



The Minnesota Return

A Field Guide for Tech Professionals Coming Home

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When a spouse is over 70½, required distributions through the RMD must be made each year. If you are over 70½, you must take a distribution each year. The amount of the distribution is based on the account balance and is usually required to be taken from the IRA.

The goal is what I call “reverse” required distributions. The goal is to take distributions from the IRA and use the distributions to pay the mortgage. The goal is to take distributions from the IRA and use the distributions to pay the mortgage.

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management can push that number higher, but only if drawdown protection is real. 3. **Your time-to-needs-income** if you're moving back to keep working, even at a reduced tech salary or a different profession, your portfolio only needs to cover the gap. That gap is almost always smaller than people think.

The three-number exercise usually produces a target that's 25-40% lower than the "I'll feel safe" number most people carry in their heads. Which means a lot of families can move home earlier than they've told themselves they can.

Question to answer tonight: what's your Minnesota annual spend number, honestly? Write it down before you keep reading.

Chapter 2: The cost of living arbitrage, honestly

The internet tells you your SF salary is worth about 55% as much in Minnesota. That number is both roughly right and seriously misleading.

It's right for rent versus mortgage. A median SF two-bedroom clears \$4,500/month. A median Twin Cities home mortgage on \$550,000 at today's rates lands around \$3,400/month all-in with property tax and insurance. Across a decade, that's real money.

It's misleading on three fronts:

Groceries and dining are closer than you think. Twin Cities grocery prices run 10-15% below SF, not 40%. Restaurants run 15-25% below. You'll save, but not as much as the headline numbers suggest.

Childcare is not a uniform win. SF is expensive, but the Twin Cities is increasingly expensive too. Full-time infant daycare in Edina or St. Paul runs \$22,000-\$30,000/year. Outstate Minnesota is cheaper. If you're moving to Duluth, Rochester, or a smaller city, the savings are real. Minneapolis proper, less so.

Your one-time move costs eat 12-18 months of savings. Down payment, moving, furnishing a house larger than your SF apartment, a reliable winter car: this is easily \$75,000-\$150,000 above what you'd spend staying put. Budget for it explicitly instead of watching your liquid pile quietly shrink during year one.

The honest way to think about the arbitrage: **in rent-heavy, childcare-heavy, two-car-necessary years, the savings are enormous. In years where you'd have been renting and eating out anyway, the savings are modest.** The arbitrage is strongest if you're moving at a life stage where your SF fixed costs were about to climb, kids starting school, needing more space, tipping from renting into homebuying in California at obscene prices.

Question to answer tonight: Pull up last year's credit card and bank statements. Categorize twelve months of spend. How much of it would *actually* be different in Minnesota?

Chapter 3: RSU and ISO liquidation before you move

The single most common expensive mistake I see tech families make is moving to Minnesota with a large unvested or untaxed equity position, and then selling it in a Minnesota tax year.

California taxes you on equity earned while you were a California resident, regardless of when it vests. Minnesota also taxes residents on ordinary income. **The interaction matters.**

Here are the specific moves to think through, ordered by how much money is usually left on the table:

1. RSUs vesting before the move. Vesting RSUs are ordinary income in the year they vest. If you vest in California, you pay California rates (13.3% top). If you move, vest in Minnesota, you pay Minnesota rates (9.85% top). On a \$500,000 RSU vest, the difference is \$17,250 of pure tax savings just from timing.

There's a wrinkle: California can claim source tax on equity "earned" during CA residency even if it vests after you leave. This is aggressive but real. For RSUs that grant-to-vest over multiple years with you mostly in CA, expect a partial CA claim even post-move.

2. ISO exercise and AMT planning. If you have ISOs with a large spread, exercising while a California resident lights up the California AMT. Exercising after establishing Minnesota residency typically cuts the AMT cost by 30-50% depending on your situation. This is almost always worth waiting for.

3. Capital gains on already-vested stock. Long-term gains on stock sold after Minnesota residency are taxed at Minnesota rates (top 9.85%) rather than California (top 13.3%). On \$1M of concentrated position, that's a \$34,500 difference if you time it to a Minnesota tax year.

4. QSBS (Section 1202) stock. If you hold QSBS, federal rules give you a \$10M or 10x-basis federal gain exclusion. **California doesn't conform.** Minnesota does. Selling QSBS as a California resident costs you 13.3% on the entire gain above basis; selling as a Minnesota resident costs you effectively nothing if the QSBS holding period is met. This is the single largest move-based tax saving I've ever personally helped a client capture. For families with QSBS, the move back to Minnesota can pay for itself several times over.

5. 409A deferred compensation. Deferred comp sourced to California residency years gets California tax even when paid later. This is unavoidable, but worth knowing before you build your burn plan around a deferred-comp payout.

Question to answer tonight: pull your equity grant docs. For each unvested or held position, write down (a) grant date, (b) vest schedule, (c) strike price or cost basis, (d) whether it's QSBS-eligible. This is the raw material for a pre-move tax plan.

Chapter 4: California exit tax and the residency trap

There is no "California exit tax" in the literal sense, but California has three rules that feel like one:

1. Source-of-income rules. California taxes income "sourced" to California, which includes equity compensation vesting based on California work. Moving doesn't erase this. If you earned RSUs during your California years and they vest after you move, California still gets a piece.

2. The safe harbor residency test. California uses a facts-and-circumstances residency test, not a bright-line one. Moving your driver's license, your registered vehicles, your primary home, your dentist, and your voting registration all matter. Keeping a California rental, a California LLC you actively manage, or a California primary care physician can all give the Franchise Tax Board an argument that you're still a resident.

3. The Section 17952 "throwback" on intangibles. For sales of intangibles (stock, partnership interests) within a year of moving, California can claim part of the gain. For liquidity events close to

the move, this rule bites.

The practical residency checklist, in order of importance:

- Sell or rent your California primary home; establish a Minnesota primary home
- Change driver's license and vehicle registration to Minnesota within 60 days
- Register to vote in Minnesota
- Move bank primary address and investment account addresses
- Transfer primary healthcare providers (doctor, dentist, therapist)
- Establish Minnesota church, school, gym, club memberships
- Keep a log of days physically present in each state (the 546-day safe harbor under Section 17014(d) is the cleanest win if you qualify)

One expensive trap: if you close on your Minnesota home in December but don't physically move until February, California will argue your residency didn't change until February. The closing doesn't change residency; your physical and documentary presence does.

Question to answer tonight: if you're already planning the move, pick your target residency change date and work the checklist backward. Which items take the longest?

Chapter 5: Minnesota tax reality

Minnesota has a reputation as a high-tax state. It is, but the reputation usually overstates it for tech families coming from California.

Headline comparison, top marginal brackets:

Tax	California	Minnesota
State income (top)	13.3%	9.85%
State capital gains	13.3%	9.85%
State estate tax	None	13% 16% above \$3M
Property tax (effective)	~0.75%	~1.1%

The headline tells you Minnesota wins on income and loses on property and estate. True on paper. Three practical wrinkles:

1. Property tax is smaller in absolute dollars. A \$600,000 Minnesota home at 1.1% effective rate costs \$6,600/year. A \$1.8M California home at 0.75% effective rate costs \$13,500/year. Minnesota's "higher" property tax rate on a less expensive house is still a smaller dollar bill.

2. Minnesota's estate tax hits at \$3M, but there are workarounds. Minnesota has a \$3M estate tax exemption (versus \$13.99M federal as of 2025). For families with tech wealth, this matters. It also has known planning responses: inter-vivos QTIP, spousal lifetime access trusts, and the straightforward annual gifting exclusion that moves wealth to kids and grandkids. Most of our tech-family clients end up with an estate plan that keeps them below the Minnesota threshold via standard techniques. It takes work, but it's not exotic work.

3. Minnesota's "Working Family Credit" and retirement income exclusions most families leaving tech careers in their 40s or 50s don't access these, but they're real and worth knowing about for later-stage planning.

The moves that become cheaper in a Minnesota tax year:

- **Roth conversions** 9.85% vs 13.3%, a ~25% cheaper conversion.
- **QSBS liquidation** 0% vs 13.3%. A generational-wealth-scale difference for eligible holdings.
- **Realizing long-term capital gains** if you've been sitting on a concentrated position, moving first and selling second is usually the right sequence.
- **Exercising ISOs with large spread** AMT rules apply state-by-state; Minnesota is meaningfully cheaper.

Question to answer tonight: if you did a Roth conversion tomorrow in California versus a Roth conversion next year in Minnesota, how much does your 9.85 vs 13.3 arbitrage save you on the amount you'd convert?

Chapter 6: Mistakes that cost tech families year one

Five things I've watched cost Minnesota-return tech families \$20,000 \$200,000 in their first year back. None of them have anything to do with investment returns.

Mistake 1: Buying too much house too fast. Minnesota houses are cheap compared to SF. So tech families buy more than they need, often in a neighborhood chosen for schools they don't know yet. I've seen the \$900,000 house sold 18 months later for \$850,000 when the family realized they wanted to be in a different district. Rent for a year. Pay the 1.1% property tax on a rental landlord's problem while you figure out where you actually want to live.

Mistake 2: Not establishing Minnesota residency cleanly. The worst version of this is closing on a Minnesota house in December, traveling back to CA for the holidays, and not filing a partial-year return correctly. A \$30,000 \$80,000 avoidable tax bill surfaces in April of the year after next.

Mistake 3: Holding the tech employer stock through the move for "sentimental" reasons. The psychology is that you just left a company you loved and selling the stock feels like closing a chapter. The math is that you've now moved to a low-tax state specifically for the purpose of selling concentrated positions, and every month you wait is a month of concentration risk on top of the life transition. Sell on a schedule you set before the move.

Mistake 4: Under-insuring the Minnesota home. California homeowners often carry inadequate coverage because California rates and underwriting are a nightmare. Minnesota coverage is cheaper and more available. Buy a proper policy, and in particular get an umbrella policy with enough coverage to sit above the liquid wealth you've accumulated. It's \$400/year for \$3M of coverage. Don't skip it.

Mistake 5: Ignoring the emotional transition. This isn't a tax mistake; it's a life mistake that drives bad financial decisions. The first six months back will feel like a vacation. Months 6 12 will feel like loss. You will feel smaller, slower, less connected to the tech identity you built. That feeling is normal. It's also the window where tech families make the biggest impulsive financial decisions, buying a boat, starting a restaurant, investing in a cousin's startup, often recreating the stimulation they miss. Wait out the first year before making any discretionary purchase above \$25,000.

Question to answer tonight: which of those five do you already know you're at highest risk for?

What this guide is not

A guide can't replace an actual plan. It can't model your specific equity situation, your California residency facts, or your family's real spending. The arithmetic in these pages will get you 80% of the way. The last 20% the part where it actually becomes a decision is what a planner is for.

If you'd like a second set of eyes on the numbers

If you'd like to walk through your specific situation with a CFP who's done the move himself:

- **Email:** adam@fireweedcapital.com
- **Book a 30-minute consultation:** calendar.fireweedcapital.com/adam/mn-return
- **Website:** fireweedcapital.com

There's no obligation, no pitch, and no fee for the first call. If it turns out we're a fit for each other, we'll talk about what working together looks like. If it doesn't, I'll tell you what I would do in your situation and you can take it from there.

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