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Moving to Georgia

Tax Guide

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Whether you're moving for a career start, a promotion, a transfer, a new opportunity or retirement – welcome to Georgia.

While this brochure presents the important federal and state tax considerations of moving within the United States or from abroad, you should not regard it as a complete guide. We would be pleased to answer any questions you may have about this Moving to Georgia Tax Guide or to advise you concerning your specific situation.

MOVING EXPENSES DEDUCTION

If you've changed job locations or launched a new career, you may be able to deduct your moving expenses for relocating to Georgia – or within the state – if they are directly related to starting work at your new job location, and as long as the location is at least 50 miles from your former home. There is a requirement that you must work full time for at least 39 weeks during the first 12 months after you arrive in the general area of your new job location.

Georgia conforms with the Federal income tax rules; thus the moving expense deduction will be the same as the Federal and will require no adjustment if you are moving into Georgia.

If you are self-employed, you must work full time for at least 39 weeks during the first 12 months and a total of at least 78 weeks during the first 24 months after you arrive in the area of your new job.

DEDUCTIBLE MOVING EXPENSES

Deductible moving expenses include the following:

- *Travel to your new home (includes lodging while en route)*
- *Packing, crating, and transporting your household goods and personal items and those of the members of your household, as well as the cost of shipping your car and your household pet(s)*
- *Actual auto expenses are deductible by keeping an accurate record, or you may deduct mileage (shortest, most direct route), plus parking fees and tolls. You may NOT deduct repairs, insurance, depreciation or general maintenance*

- *For foreign and military moves, the expenses of a return trip to the United States are subject to the standard moving expense deduction*

HOW TO REPORT MOVING EXPENSES

The Federal tax code provides that moving expenses are deductible in arriving at Adjusted Gross Income (AGI) to the extent not paid or reimbursed by the employer. Therefore, as an "above-the-line" deduction, moving expenses can be claimed regardless of whether or not the taxpayer itemizes deductions. Also, by reducing AGI, the moving expense deduction will make it easier to claim other allowable deductions that depend in part on AGI, such as medical expenses, casualty losses, miscellaneous itemized deductions, and IRA contributions.

In addition, there is an exclusion from gross income for qualified moving expense reimbursements. Qualified moving expense reimbursements are amounts received (directly or indirectly) by the taxpayer from an employer as a payment or reimbursement for moving expenses that would have been deductible had the taxpayer paid them directly. They do not include payments for, or reimbursements of, expenses that were deducted by the taxpayer in a prior tax year.

A taxpayer must substantiate underlying amounts related to the moving expense deduction and should retain all records, receipts and canceled checks related to the deductions.

SELLING YOUR HOME

Married taxpayers may exclude ALL gain on the sale of a principal residence up to \$500,000 (single taxpayers up to \$250,000). Taxpayers must use the home as a principal residence for two of the five years prior to the sale, and this treatment is generally available every two years. Special rules apply for newly separated couples, newly married couples, changes in the place of employment, health issues and "unforeseen circumstance." You may not deduct a loss on the sale or exchange of your home. The loss does not increase the basis of your new home. The original basis of a home is the purchase price in addition to certain settlement or closing costs and improvements.

YOUR GEORGIA RETURN

You are required to file a Georgia income tax return if you are required to file a Federal return, or if you have Georgia taxes withheld from your wages.

Regardless of your tax residency status in Georgia (full-year resident, part-year resident or non-resident), all taxpayers use Georgia tax Form 500.

A full-year resident is taxed on all income regardless of the source and regardless of where the income was derived. You will receive a credit for taxes paid on income taxed by Georgia and another state.

Part-year residents report to Georgia all income derived during residency. Non-residents report to Georgia only income derived from Georgia sources.

If one spouse is a resident and the other is not, and you file a joint Federal return, you must file jointly in Georgia and complete Schedule 3 of Form 500. The resident spouse will report all income to Georgia and the non-resident spouse will only report income earned in Georgia. If you file separate Federal returns, you must file separate Georgia returns.

COMMON TYPES OF ADD-BACKS FOR GEORGIA INCOME

- *Non-Georgia municipal interest*
- *Federal deductions for state and local income taxes paid to a state other than Georgia*

GEORGIA TAX RATES AND CREDITS

Georgia's individual income tax is a graduated tax with a maximum rate of 6%. The rate is the same regardless of filing status. Additionally, there are various allowable credits available.

ESTIMATED TAX

Generally, you should make estimated tax payments if you figure your estimated tax will be \$1,000 or more and you do not have adequate withholdings from your salary, pension or other income.

INCOME NOT TAXABLE TO GEORGIA RESIDENTS

Georgia does not tax the following income:

- *Interest from U.S. obligations*
- *Military reserve income and National Guard pay*
- *Qualifying disability income*
- *Social Security and/or railroad retirement income*
- *Up to \$30,000 annual retirement income for taxpayers age 62 and older, or totally and permanently disabled (for tax year 2007, or \$35,000 for tax year 2008)*
- *State income tax refunds from states other than Georgia*
- *Dependents' unearned income included in parents' Federal adjusted gross income*
- *A \$2,000 deduction for contributions made by a parent or guardian to the Georgia Higher Education Savings Plan (must be the owner of the plan and deduction is subject to Federal adjusted gross income phase-out amounts)*

PROPERTY TAX

The real estate tax is based on 40% of market value of your residence using the millage rate of the local government. The current average county and municipal millage rate is 30 mills.

All homeowners who actually occupy and use the home as their primary residence are allowed a \$2,000 exemption from property taxes. Taxpayers who are 65 years of age or older may claim a \$4,000 exemption if income of the taxpayer and spouse does not exceed \$10,000 for the prior year (certain retirement and social security income excluded). Additional exemption and credits may be available for individuals 62 years of age or older, disabled veterans and un-remarried surviving spouses of armed forces members who were killed in military action.

Georgia's personal property tax for automobiles is based on 40% of the vehicle's annual value.

SALES TAX

Georgia taxes tangible sales at the rate of 4%. Georgia has phased out the 4% state sales tax on eligible food and beverage sales. There will be additional local sales tax in some jurisdictions.

INTANGIBLE TAX

Georgia does not tax intangible assets.

MOVING TO GEORGIA FROM ABROAD

If you are a citizen of the United States returning from abroad, the expense deduction rules apply. If you are a retiree or a survivor (spouse or dependent) whose main job location and home were outside the United States, please consult your tax advisor.

If you are not a United States citizen, you must determine if you are a resident alien or a non-resident alien for U.S. tax purposes. A resident alien is a person who has a green card or who meets the requirements of the substantial presence tests. The substantial presence test is a calculation of the number of days a person is physically present in the United States.

It is important to note that even though a person may meet the substantial presence test, certain exceptions may apply which would allow that person to claim non-resident status.

A resident alien's worldwide income is generally subject to tax in the same manner as a U.S. citizen. Resident aliens must report all interest, dividends, wages, or other compensation for services, income from rental property or royalties, and other types of income, whether from sources within or outside the U.S., on their U.S. tax return – Form 1040.

After determining your status as a resident or a non-resident alien, whether your income is subject to tax in the U.S. generally depends on the source of the income.

A tax treaty between the United States and your country of residence may contain a provision to settle any conflicting claims of residence. For the proper determination of your residence status in accordance with your U.S. tax considerations, please consult your tax advisor.

ABOUT ELLIOTT DAVIS

No matter what your business, if you're not strong in financial operation, you need someone who is. Since our beginning over eighty years ago, Elliott Davis has served companies and families with a broad array of accounting and advisory services and practical solutions.

From strategic planning, tax preparation and auditing to wealth management services, employee benefits administration and technology solutions – our people help you achieve professional goals in personal ways.

ELLIOTT DAVIS AFFILIATES

Capital Partners

Elliott Davis Capital Partners is committed to ensuring client's success by providing a broad range of investment banking services, including merger and acquisition, private placement, restructuring, and valuation services.

Retirement Plan Advantage

Elliott Davis Retirement Plan Advantage professionals help you arrive at the most rewarding retirement plan for your company and employees, implement the plan across your organization, and relieve you from many of the challenges of ongoing administration.

Technology Solutions

Elliott Davis Technology Solutions is a full-service technology-consulting firm offering a wide range of comprehensive business technology services including network design and installation, network support, network maintenance, data cabling, multi-site connectivity, security reviews, and related services.

Wealth Management

Elliott Davis Wealth Management helps your achieve your goals through strategic financial planning and a comprehensive array of insurance, investment management, and brokerage services.

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