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# LEAVING NEW JERSEY

Is relocating likely to save you money? Experts say the answer depends on how much you make

By Leslie Kwoh  
 STAR-LEDGER STAFF

**M**ark and Barbara Orecchio call themselves lifelong New Jersey residents, but they won't be for much longer.


As soon as they retire, the Orecchios are headed for North Carolina — to the tiny coastal town of Bolivia, just south of Wilmington — where they plan to build a country-style home just a few miles from the beach. There, as residents of an upscale residential community, the couple will have access to tennis courts, golf courses and a swimming pool — all while cutting their property taxes by nearly 90 percent.

"You can have the good life in New Jersey, but this will be the good life for cheaper," said Mark Orecchio, 52, an electrical engineer, whose wife teaches elementary school.

They will have to give up their friends, family and two comfortable homes, including a two-story Colonial in Emerson and a summer home in Toms River. But the Orecchios, who earn a combined annual income of more than \$300,000, are not alone in their quest for more affordable living. As New Jersey's income and property taxes have continued to climb, many families are asking: Just how much can you save by leaving, and more importantly, is it worth it?

The answer to that question depends on how much you make, according to a recent analysis by

**VIDEO**

 *Ledger Live, the Star-Ledger's webcast, explores the pros and cons of leaving New Jersey. Only at nj.com/videos.*



Mark Orecchio and his wife, Barbara, outside their Emerson home, plan to retire to the North Carolina coast. Both are 52.

## ADDING UP THE SAVINGS

Prestige Wealth Management Group of Flemington drew up case studies for five fictitious families — based on real-life clients — and calculated how much money they could save in taxes by relocating to three popular states: Pennsylvania, Florida and North Carolina. Here are the findings:

FACTS	CASE STUDY #1 \$80K Retirees				CASE STUDY #2 \$150K Retirees				CASE STUDY #3 \$100K Working Couple				CASE STUDY #4 \$300K Working Sr. Managers				CASE STUDY #5 \$1 M Business Owner/Executive			
	N.J.	Pa.	N.C.	Fla.	N.J.	Pa.	N.C.	Fla.	N.J.	Pa.	N.C.	Fla.	N.J.	Pa.	N.C.	Fla.	N.J.	Pa.	N.C.	Fla.
Who	Husband (65) and Wife (66)				Husband (70) and Wife (68)				Husband (45) and Wife (42)				Husband (52) and Wife (50)				Husband (55) and Wife (50)			
Employment Status	Retired				Retired				Working				Working				Working			
Income Tax Filing Status	Married filing jointly (MFJ)				MFJ				MFJ with 2 dependent children				MFJ				MFJ			
Home Value	\$400,000 (no mortgage)				\$650,000 (no mortgage)				\$500,000 (\$250,000 mortgage*)				\$800,000 (\$300,000 mortgage*)				\$1,250,000 (\$450,000 mortgage*)			
<b>INCOME<sup>(1)</sup></b>																				
<b>Total Income**</b>	<b>\$80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>	<b>101,500</b>	<b>101,500</b>	<b>101,500</b>	<b>101,500</b>	<b>320,000</b>	<b>320,000</b>	<b>320,000</b>	<b>320,000</b>	<b>1,125,000</b>	<b>1,125,000</b>	<b>1,125,000</b>	<b>1,125,000</b>
<b>DEDUCTIONS<sup>(2)</sup></b>																				
Property Taxes <sup>(3)</sup>	10,000	7,500	5,000	10,000	15,000	11,250	7,500	15,000	12,500	9,375	6,250	12,500	19,000	14,250	9,500	19,000	40,000	30,000	20,000	40,000
<b>Total Gross Deductions</b>	<b>17,144</b>	<b>14,500</b>	<b>13,973</b>	<b>17,881</b>	<b>27,713</b>	<b>22,325</b>	<b>24,273</b>	<b>27,273</b>	<b>28,506</b>	<b>27,491</b>	<b>25,165</b>	<b>27,612</b>	<b>53,150</b>	<b>45,043</b>	<b>49,585</b>	<b>39,096</b>	<b>170,335</b>	<b>111,731</b>	<b>141,020</b>	<b>79,596</b>
<b>INCOME TAX OWED<sup>(4)</sup></b>																				
Federal	6,039	6,061	6,061	6,046	20,297	21,394	21,131	20,407	4,971	5,129	5,474	5,106	69,534	69,534	69,534	69,524	285,200	303,122	292,871	314,369
State	144	—	2,155	—	1,713	—	5,878	—	2,006	3,116	4,915	—	16,150	9,793	22,085	—	92,835	34,231	83,520	—
<b>Total</b>	<b>6,183</b>	<b>6,061</b>	<b>8,216</b>	<b>6,046</b>	<b>22,010</b>	<b>21,394</b>	<b>27,009</b>	<b>20,407</b>	<b>6,977</b>	<b>9,245</b>	<b>10,389</b>	<b>5,106</b>	<b>85,684</b>	<b>82,327</b>	<b>91,619</b>	<b>69,524</b>	<b>378,035</b>	<b>347,353</b>	<b>376,391</b>	<b>314,369</b>
<b>TAX DIFFERENCE VS. N.J.</b>																				
Income	—	(122)	2,033	(137)	—	(616)	4,999	(1,603)	—	2,268	3,412	(1,871)	—	(3,357)	5,935	(16,150)	—	(30,682)	(1,644)	(63,666)
Property	—	(2,500)	(5,000)	—	—	(3,750)	(7,500)	—	—	(3,125)	(6,250)	—	—	(4,750)	(9,500)	—	—	(10,000)	(20,000)	—
<b>Total savings</b>	<b>2,622</b>	<b>2,967</b>	<b>137</b>	<b>—</b>	<b>4,366</b>	<b>2,501</b>	<b>1,603</b>	<b>—</b>	<b>857</b>	<b>2,838</b>	<b>1,871</b>	<b>—</b>	<b>8,107</b>	<b>3,565</b>	<b>16,150</b>	<b>—</b>	<b>40,682</b>	<b>21,644</b>	<b>63,666</b>	<b>—</b>

**Footnotes:**

(1) Income and deductions are assumptions for illustrative purposes only and are not actual.

(2) After Retirement Contributions

(3) Pennsylvania property taxes are assumed to be 75 percent of New Jersey property taxes. Florida property taxes are assumed to be 100 percent of New Jersey property taxes, while North Carolina's are assumed to be 50 percent.

(4) Income taxes are based upon 2009 income tax rates.

\*5 percent mortgage rate

\*\*Total income includes wages, dividends, pensions and Social Security of retirees.

## Leaving

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Prestige Wealth Management Group in Flemington. The study, which centered on the potential tax savings achieved by relocating to three popular destinations — Pennsylvania, Florida and North Carolina — found moving to one of these states could result in combined income and property tax reductions of anywhere from \$137 to \$63,666 a year.

CEO Roy Williams said his firm conducted the analysis last month after receiving a deluge of inquiries from clients, from retirees to millionaires, who wanted to know how much they could save in taxes by relocating. Based on these clients, Williams and COO Tom McCabe drew up five case studies and found higher-income residents stood to save significantly more than their lower-income counterparts.

In general, a New Jersey family needs a combined annual income of more than \$300,000 — like the Orecchios — to make a “compelling” case to move, Williams said.

“Our tax schedule starts lower and accelerates at the high income levels,” he said.

The study showed property tax rates in other states are significantly lower than New Jersey, except for Florida. Income

tax rates in Pennsylvania are comparable to New Jersey at many levels except at the top tier, where the Garden State has the highest marginal state tax rate, at 11 percent. North Carolina’s income tax tends to be higher, while Florida has no income tax.

On average, real estate values are 20 percent to 30 percent lower in other states compared to New Jersey, Williams added.

### PLUSES AND MINUSES

But residents on the verge of fleeing should also remember the Garden State offers quality school systems, high salaries and good job opportunities because of its close ties to the finance and pharmaceutical industries, Williams said. Moreover, there are extra costs associated with living in other states, such as flood insurance in Florida.

That didn’t stop Doug Dickman, 37, from quitting his job four years ago and moving his family from Clifton to Raleigh, N.C. Dickman, who works in advertising sales, took a job for \$100,000, a nearly 40 percent pay cut from his previous job, even though he was the sole breadwinner in his house.

“Theoretically, you make more money. But you also spend more money,” he said, about living in New Jersey.



SAED HINDASH/THE STAR-LEDGER

Roy Williams, chief executive of Prestige Wealth Management Group in Flemington, conducted the analysis last month after receiving a deluge of inquiries from clients.

He is convinced he made the right decision. By selling his three-bedroom condo in Clifton for \$500,000 and moving into a three-bedroom home in Raleigh for \$300,000, he cut his property taxes in half. In Clifton, he said he would have had to enroll his two young children in a private school, but in Raleigh, they are enjoying a “phenomenal” public school, he said.

“If you’re going to move, why not move to somewhere where you can do more with less?” he said. “I have no regrets. It’s fantastic.”

### THE WEALTH DRAIN

Exactly how many residents like Dickman have made the leap for financial reasons is up for debate, and various experts have published several reports on the topic.

While they disagree on the particulars, the general consensus is the state’s high cost of living has created an outmigration problem. A 2008 study by Princeton University’s Policy Research Institute for the Region found high costs were driving out mainly low-income residents. A Boston College report in February,

however, showed that affluent residents were moving out at a faster rate than they were being replaced.

Gov. Chris Christie has pointed to the Boston College report in recent months to argue against the so-called “millionaires tax,” which was approved Thursday by panels in the state Assembly and Senate.

The Democrat-backed bill calls for a tax surcharge on the roughly 16,000 households earning more than \$1 million a year.

If enacted, the millionaires tax will only continue to drive out New Jersey’s wealthiest residents, who already have to deal with a particularly unforgiving inheritance tax, according to Jerry Lynch, a certified financial planner and president of JFL Consulting in Fairfield.

“This might be the straw that broke the camel’s back,” Lynch said. “They’re the talent pool, they’re the smart people, they have the experience, and them leaving hurts our businesses.”

Currently, a New Jersey household making \$1 million pays about \$80,000 a year in income taxes alone, he said.

By contrast, a household making \$70,000 pays less than \$1,500. With such a large burden to bear, many higher-income families are beginning to have a hard time justifying

staying in New Jersey — especially if their kids are no longer using the school system, he said.

### MOVING ON

The Orecchios say that’s exactly what prompted them to purchase their North Carolina property four years ago, shortly after their second child graduated from high school.

They were living comfortably, but they worried about what would happen when the money stopped coming in. They envisioned retiring in a place with warmer weather and cheaper car insurance, while using their savings for trips to Europe.

“It’s fine when I’m working and while I’m raising children, but do I want to be spending \$20,000 a year in property taxes alone when I’m 60 and retired?” Orecchio said. “I wanted to make the best financial decision for the future.”

While he will be sad to leave his friends and family, Orecchio also knows he won’t be alone: Many of his future neighbors also hail from the Garden State.

“People have the same plans and the same idea,” he said. “We certainly won’t be the only New Jerseyans down there.”

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