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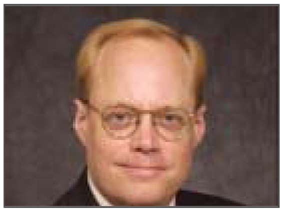

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Moving To Beat High State Taxes? Watch Out

(Photo credit: 401(K) 2012)

You may be fed up paying taxes in California, New York or Connecticut. Moving to Nevada, Florida or Texas sounds like a no-brainer. But your neighbors may be thinking the same thing and state tax officials aren't stupid.

High tax states often chase those who leave, especially if they exit right before a significant income event. Say you're selling a business, your company is doing an IPO, or you're getting a large settlement check. Don't assume you can quickly move and avoid all state tax.

Factors in Determining Residency. Some states have presumptions based on your time there. But beyond rigid rules, most courts and state tax authorities look at many other connections too. If the connections appear substantial you may be a resident even if you also have substantial connections with ***another*** state. Consider such factors as:

- The amount of time in versus out-of-state;
- The location(s) of your spouse and children;

- The location of your principal residence;
- The state that issued your driver's license;
- Where your vehicles are registered;
- Where you maintain any professional licenses;
- Where you are registered to vote;
- The location of banks where you have accounts;
- The location of doctors, dentists, accountants, and attorneys;
- Where your church, temple, professional associations, social and country clubs are located;
- Where you are employed;
- The location of your real property and investments;
- The location of your business interests;
- Where your children attend school;
- Where you file tax returns;
- If you claim a homeowner's property tax exemption;
- Any official statements of residency (such as on a federal tax return); and
- Any listings in state directories (phone, professional, etc.).

Nonresident Income. Even if you successfully shed your state's residency, some income could still be taxed by your former state. For example, compensation paid to an employee working in California is taxable there even if the worker is no longer a resident when paid. That's one reason it's wise to get some advice and be realistic.

If the stakes are big enough and you plan carefully, you can come out a winner. But no matter how carefully you plan, most people don't sever all connections. They may still be vulnerable to paying tax in the state they've left.

Viewing your situation critically and strategically is important. Even if your state comes after you, if you have planned carefully you may be able to resolve any resulting dispute for a fraction of the taxes being sought.

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.