

THE PLACE I CALL HOME

TAX TIPS ON ESTABLISHING YOUR DOMICILE

WHERE YOU RESIDE CAN HAVE A SIGNIFICANT IMPACT ON YOUR TAXES

While there are many considerations when tax planning, where you live may be one of the most far-reaching. Income, property and estate taxes can vary considerably from state to state and in some states can be quite substantial. Given the high stakes involved, more and more people have opted to move their primary residence, especially at retirement, while maintaining a home in their former resident state.

For example, many residents of the Northeast have moved to Florida due to its tax-friendly laws. The Sunshine State currently imposes no taxes on income, estate or intangible property. In addition, Florida limits property tax escalation by capping annual assessment increases to the lesser of 3% or the Consumer Price Index increase.¹ Compare this to income tax rates in the Northeast of 3% to 10.9%,² state estate tax rates ranging from 12% to 20%³ and ever-increasing property taxes, and it is not difficult to see the long-term economic benefits of migrating south.

ESTABLISHING DOMICILE

Your domicile is defined as a permanent place of residence — one to which you always plan to return after any absences and one that is considered your primary residence, regardless of how many homes you own.



Taxpayers cannot simply declare their domicile state — they must first establish their intent and document their residency. Obviously, if a taxpayer has only one residence and merely spends short periods away from home, their legal domicile is the state where the home is located. However, taxpayers with two or more homes must provide facts to document their domicile to tax authorities.

There is no single set of facts to establish a domicile state. Instead, numerous actions taken together often support the taxpayer's intent.

It is important to note that it is not unconstitutional for two different states to successfully claim you as a resident for estate or inheritance tax purposes. Therefore, it could be extremely expensive if your actions do not fully support your intent. In this instance, an incomplete attempt to change residency can be costlier than no attempt at all.

ACTIONS SPEAK LOUDER THAN WORDS

The key actions that generally support intent of residency are:

- Spend at least 183 days per year in the state of which you wish to be a resident.
- Spend fewer than 183 days per year in the state of which you wish to be a non-resident.

The above two items may seem obvious and easy to comply with, but sometimes fact patterns jeopardize the results. For example, if your intent is to be a resident of Florida but you have a second home in, and spend considerable time in, another state, leaving for vacations from the other state may indicate an intent that the other state is your place of abode.

Other important actions include:

Be sure to notify your current board of elections and motor vehicle agency/department of your move to a new state. All permanent registrations, including passports, voter registrations, automobile registrations and driver's licenses, should be moved to your desired resident state.

- All income tax returns should be filed from your domicile state and mailed to the corresponding regional tax office.
- Financial reports, such as bank accounts, investment statements, credit cards, etc., should all be addressed to the intended domicile state.
- Wills should be updated to reflect the change of domicile.
- All mail, including magazine subscriptions, should be addressed to your domicile state. When not in your domicile state, have mail forwarded by the post office rather than temporarily changing your mailing address.
- If you intend to spend substantial time in more than your domicile state, maintain a diary noting the state you are in each and every day.

Keep in mind that this list is not exhaustive. The general rule? To change your domicile, you should conduct all aspects of your life accordingly, in an as unambiguous and visible (and documented) a manner as possible.



WORK WITH YOUR WEALTH ADVISOR

As you consider your move, be sure to work with your wealth advisor to understand how your domicile status may impact your tax planning strategies.



Sources

¹["An Overview of Taxes in Florida"](#)

²["State Individual Income Tax Rates and Brackets 2024"](#)

³["How Do State and Inheritance Taxes Work?"](#)

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