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## The cost difference between California and Florida explained



Miami Skyline.

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When ShiftPixy CEO [Scott Absher](#) decided his company needed to establish a robust base on the East Coast, there was really only one location he considered: South Florida.

Founded in 2015, the gig economy job platform (Nasdaq: PIXY) moved its headquarters from Irvine, California to Brickell Key last August. Absher said there were practical reasons for choosing Miami, like its proximity to emerging markets like Latin America and the Caribbean and the area's talent pool of workers in common gig sectors like retail and hospitality.

But it was the region's enthusiastic reception for business that ultimately hooked Absher.

"[Miami] reminded me of when I first got to California in the '90s and it was percolating with optimism and opportunity," he said. "It felt like confirmation I was in the right place in the right time."

South Florida has been a magnet for company relocations and expansions over the past year.

Dozens of finance and technology companies have announced plans to establish a presence in the region since early 2021, a trend that accelerated with the Covid-19 pandemic. As more companies embrace remote work, tech ventures are moving away from hubs like Silicon Valley in search of lower-cost alternatives like the tri-county area.

## **Cutting Costs**

Businesses can reduce costs in several areas by moving their headquarters from California to Florida, starting with taxes.

"Companies that move here from California basically cut their corporate tax liabilities in half," said [Staci Parrish](#), managing director of tax and accounting at Plantation-based Fiske and Co.

California imposes an 8.8% corporate income tax on businesses, while Florida has one of the lowest rates in the nation at 4.458%.

Florida's absence of a personal income tax is another incentive for businesses and employees. Because of that, paychecks go farther in the Sunshine State compared to California, which has the highest state income tax in the U.S. at 13.3% for its top-earning residents.

The lack of personal income tax also means Florida residents do not have to pay taxes on capital gains, offering significant savings for investors.

Last year, California lawmakers considered hiking income taxes on millionaire residents to raise revenue, another factor that could be fueling an exodus of executives and high-earners.

ShiftPixy's Absher said the tax reductions weren't his primary motivation for relocating the business to Florida. But it certainly helped.

"The [employees] who relocated obviously got a raise from not paying the state income tax," he said.

Those savings extend to housing costs, as well. While homes in South Florida are among the most expensive in the state, they're still a bargain compared to California. The median price of single-family home in California is about \$618,000, versus \$430,000 in the tri-county area.

And then there's office space. In Miami, the average asking rent for office space is \$45.45 per square foot, compared to \$64.12 per square foot in San Francisco, one of the country's most expensive office markets aside from New York.

"I'm in a beautiful location in Brickell Key with a view of the water and I'm still paying 25% less than we were paying in California," Absher said.

### **Receptive to businesses**

The pandemic may have hastened the exodus, but California businesses were already considering moves to new locations long before Covid.

It was already a conversation when the Miami Downtown Development Authority met with Silicon Valley executives during a 2018 trip to California, said [Philippe Houdard](#), founding partner of Pipeline Spaces and chair of the Miami DDA's Enterprise Committee.

"This has been growing for a long time," he said.

The DDA launched an effort to bring finance firms to downtown Miami back in 2013, a move to attract higher-paying, professional services jobs to Miami. Since the campaign began, dozens of companies – including Icahn Enterprises, Universa Investments, and Boston Private – have relocated to or set up offices in the Miami area.

Last year, the DDA doubled down on those efforts with its ["Follow the Sun" campaign](#), offering cash to companies that relocate to or expand in the downtown Miami area. Private equity giant Blackstone is among the companies to receive funds through the campaign.

The growth of local tech companies like Chewy (NYSE: CHWY) and increase in investor capital has convinced major players that South Florida is more than just a vacation destination, Houdard said. The diversity of people and culture is also a positive change of pace for some in the tech sector.

"I think when you have an industry concentrated in just a handful of cities the culture can start to become a bit stale," he said. "Miami is a newer city, it's a city of immigrants

and it's growing. It's imperative for companies to find new ways of thinking and solving problems to stay innovative."

ShiftPixy's Absher said the combination of business-friendly policies, diverse talent and new investment capital in South Florida will continue to attract tech ventures to the area.

"My prediction is [that combination] will catalyze amazing growth opportunities and be very appealing to entrepreneurs that usually got to Silicon Valley," he said.