



WHY FLY FROM ILLINOIS?



“Anybody who wants to leave Illinois already has.” — Prominent Illinois Politician

“Oh, really?”

I have written a lot about how clients can extricate themselves from Illinois. More interestingly, however, is *why* so many Illinoisans choose to leave.

Many people conclude they want out of Illinois even before they become aware of all the consequences of staying Illinois residents. The most popular destination for affluent Illinoisans is Florida. According to IRS statistics, Collier and Palm Beach counties are the most popular destinations in Florida.

You may be curious why leaving Illinois and relocating in Florida has become so popular. Here are some common reasons:

1. Illinois has an income tax of about 5%, and many estimate it will soon be 10% or more.
2. Florida has no income tax, and the Florida intangibles tax that some may remember from years ago has been eliminated.
3. Illinois taxes estates valued at \$4MM or larger, and it does not allow spouses to share their unused Illinois estate tax exemption, unlike the federal estate tax exemption. The Illinois estate tax starts as high as 28.2%, and the effective estate tax rate on the largest estates is 9%—in addition to the 40% federal estate tax.
4. Florida has no estate tax, and its state constitution prohibits the imposition of an estate tax.
5. Most financially successful parents leave their wealth to the next generation in trust for the lifetime of the next generation. (I have called this style of planning The Brick House Trust™.) Affluent families commonly use this style of planning to better protect the next generation from the Wolf Pack (divorce, estate taxes, liability, etc.). Illinois, amazingly, takes the position that if you create such a trust and die as an Illinoisan, then the trusts you created for the next generation must pay Illinois income tax—forever! Please let the financial significance of that sink in for just a moment—then re-read point 1 above.

6. If you are an Illinoisan and you sell assets outside of Illinois, you likely owe Illinois income tax on the sale of those out-of-state assets.

7. If you are an Illinoisan and you own out-of-state assets in an entity—like an LLC or corporation—those out-of-state assets are subject to Illinois’ estate tax.

8. Unless you deploy countermeasures, Illinois will often impose its estate tax on Illinois real estate owned by people who reside in different states. The Illinois estate tax can even be payable by a grieving, surviving spouse.

9. Illinois property taxes are perhaps the highest in the country, with substantial increases likely to come. Florida’s property taxes are very low by comparison. Those property taxes are now almost entirely non-deductible on your federal income tax.

10. Folks can typically spend many months in Illinois every year, yet maintain their status as former Illinoisans.

11. The Florida real estate homestead exemption (available only to Florida residents) is valuable, while the Illinois homestead exemption is not.

So that is why two out of every three moves involving Illinois are outbound, and why about 1,100 people every day choose Florida as their new state of domicile.

We now have four professionals—two are former Illinoisans—in our Naples, Florida office. Who knows, if the trend continues, one day the Florida office may be larger than the Chicago office!



These geese are flying south to establish domicile in Florida.