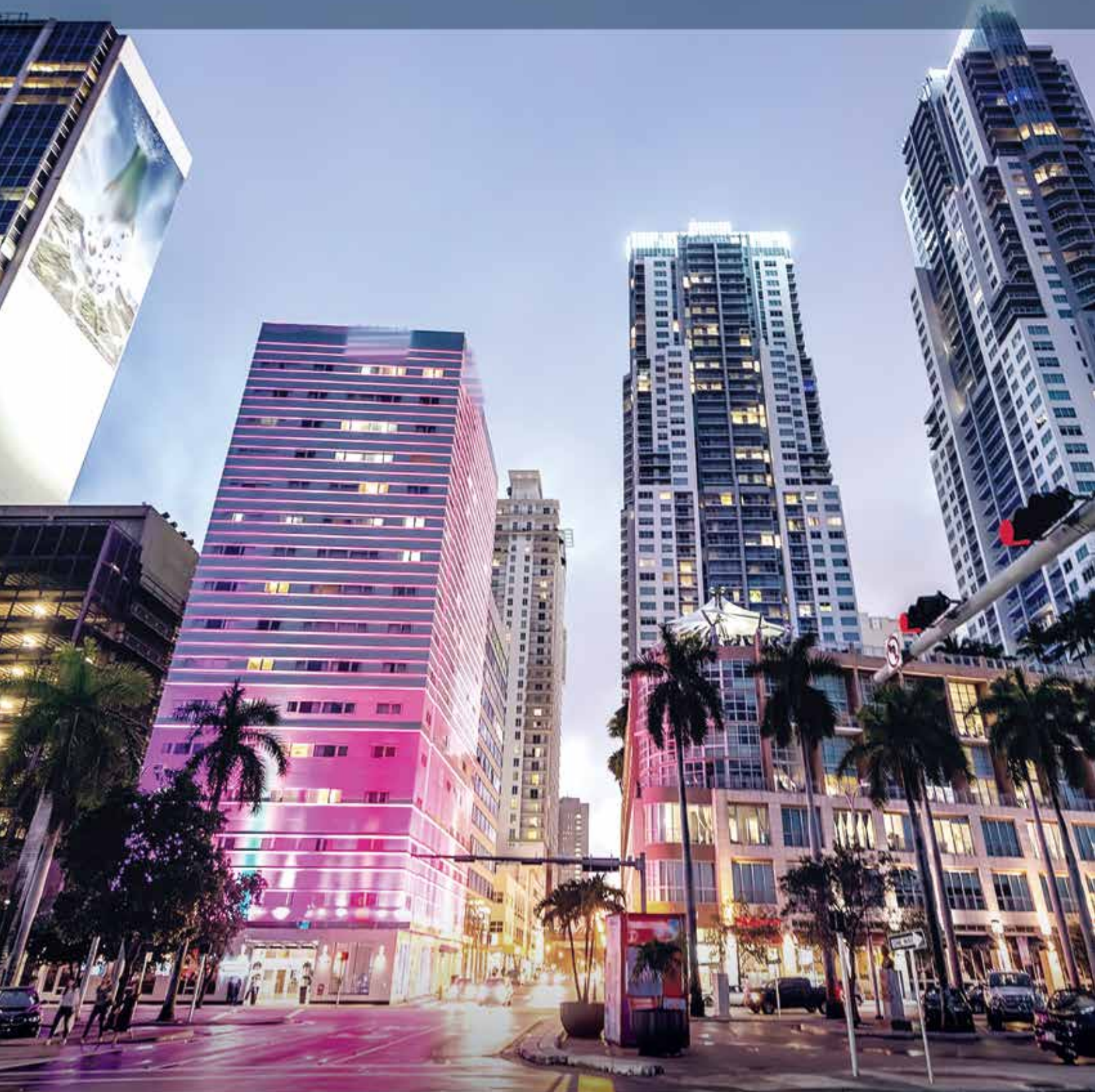


WHITE PAPER

# *Why You Should Consider Moving Your Investment Firm to Florida*





## *Adapting to a Changing Landscape*

A strategic paradigm for the long-term success of any business is its ability to adapt to the dynamic business environment. Florida offers investment managers an opportunity to change and evolve for continued success.

Increased regulation continues to be the norm in the investment industry – both in the United States and in Europe. As a result of increased compliance costs, this heightened regulatory focus manifests itself as a charge to the bottom line. And diminishing profit becomes a real concern for fund managers.

## *So how can fund managers offset diminishing returns?*

Can they increase client fees? Not likely in this highly competitive environment. Instead, fund managers will need to find ways to cut costs.

For starters, there is the obvious: the weather. Florida has average high temperatures in the eighties during the summer and lows in the sixties during the winter. And although the excellent year-round weather has helped the state's real estate prices to recover from the housing bubble of the last decade, Florida properties are still a relative bargain compared to other major investment hubs – even in the luxury market. Compared to New York, for example, clients can buy more space for relatively the same price.

*From tax savings and business incentives to the unbeatable lifestyle and proximity to Latin American investors, Florida offers many benefits for investment managers.*

You may be wondering: if I move my business to Florida, will there be opportunities to lure new accredited investors? South Florida is still experiencing an influx of high-net-worth individuals who are moving from the Middle East, Latin America, and Asia, as well as the UK due to Brexit tensions. Whether newcomers are fleeing repressive government regimes or just avoiding high-tax environments, these individuals are choosing Miami as one of the top places globally where they want to own a home. In addition, the Miami-Fort Lauderdale area was ranked No. 1 in the Kauffman Foundation's 2017 Index of Startup Activity, making the area even more attractive to investors.

How about hiring qualified staff who understands the investment industry? In a survey of 2019 Best Finance & Financial Management Schools in the Southeast Region, 3 Florida universities were ranked among the top ten. You'll be glad to know that since 2012, Miami-Dade County has experienced a significant increase in residents with a higher education degree.



## *Tax Benefits of Moving to Florida*

The most significant boost to your bottom line that Florida offers is tax savings, both for individuals and for businesses. Recent changes in the tax code have made Florida even more attractive to high-income earners.

***Florida does not collect individual income tax.***

A high-net-worth individual coming to Florida from a state with an individual income tax can expect to save thousands or even hundreds of thousands of dollars in personal income taxes. Higher-income earners in Connecticut, Massachusetts, New Jersey, and other high-tax states, will face even higher taxes due to the State and Local Tax (SALT) limitations established by the new tax law.

For example, an investment manager earning \$1,000,000 of annual income in 2018 could end up owing \$441,000 in total taxes if they live in New York compared to \$318,000 in total taxes if they live in Florida. That's a difference of \$123,000! And this tax advantage is long-term. It's highly unlikely that there will ever be a personal income tax in Florida because the law is written into the state's constitution.

***Florida does not have an estate tax (death tax).***

Similar to the individual income tax, the State of Florida prohibits the imposition of a death tax. This could make a huge difference for those who have a sizeable estate. Any families thinking of moving from states with an estate tax, like New York or Massachusetts, should consult with an accountant and an attorney who specialize in estate planning.

*In many cases, a move to Florida can result in substantial tax savings.*



### ***Florida offers many asset protection benefits.***

Have you ever worried about losing your assets to a creditor or lawsuit? Florida offers many asset protection benefits, including: homestead creditor protection; tenancy by the entirety (TBE) for real property as well as personal property; protection of the cash surrender value on life insurance policies; protection for IRAs and annuities; and protection of assets held in a properly structured business entity. For more details about asset protection in Florida, consult with an accountant and an attorney who specialize in estate planning.

### ***Florida offers property tax benefits for a primary residence.***

When you buy your home in Florida and declare it as your primary “homestead” residence, then in addition to the asset protection mentioned above, you also receive two tax benefits. First, you do not pay taxes on the first \$50,000 of value on your home. Secondly, the annual increase in the assessed value of your home is capped at the lower of 3% of the assessed value for the prior year or the change in the consumer price index (CPI). For instance, if the CPI increase was 1.7% for 2018, the assessed value of your primary residence could only increase by 1.7% this year. This Florida law is referred to as the “Save Our Homes” cap on annual property tax assessments.

***Florida does not impose income tax on limited partnerships and subchapter S corporations.***

Unlike California, New York and some other states, Florida gives shareholders of limited partnerships and S corps a break when it comes to income taxes. Additionally, Florida offers tax credits, refunds and other incentives to promote development and job creation.

These are just a few of the tax credits available:

- Corporate Income Tax incentives
- Film in Florida Sales Tax Exemption
- Fuel Tax incentives
- Insurance Premium Tax incentives
- Sales and Use Tax incentives
- Scholarship-Funding Organizations
- Severance Tax incentives

Visit the Florida Department of Revenue website to see a full list of tax credits available for businesses. Consult with your local tax professional to determine if there is a business tax credit that could facilitate your move to Florida.



***Florida benefits from new favorable provisions of the Tax Cuts and Jobs Act.***

The Tax Cuts and Jobs Act is generally seen as favorable to businesses. In Florida, the advantages stretch even further. By identifying several opportunity zones (30 in Broward County, 68 in Miami-Dade County, and 26 in Palm Beach County, among hundreds of others) the state is preparing for an influx of innovators and development activity. Investors can benefit from opportunity zones' lower taxes on capital gains.

Additionally, the newly imposed State and Local Tax (SALT) deduction limitation negatively impacts high-tax states – but not Florida! This means hundreds of thousands of dollars in tax savings when compared to a state like New York.



## *Location, Location, Location*

The weather alone can be reason enough to move to Florida for some. Just this past winter, a client located in the Midwest told us he was planning to become a full-time Florida resident. As we spoke on the phone, he was stuck on I-70 driving through a snow blizzard. It was 72 degrees and sunny here in Florida, without a single cloud in the sky.

## EXPLORE THE OUTDOORS

Florida offers a diverse lifestyle opportunity for those who enjoy the scenic outdoors. Do you like to play golf? There are about 205,000 acres of golf courses in the state. West Palm Beach is the golf capital of the world – just ask Tiger Woods, who lives there.

Or perhaps you prefer to be on the water? Aside from miles and miles of sandy beaches, South Florida is a boater's paradise. World-renown boat shows hosted in Miami, West Palm Beach and Fort Lauderdale attract thousands of visitors each year.

If you prefer the sunset view of the Gulf Coast, Naples boasts luxury boat shows, beaches, shopping, fine dining, and top notch entertainment. It is also one of the safest cities to raise a family: it is located in Collier County, which has the lowest crime rate of any metropolitan county in Florida.

## WATCH A GAME

Are you a sports fan? Professional sports and college sports are located in all four major metropolitan areas of the state, and South Florida is home to a professional team in football, baseball, basketball, and soon, soccer! Miami voters recently approved negotiations for Miami Freedom Park, a large sports complex to include a soccer stadium, various sporting fields, and green space.



## ENJOY PARKS AND RECREATION

If you prefer to be a participant rather than a spectator, Miami-Dade County Parks is the third largest county park system in the United States, consisting of more than 13,573 acres with 270 parks, recreational spaces and greenways. The Miami-Dade park system is one of the most unique park and recreation systems in the world.

## GET CULTURED

Are you an art and music lover? Art Basel is one of the largest and most respected art shows in the world with over 70,000 artists, collectors, gallerists, museum directors, and art enthusiasts participating every year. Perez Art Museum Miami (PAMM) is Miami's newest gem, a modern and contemporary art museum nestled between green open spaces and Biscayne Bay. Adrienne Arsht Center is Miami's state-of-the-art theater and opera house. A vibrant nightlife and endless entertainment options for all ages and interests place Miami among America's most iconic cities.



## **WORK AND PLAY IN SOUTH FLORIDA'S GROWING BUSINESS ECOSYSTEM**

Miami is a major global hub. It was ranked as an Alpha- World City in 2016 by the Globalization and World Cities (GaWC) Research Network. An alpha city is a very important world city that links major economic regions and states into the world economy. In a recent UBS study comparing the domestic purchasing power of 77 world cities, Miami was ranked as the third richest city in the United States and as the eighth richest city in the world.

If you want to do business with Latin America, Florida is the place to be, as it offers easy access to every business center in South America, Central America and the Caribbean. Known as the "Gateway to the Americas," the Miami metro area has the third largest Spanish-speaking population in the United States. Florida is home to two-thirds of the nation's Cuban-American population, according to the Pew Research Center. Every country in Latin America is represented in Florida's demographics.

Downtown Miami is home to the largest concentration of international banks in the United States, as well as many large national and international companies, and now even a regional office of the Securities and Exchange Commission (SEC). In their 2018 rankings, Forbes included West Palm Beach as one of the best places for business and careers. Aside from a burgeoning technology industry, it is home to several investment firms. Also in Palm Beach County: FINRA's southern regional office in Boca Raton.

Florida's location at the geographic and commercial crossroads of the Americas and multilingual workforce translates into large volumes of international trade, especially with Latin America and the Caribbean. In 2017, goods valued at \$147.7 billion flowed through Florida's ports, according to Enterprise Florida. The state has 14 deep-water ports and 19 airports that provide international or commercial service. The largest of these airports is Miami International Airport, which is one of the busiest in the world.



## *Other State and Local Requirements*

As previously mentioned, Florida does not impose a personal income tax.

However, there are other state and local taxes that entrepreneurs need to consider when relocating a business to the state. The following are some of the more common state taxes.

## **SALES AND USE TAXES**

Sales tax applies to the sale, rental, lease, or license to use goods, certain services, and commercial property in Florida (unless the transaction is exempt). If your business will have taxable transactions, you must register with the Florida Department of Revenue before you begin conducting business in the state.

## **REEMPLOYMENT (FORMERLY UNEMPLOYMENT) TAX**

Reemployment assistance gives partial, temporary income to eligible workers who lose their jobs. Employers pay for reemployment assistance through a tax administered by the state Department of Revenue. If your business meets the criteria for the tax, you must register with the department, which you can do online.



## **OTHER TAXES**

The Florida Department of Revenue also collects taxes and fees for communications services, documentary stamp, fuel, gross receipts on utility services, insurance premium, pollutants, severance, and solid waste and surcharge. Visit the department's website to learn more about states taxes and fees.

In addition to state requirements, individual counties and municipalities have varying tax and licensing requirements. You can visit each municipality's website to learn more.



## *Building your Business Network*

Once you've decided to move to South Florida, you'll need to start building your regional business network. There are various business organizations and resources that can assist with your transition and add value to your organization.

As Miami's entrepreneurship ecosystem and innovation economy grow, Knight Foundation, a national organization that invests in journalism, the arts, and the success of cities across the U.S., has been working with several innovators to support their ideas and make the city a respectable hub for new business. A few of the more prominent ones are listed below.



**Miami Finance Forum:** This not-for-profit membership organization is comprised of professionals and executives from the world of finance, investment management, banking, capital markets, private equity, venture capital, legal, accounting and related fields. The Miami Finance Forum aims to create a forum for the general advancement of South Florida as a leading global financial marketplace while providing a network for its members to meet and establish meaningful business relationships.



**Greater Miami Chamber of Commerce:** The chamber is a catalyst to help members grow, improve and protect their businesses. It is dedicated to building the best environment for business in the Americas and committed to improving the economic vitality of South Florida.



**Greater Fort Lauderdale Alliance:** Broward County's premier economic development organization, the Greater Fort Lauderdale Alliance, focuses on creating, attracting, expanding and retaining high-wage jobs and capital investment in high-value targeted industries, developing more vibrant communities, and improving quality of life.



**Business Development Board of Palm Beach County:** The BDB is an economic development organization that serves as the primary Palm Beach County partner to the state's economic development organization, Enterprise Florida. The BDB provides free assistance to companies considering relocating their business to Palm Beach County.



**Miami Downtown Development Authority:** Miami DDA is an independent agency of the City of Miami funded by a special tax levy on properties within its district boundaries. Its mission is to grow, strengthen and promote the economic health and vitality of Downtown Miami. It advocates, facilitates, plans, and executes business development, planning and capital improvements, and marketing and communication strategies.



**Miami-Dade Beacon Council:** As Miami-Dade's official economic development partnership, The Beacon Council is charged with bringing new, job-generating investments to the community, while assisting existing businesses in their efforts to expand. It facilitates the creation of quality jobs for each and every resident of Miami-Dade County.



**Palm Beach Hedge Fund Association:** This trade organization consists of active hedge fund professionals, venture capitalists, ultra-high net worth investors, family offices, investment bankers, academics, and a wide variety of financial experts. Their goal is to provide a unique deal flow network among members and improve the public's perception of hedge funds and alternative investments in Palm Beach County and South Florida via education.



**The Florida Venture Forum:** The forum is a catalyst for accelerating and driving the economic development of Florida. Its comprehensive activities facilitate the creation of an innovation and high-wage economy by preparing coaching and linking entrepreneurs and growing Florida businesses. In addition to providing access to the equity financing needed for sustainable, scalable growth.



In summary, Florida offers great incentives to its residents, from some of the lowest average state and local taxes in the country to arguably the best overall year-round climate. As regulation in the investment industry continues to increase and it becomes more and more important for investment managers to adjust for a tightening bottom line, you may want to consider the cost savings that Florida offers for you and your business.

“Miami has the reputation of being a young, vibrant, and diverse city. When you mix those elements with innovation and incentives like affordable housing, no state or city taxes, the connection with Latin America, and the influx of visitors from around the world, it makes it a truly desirable location for entrepreneurs”, said Carolina Pina, director of international programs at Ilumno - the largest pan-regional higher education network of universities in the Latin America and Caribbean region, which connects students with quality education and real-world opportunities.

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