

Steve Leimberg's Asset Protection Planning Email Newsletter Archive Message #380

Date:05-Feb-19

Subject: Jeff Baskies - The Scottie Pippen Case Is a Good Reminder that Florida Property Appraisers Enforce Homestead Laws, and There Are Complex Issues with Trying to Own a Florida Homestead Anonymously

“In December, Scottie Pippen (as Trustee of his revocable trust – as landlord) sued the renters of his Florida mansion alleging over \$100,000 in damages. The complaint was e-filed on December 3, 2018 and is available online. The renters were Jacob Woloshin and his wife Lindsay Glazer Woloshin, an attorney turned comedian, who promotes herself as the ‘Alphabitch’ TM.

Since the parties to the complaint are celebrities, the lawsuit immediately made the press. In response, the property appraiser for Broward County investigated and ultimately revoked Pippen’s homestead exemption and imposed additional taxes for 2018 and beyond.

Pippen may be an innocent victim in this case, likely not realizing he had a homestead exemption and/or that filing a lawsuit over a lease placed it in jeopardy; however, as a result of his celebrity status, the filing of his lawsuit appears to have led to these unintended consequences. There are a number of important lessons to be learned from Pippen’s misfortune, the first of which is that Florida property appraisers can and do investigate false/fraudulent homestead exemptions and impose back taxes, and, potentially draconian penalties. The case is a useful reminder for attorneys and others who advise clients to move to Florida and establish domicile.”

Jeff Baskies provides members with fascinating commentary on the Scottie Pippen homestead case.

Jeffrey A. Baskies, is a Florida Bar certified specialist in Wills, Trusts, and Estates law. He practices at Katz Baskies & Wolf PLLC, in Boca Raton, FL, a boutique trusts & estates, tax & business law firm. Jeff is a frequent LISI

contributor. In addition to over ten dozen published articles, he is the successor author of the treatise: Estate, Gift, Trust, and Fiduciary Tax Returns: Planning and Preparation (West/Thomson Reuters 2013-2018). He can be reached at www.katzbaskies.com.

Here is his commentary:

EXECUTIVE SUMMARY:

LISI often shares lessons learned from celebrities and have provided members with many newsletters regarding celebrity wills and lessons learned from them. We learn these lessons from celebrities because they are famous and their estate plans and other escapades are publicly broadcast. It is one price of fame.

Now, we can add another lesson thanks to celebrity mishap. In this case, the lesson is that Florida has strict rules on the availability of the ad valorem homestead tax benefits, and that the property appraisers do in fact enforce those rules. That leads to two primary lessons.

The first lesson is this: while moving to Florida and declaring yourself a resident is pretty easy, if you have clients who are claiming to be Florida residents but really are not residents/domiciliaries in Florida, they are not entitled to the ad valorem homestead tax exemption and there are potential additional taxes and penalties if they claim it.

A secondary lesson, however, is this: if your clients want to own homes in Florida, the property appraisers make it very easy to locate property owners and homesteaders. This story shows how simple it is to look up Scottie Pippen's home, see how much he paid for it, see his deed to his revocable trust, and more.

Thus, clients hoping to anonymously own a home in Florida are faced with a difficult choice: (i) do I want to truly own my home anonymously, or (ii) do I want a homestead exemption. Clients generally cannot have both - they cannot own their homes and hope to keep that information private while also expecting to apply for and receive a homestead exemption. If the clients seek the exemption, then their hoped-for anonymity is typically lost. If anonymity is more important than a homestead exemption, then using a

Delaware LLC (for example) to own the home may at least provide the anonymity desired.

COMMENT:

Scottie Pippen is a former NBA all-star, having played 17 seasons in the league. He is a 6-time world champion, a former “Dream Team” member and 2-time Olympic champion. He was inducted in the Naismith Memorial Basketball Hall of Fame. Scottie Pippen is used to winning and success.

However, he has not been very successful with his South Florida home. The approximately 10,000 square foot mansion is located in the Harbor Beach neighborhood of Fort Lauderdale in Broward county.

According to the Sun Sentinel newspaper, Pippen’s mansion has been on the market for sale since September of 2007. At one point, it was listed for \$16,000,000, but since July of 2018, the asking price was reduced to \$9,800,000.

It appears Pippen at one point moved into the home and claimed it as his primary residence and has since benefited from the homestead ad valorem tax benefits. However, his attorney is quoted as saying the family moved to California for their children and while they may move back, they are presently living in California.

The house hasn’t sold, so apparently Pippen decided to rent it. Per the newspaper, the renters are comedian Lindsay Glazer Woloshin and her husband Jacob Woloshin. A copy of the lease was attached to the lawsuit. It was for 7 months - October 13, 2017 to May 12, 2018. The first addendum specifically required the tenants to keep the property in “top show condition.”

It appears the Woloshins were less than ideal tenants, leading to a \$100,000+ lawsuit filed by Pippen against them. Per the newspaper, the couple rented Pippen’s home after their home was damaged by hurricane Irma in 2017. In the suit, Pippen claims the Woloshins failed to maintain the property in “pristine” condition, damaging the front gate, the home entertainment system, cabinets and drawers, and more (as a result of the Woloshin pets urinating on the furniture, floors and carpets).

The Woloshins deny the damage and are defending the lawsuit.

The Chicago Sun Times reported:

The suit says the Woloshins rented the house last year after their home was damaged by Hurricane Irma, agreeing to pay \$30,000 a month. Pippen alleges the Woloshins allowed pets to urinate inside, damaged furnishings, stole utensils and missed utility and rent payments. Glazer Woloshin is also an attorney. She said in a statement Wednesday the family is not responsible for the damages and says she's launching a \$14 GoFundMe campaign to replace Pippen's missing utensils.

I have to admit the Woloshin's creating a gofundme page for "Pippen's missing utensils" (apparently a Cuisinart knife set) is pretty funny.

Ultimately, however, as a result of the lawsuit becoming public (again a price of celebrity), the property appraiser for Broward County (Marty Kiar) investigated the claimed homestead exemption on Pippen's house. Ultimately, Kiar revoked the exemption for Pippen's home for 2018, assessed approximately \$13,000 in additional taxes for 2018 and will also increase Pippen's taxes in 2019 and beyond.

Per the Sun Sentinel article, Kiar found that by renting the home, Pippen abandoned his right to the exemption as the mansion was no longer Pippen's primary residence.

Talk about the law of unintended consequences. Pippen and his counsel filed suit against the Woloshins hoping to get more money for Pippen, but the lawsuit is ongoing and, in the meantime, the suit wound up costing Pippen more money in property taxes.

The newspaper reported that the property appraiser decided not to investigate prior years, which is a benefit for Pippen if he arguably gave up his residency before 1/1/18. If that were the case and if the property appraiser went after him for back taxes from prior years, the penalties are quite draconian - the offender must pay the additional taxes that were due, plus a 50% penalty plus interest at 15% per annum. ("Such property that is situated in this state is subject to the unpaid taxes, plus a penalty of 50

percent of the unpaid taxes for each year and 15 percent interest per annum.” FS 193.1555(10)). Despite this fact, the lawsuit only implicated Phippen’s entitlement to the exemption for 2018 and beyond.

Conclusion

The first lesson learned is that while claiming to be a Florida domiciliary is quite easy, and an ever-increasing number of clients are doing it (at an accelerated pace it seems due to recent tax law changes – e.g. due to limitations on the “SALT” deductions), there are potentially adverse tax consequences not only if they are audited in the states they purport to be leaving, but they also face potential tax audits in Florida.

The Florida issues are often overlooked. However, the penalties for a false homestead exemption are steep. If you are advising clients on change of domicile and suggesting they move to Florida, record a declaration of domicile and claim the Florida homestead exemption (all of which is part of good change of domicile advising), then you should also be aware of and warn clients not only about their potential exposure to back taxes and penalties in their prior (maybe still) home state of residence, but also you should be aware of and warn clients about the risks of a homestead exemption audit, including back taxes, penalties and interest.

A further lesson is that homestead exemption revocation is not limited to celebrities who avail themselves of Florida courts (although that undoubtedly made the property appraiser’s work easier). Indeed, per the Sun Sentinel, the Broward county property appraiser claims to have investigated over 10,000 properties for potential homestead tax fraud, resulting in over 4,100 exemptions being revoked and also resulting in the assessment of back taxes (which carries with it the draconian penalties) on approximately 200 homeowners. Thus, even non-celebrities are facing homestead audits in Florida.

The final lesson learned is the tricky nature of celebrity and public notice on the one hand and the desire to own property anonymously on the other hand. As a frequent author on homestead topics, I often receive emails and phone calls from out of state lawyers for their clients, from other Florida attorneys and from clients (celebrity or not) asking if it’s possible to have anonymous real estate ownership and the benefits of the homestead exemption at the same time.

The answer unfortunately is it doesn't seem possible, at least not in South Florida where the property appraisers publish the names of homestead tax benefit recipients (the ultimate/true owners) on their websites. And the same may be true throughout the state. Some planners have tried land trusts, entities with long-term leases, and other techniques, but in the end, the names of the homestead recipients seem to appear. For practitioners who have faced this same issue, if you have found techniques that work, please share them.

HOPE THIS HELPS YOU HELP OTHERS MAKE A *POSITIVE* DIFFERENCE!

Jeff Baskies

TECHNICAL EDITOR: DUNCAN OSBORNE

CITE AS:

LISI Asset Protection Planning Newsletter #380, (February 5, 2019) at <http://www.LeimbergServices.com> Copyright 2019 Leimberg Information Services, Inc. (LISI). Reproduction in Any Form or Forwarding to Any Person Prohibited – Without Express Written Permission.

CITES:

“Scottie Pippen’s Tax Bill Going Up on Fort Lauderdale Home,” Sun Sentinel (January 1, 2019); “Scottie Pippen Sues Comedian Over Mansion’s Damage”, Chicago Sun*Times (December 5, 2018); “NBA Champ Claims Comedian Trashed Mansion, Snatched Cutlery,” www.Courthousenews.com (December 4, 2018) (including a link to the actual complaint, with the lease and addenda).

FYI.....Pippen's house per the Sun Sentinel:



Pippen's mansion from wplg website (www.local10.com)

