

# Is Moving To Another State Like Florida, Proper, To Save On State Taxes? What Should I Be Concerned About?\*

(All bullets have been extracted from the WRMarketplace an AALU Washington Report visit  
<https://www.aalu.org/aalulearning/> )

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- ❖ As states budgets are squeezed, states are challenged to change the tax rates.
- ❖ Each state has its own unique set of rules for establishing tax residency\*. For example in NY, one must reside in NY at least 183 days.
- ❖ Maintaining too many connections with the old state, can result in the worst of both states for income tax purposes
- ❖ When relocating, one must understand both the tax residency requirements of the new state and the rules for terminating tax residency in the old state.
- ❖ Changing legal residency is far more complicated than relocating to a new house, obtaining a new driver's license, and registering to vote in the new state.
- ❖ Tax residency generally fall into two main camps:
  - Objective day count test
  - Subjective closer connection test
  - To validate the day count test\*, one must keep track of airline, train, hotel, taxi and car rental and food receipts etc.
  - Closer connection test, voter registration test, where the spouse or children reside, place of business, etc.. State of California has become very aggressive in challenging residency changes.
- ❖ Potential Obstacles:
  - Keeping the former residence as evidence that the residency has not truly changed.
  - Have property tax bills, mortgage statements HOA assessments, property insurance premiums, utility bills, etc. for the old residence sent to the new one.
  - Use physicians and other service providers including veterinarians in the new state.
  - Leaving the family behind is extremely difficult
  - Ongoing business interests: moving headquarter to new state, changing all bills' addresses from businesses from old to new state. Update the LLC to reflect the new address.
  - When visiting for business in the old state stay in a hotel and keep receipts.

THE MORAL OF THE STORY IS THAT KEEPING TOO MANY CONNECTIONS WITH THE OLD STATE AND NOT CREATING ENOUGH CONNECTIONS IN THE NEW ONE CAN RESULT IN THE WORST OF BOTH STATES FOR INCOME TAX PERPOSES. LASTLY, YOU MUST ONLY RELY OF THE LEGAL COUNSEL'S ADVICE FROM BOTH STATES.

\* Visit your State.gov website to determine # of days needed to establish residency

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