



Robert W. Wood

THE TAX LAWYER

Jan. 16 2013

Fleeing California Taxes? Get In Line

Is it any wonder that many small and medium sized businesses are moving out of California? In the recent elections, [California voters sock it to the rich](#). As the Wall Street Journal [noted](#), some are promising businesses a better life elsewhere. Being courted must be refreshing but it is important for a company and its owners to have reasonable expectations and to budget for drilling down into California's rules.



After all, leaving is not always easy. A California resident is anyone in the state for other than a temporary or transitory purpose. See [FTB Publication 1031](#). Plus, it includes anyone domiciled in California who is outside the state for a temporary or transitory purpose. The burden is on you to show you're **not** a Californian. If you're in California for more than 9 months, you are presumed a resident.



Yet if your job requires you to be outside the state, it usually takes 18 months to be presumed no longer a resident. Your domicile is your true, fixed permanent home, the place where you intend to return even when you're gone. You can have only one domicile, but many facts are relevant. Start with where you are employed and where you own a home.

If you own several, compare size and value. Consider your homeowner's property tax exemption, where your spouse and children reside, etc. Your days inside and outside the state are important, as is the purpose of your travels. Where do you have bank accounts and belong to social, religious, professional and other organizations?

Voter registration, vehicle registration and driver's licenses count. Where you own or operate businesses counts, as does the relative income and time you devote to them. You can own investments far and wide, but you can expect them to be compared.

Many of these points may not be too significant on their own. Yet they can have a cumulative effect. California is likely to pursue you and probe how and when you stopped being a resident. Get some legal advice and plan carefully.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*