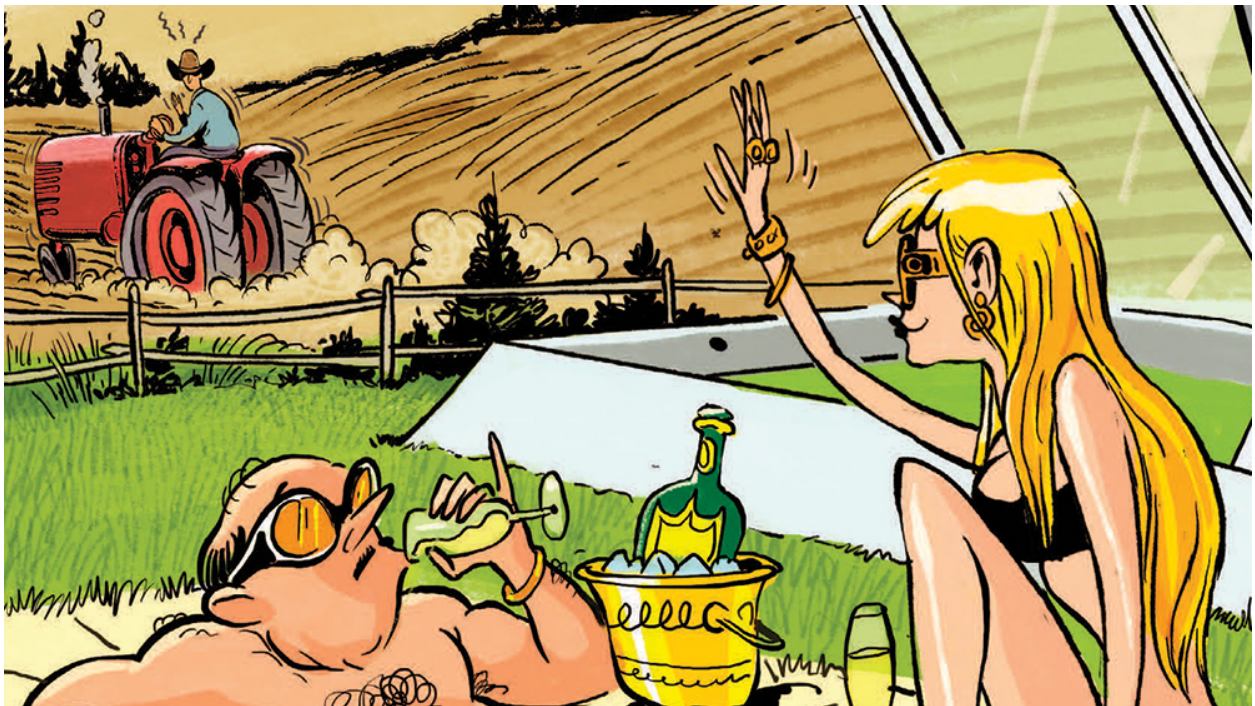




Business Managers Help Stars Relocate During the COVID-19 pandemic

By Robert Marich
November 11, 2020



Leaving California or New York and settling in a more financially advantageous place has long been a mantra of those with the means to carry out that plan. Drivers include spiraling local taxation, high cost of living and declining quality of life.

And now, with the [pandemic](#) spreading rapidly in crowded urban centers such as Los Angeles and New York City, and their surroundings, many affluent individuals and families are thinking about vacating their city abodes and fleeing to more bucolic settings, where the risk of contracting coronavirus is lower.

Business managers and bankers whose clients include showbiz royalty have seen this up close.

And it's a trend that can snowball. "When you see some big-name celebrities being very public about leaving whatever states they're in, that's triggering more people to at least think about it," says David B. Schachter, a senior VP who handles wealth management at financial services giant UBS, based in Century City.

Celebs citing local taxation as factors for actually moving residences include rock star Gene Simmons, who recently listed his Beverly Hills estate, which he's owned since 1984, following a move to Washington state. And President Trump, who moved his legal residence to Florida from New York. Those two destination states are among nine with no state income tax. Others include celeb-magnets Nevada, Tennessee and Texas.

Meanwhile, California's top marginal personal tax rate peaks at 13.3%, elected officials suggest tax hikes are coming and it all is piled on top of federal income tax burden.

New York-based business manager Evan Bell, managing partner of Bell & Associates, says when entertainment/media clients realize that their combined state, local and, where applicable, city income taxes pass 50% "that's when I starting getting calls." Even that 50% psychological threshold is now under threat of being breached.

Escaping taxes is a long-term motivator. Fleeing the pandemic is more urgent — and the pandemic has also demonstrated the feasibility, even the ease, of working remotely.

“People are spending more time in their homes than ever before, which makes them think about what works and what doesn’t,” says Tony Peyrot, managing partner at business management firm Dunn Pariser & Peyrot. “In some cases, they just want different spaces.”

“We have clients that realize that they want more than city living,” says Bell of some of his New York City clients. “Those mostly have young families with kids” who are trading densely populated concrete canyons for larger homes in leafy, pastoral settings.

In the past six months, several of Bell’s clients have relocated to the adjacent Hudson Valley so they stay in state, but are relieved of a New York City income tax that is above 3%.

There are different opinions, however. “Energy, attitude and personality cannot be ‘remoted’ through even the best fiber optic lines,” counters comedian Jerry Seinfeld in an August opinion article taking exception to the escape-from-New York zeitgeist. “Real, live, inspiring human energy exists when we coagulate together in crazy places like New York City.”

Business managers also point out that it’s hard to pull up roots, so for many it’s simply an exploratory topic.

“More people are talking about it than doing it,” says Harley J. Neuman, partner at Encino-based business management firm Neuman + Associates. “It’s more difficult to execute than imagined.”

For California, the tax bite on a percentage basis is pronounced for high earners, though it narrows considerably for middle-income residents. As a result, business managers say that California taxpayers in mid-range don't have a taxation-based incentive to leave the state.

Even for high earners, moving to another state doesn't always translate to escaping taxes from California. A closely watched 2019 California tax appeal court ruling held that an Arizona-based screenwriter owes California taxes as an out-of-state resident because work performed was for California-based companies.

A California tax representative explained of the ruling: "Under the 'market-based sourcing' rules that went into effect Jan. 1, 2013, a nonresident independent contractor's income is sourced to the location where the customer received the 'benefit of the services.' "

"Simply changing their domicile outside of California may not necessarily change their California tax liability as much as some would like," says Beverly Hills-based business manager Andrew Meyer. He is founding partner of Freemark Financial, which now models taxation outcomes in routine year-end reports because curious clients have increasingly asked for comparisons.

"If you're considering switching residencies, you have to make sure are in it for the long haul," adds business manager Carrie Malcolm, partner at NKSFB and based in Manhattan. "Neither California nor New York take kindly to losing the tax revenue. You can expect your taxes will ultimately be examined by those jurisdictions" if you're constantly moving residency and crossing state borders.

The pull to move residences is expected to not be just a passing fad because local and state governments facing financial crises seem determined to squeeze higher revenue, and show little inclination to reigning in spending to keep a lid on taxes.

New York Gov. Andrew Cuomo joked in an August press conference: “I literally talk to [wealthy] people all day long ... and I say, ‘You got to come back [to New York City]! We’ll go to dinner! I’ll buy you a drink! Come over, I’ll cook!’”