Aaron Goldberg ([04:08](https://www.rev.com/transcript-editor/Edit?token=MU25ng_6yCtvsrFsGgQw7jH4lArqtunZglEHbKvQAVrKJXHtk_G5cXNOxfZBMzHAbSF77CTA27mIOhoL2qWElTvs34c&loadFrom=DocumentDeeplink&ts=248.3)):

Hey everyone. Welcome back to the PGA Players Podcast. This is your host, Aaron Goldberg, Certified Financial Planner and Private Wealth Advisor at AWM Capital. Today we're going to be talking about state residency. So as you know, golfers travel all the time, we're on the road a bunch playing in events and it does open up the opportunity to look at what state are we going to be living in in the off season? Because that way we may be able to avoid paying taxes in a high tax state and optimize it in a way that we're living in a lower tax state in that off season and save some on the tax side. So today we're going to talk about two things that we want to look at when we're making this decision, because it can have a huge impact, not only on your financial picture, but on your game, too. And so we don't want to discount that.

So first we're going to look at what taxes do we pay in states and how do we pay them? And then the second thing we're going to look at is if we do make that decision to move to another state, what do we need to do to be able to file residency in that state and pay taxes there, as opposed to the state that we used to live in?

So going back to the state taxes. Tax is going to be our biggest hit out of our net worth every year. If we're in the highest income bracket federally, we're paying about 37%. On the state side, I'm going to pick on California, because that's where I live, right wrong or indifferent and highest tax bracket there is 13.3%. So if we add that up, guess what the majority of your income is going to taxes, because we're at 50.3%.

If we can do anything to save on that, that's going to help optimize our net worth. So what we want to look at is our two sources of income, on field or on course income when we're playing in events and then off the course income, and that's going to be our endorsement deals, any sort of corporate deals that we have, Pro-Am events, that type of thing. So on the course earnings are going to be taxed in the state that you earn them. So let's say you play an event in New York. They're going to tax you for how much money you make in New York that year. Whatever tax you pay there is that going to be used as a credit against the tax you would owe in the state that you live in.

So let's use this example. You live in California. The highest tax rate is 13.3%. And I'm going to use a different example just for round numbers. Let's say you make some money in Colorado and it's 5% taxes there. So if you pay 5% in taxes there, you owe another 8.3% in taxes in California on that money that you made. So that's where you could save a little bit by living in a different state that has 5% or less state taxes, because you wouldn't own any any more, but it really dwindles down what that savings could be. On the flip side, your endorsement income, that's all going to be taxed in the state that you live in. So this is where you can really have a big savings if you have a decent amount of endorsement income. If you're in California and you're paying 13.3% on your endorsements and you could live in Nevada and pay 0%. Let's say you're making a million dollars off the course, that's 130 grand right there.

To me, that's a big difference. Now what we have to then look at is how do we actually file residency in Nevada and justify it to the California tax board and in Nevada as well, because we want to make sure that we're not setting up ourselves for problems in the future, because that's another way to ruin our golf game is having tax issues in the future. So if we're going to try to file taxes in a different state, and again, I'm going to pick on California. One of the common things I see with players is they live in California. They turn pro, they want to live in Nevada because it's a 0% state income tax state. That's fine, but we need to make sure that we're actually going to live there. That doesn't mean we have to live every day of the off season there, but we are going to have to spend a majority of the time in Nevada in our off season.

So we're going to look at weeks that we play events. We're going to subtract that from the 52 weeks in the year. So let's say we end up playing 30 weeks in a year. That's 22 weeks of an off season. Where do we spend that 22 weeks of the off season? Do we spend eight in Nevada and 14 back in California at home? That's not going to fly with California. They're going to want their state income tax. But if we spend the majority of our time in Nevada and we go back to see family and friends in California for a few weeks here and there we go back to see our coaches, that's going to be fine, but we need to make sure that that time spent in Nevada is going to be the majority of our off season.

The other things we need to do are actually have a place to live there. It sounds silly, but sometimes I've seen people that try to do it without even having a place to live. We need to register our cars, get our driver's license, register to vote. It really helps if you start seeing your doctor, little stuff like your optometrist if you wear glasses or contacts, your dentist. Those little details, those are the things that can help justify you if you get a state audit, which fortunately for you, we've been through that on our side at AWM. We've helped our players go through those state audits with both New York and California. So we got to know what they look for, but we want to make sure that we avoid those problems ahead of time.

One thing I will say, if you have kids, everything else goes out the window, whatever state they're going to school in, that's where you live. Don't try and get around it. That's just how it's going to be. So those are a few things to look at when you're making the decision, because we want to weigh at the end of the day, how is this going to affect our golf game, too? Because if we're changing states that we live in, not only are we going to spending more time somewhere else, but what are the practice facilities like at the course we're going to be at? Do you have the same access to your coach? Do you want to be having to go fly somewhere else or drive somewhere else to go see your coach, when before they're right down the street. Maybe it's your trainer.

Whoever it may be, we're pretty comfortable wherever we live and wherever we've set up shop. So to move that to save on taxes can be beneficial from a financial standpoint, but if it's not a huge number and we feel like we can make a bigger difference on the course by just staying comfortable in the state we live in, I do value that. And I caution people from trying to avoid a little bit of taxes and change everything up, but just it'd be like changing all your equipment, just for a small increase in your endorsement deal. It could work out, but it also could be a disaster. So it's those types of things that we want to weigh when we're making these decisions on what state should we really live in. Because it's not just where are we going to file our residency and say that we're going to be paying taxes, because at the end of the day, we're actually going to have to spend a good amount of time in that place.

So what I would advise or recommend to anybody that's getting started as a pro or getting started out on the PGA Tour, or maybe you're on the PGA Tour and you're about to have kids, or maybe your kids are getting out of high school and they're going to college and now you don't feel like you need to stay in the same state. These are some of the things that we want to look at as we make this decision and really weigh, hey, what should I do? What's the best picture? What's the best scenario for me and my family? And how much can I actually be saving on taxes? Because I hear all sorts of crazy numbers out there. And most of them are false. They say, "Hey, you're going to save 13% on every dollar you make if you moved from California to Nevada." Bull, that's just not true because every state that you make money in when you're playing, you're going to end up paying taxes.

So yes, you're going to save a decent a chunk, but it's not going to be the full 13%. The other thing I've heard that it's a terrible myth is, hey, I'm playing 30 weeks this year on the road. Yes. Three of them are going to be in California, but that still means I'm out of the state for 27 weeks. That's more than half the year. I'm good to go. I can stay in the off season the whole time in California and I still wouldn't have to be a resident. False, that's just not going to work. So I wanted to make sure we pointed some of those things out. If you have any questions, ask your certified financial planner, your CPA. If they can't answer it for you or you don't have one, feel free to reach out to me either by email or by phone. Happy to answer those questions for you. We're going to be hitting up some more topics like this in the coming weeks. So make sure you stay tuned on PGAPlayersPodcast.com. Until next time, stay humble, stay hungry, always be a pro.