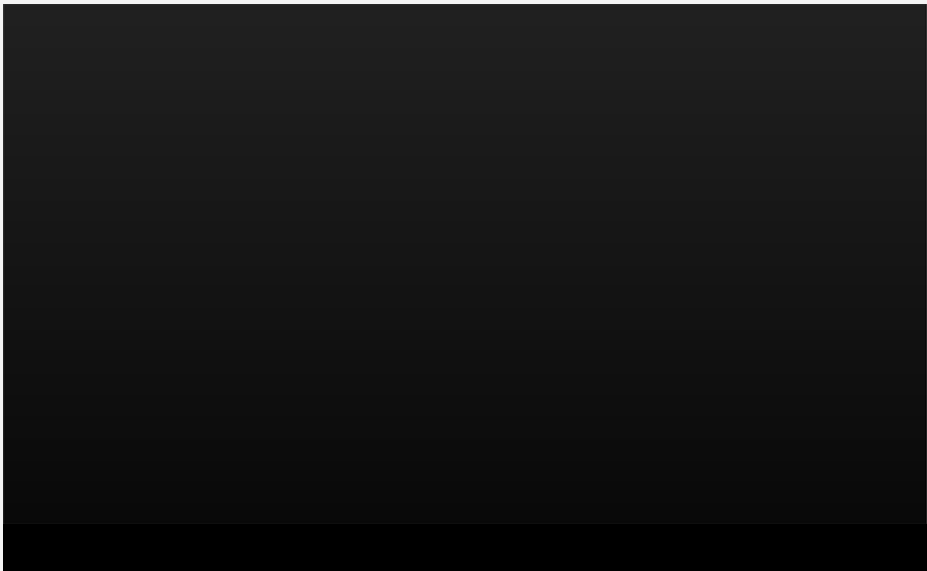


STATE & LOCAL

# California residents, businesses consider bailing on Golden State over taxes

By **William La Jeunesse**  
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From small businessmen in San Diego to vintners in Napa Valley, top-earning Californians reeling from a new state income tax are preparing to pack up and bail out.

Top-ranked golfer Phil Mickelson ignited a firestorm this week by suggesting that the state's tax landscape might force him to make tough decisions, such as moving elsewhere. Mickelson later backtracked, saying he shouldn't have spoken so openly about his personal situation, but others in the Golden State are still speaking out.

"If you have excessive regulations and excessive tax, that's just not where you want to be," said Peter Farrell, president of ResMed a medical-device maker in San Diego that employs 600 workers and is considering moving its offices out of state. "California is unfriendly. It's become an unfriendly business environment."

One possibility is Texas, where the personal income-tax rate is zero, compared to 13.3 percent for top California earners.

Another San Diego-based company, Fallbrook Technologies, a maker of variable speed transmissions, recently announced it is leaving for Texas.

Nevada tax accountant George Ashley said he's received more than 100 inquiries from higher-earning Californians about the possible tax advantages and feasibility of relocating to a state with lower taxes.

"We have had a 10-fold increase from various parts of California, particularly Los Angeles and the Bay Area where many people are seeking a way to leave the state," said Ashley, who lives just over the California state line in Lake Tahoe, Nev.. "They are fed up with the situation and they feel like they are being unfairly treated."

The proposed exodus is the result of Proposition 30, a tax-increase proposal by Democratic Gov. Jerry Brown that residents voted into law in November

California expects to net \$5 billion to \$7 billion annually by increasing the tax rate on households making more than \$250,000 a year -- and which already pay 62 percent of state income taxes, according to 2010 tax returns. The top 2 percent of earners, households earning more than \$450,000, pay 46 percent of the taxes. And those earning more than \$1 million -- just 34,000 of the state's 14 million taxpayers -- pay 25 percent of the entire states' taxes.

"As soon as Prop 30 happened, I saw just a huge change in the mindset," said consultant Matt Bradvica, a certified public accountant in the San Diego office of the national tax advising company McGladrey. "It was almost as if that pushes it to the limit.

"There are other states out there that have no income tax at the individual level. And so if you can save 13 percent in your business by residing in Nevada, for instance, which is a zero tax state, then I need to consider doing that."

And many have already have.

Fox News contacted a dozen high net-worth residents up and down California. Most talked at length but asked that we keep their identity hidden out of fear of being audited -- or, as at least one person said, "harassed" by the California Franchise Tax Board, the state version of the IRS.

"It never stops," a wealthy San Diego retiree told Fox News. "Pay a little more this year. Pay a little more pay here. Pay another business tax here. There is no end. So we decided to end it, and left."

Married, with grandchildren in the area, this individual put his house up for sale as soon as Prop 30 qualified for the November ballot. He now lives in Phoenix, having sold two California homes. He claims to be saving \$20,000 a month in property and income taxes since relocating.

Another North County San Diego resident, whose home is currently for sale, told Fox News he estimates he and his wife will save \$30,000 a month by moving to Arizona. He said it's not that he is against paying his fair share, but more than 50 percent of state residents pay no personal income taxes at all, and that, he said, is "unfair".

"We feel like the politically convenient target," he said. "Governor Brown used the tyranny of the majority to steal from the minority. It's that simple. The majority isn't going to vote to increase their taxes -- stick it to the guy next door. That is the mentality in California and while we love the state and will miss the beaches, we've had it. We're out."

A venture capitalist wrote: "I am thinking about Seattle. In our business, my income comes in big pops when we sell a company. So when those events happen I will always be taxed at the highest rate."

A Napa County winemaker added: "Truly frightening. I was a little shocked when we looked at our first paycheck of 2013. I have nothing taken out above the minimum required taxes and found my net pay was 46 percent of the gross. Any wonder we, as I'm sure many others, are considering fleeing CA for an income tax free state, in our case Jackson Hole, WY. "

A Silicon Valley investor planning to leave wrote: "I don't think I would be a good subject for your report. I think anything I say would come across as whining. I hit a great deal and now the taxes are coming due, but no jobs are involved. If I leave, the state will lose my taxes and the economic activity associated with my living expenses, but that's it. Since my son is only in high school, I (can't) leave prior to the time he graduates."

While most of the evidence of an exodus so far is anecdotal, some tax analysts expect the evidence to show up in declining tax revenues from the wealthy by 2014, as they figure out how to legally relocate without actually leaving the Golden State nine months a year.

*William La Jeunesse joined FOX News Channel (FNC) in March 1998 and currently serves as a Los Angeles-based correspondent.*

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