

# Los Angeles Times

## Nevada is not a shelter from state tax

By Karen E. Klein  
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**Dear Karen:** I'm a California business owner. Can I save on taxes if I establish my company in a tax-free state like Nevada?

**Answer:** This is a persistent myth.

California allows a credit against its state income tax equal to the amount of income taxes you pay to other states. So, if you're a California resident and any part of your income was taxed by another state, you may claim that tax as a credit against your California state income tax.

If your income is not taxed out of state, however, you'll have no credit to claim and will wind up paying the full state tax, said Michael T. Hanley, a certified public accountant with Merl & Hanley. For most small and mid-size companies, it's best to establish your firm in the state where you do the majority of your business.

"This ensures that you do not have additional reporting requirements, administrative provisions, state filing fees, accounting fees and legal fees in order to do business elsewhere and report your business activity in California," Hanley said.