

ESTABLISHING A NEW DOMICILE, A CRITICAL PLANNING POINT

In today's mobile society, determining your state residency is becoming an increasingly important tax planning issue. Individual states are becoming much more aggressive in trying to capture taxes that they believe are due to them.

Remember that your state of domicile is entitled to tax all of your income, wherever it was earned. They can also tax intangible assets such as stocks, bonds, and retirement plans at death. There are no clear cut rules for determining residency, it is a "facts and circumstances" test. Some of the issues that can be used to establish residency include:

1. Where are you registered to vote?
2. Where have you registered your car and have your driver's license?
3. Have you sold your residence and bought a new one in the state?
4. In which state do you have your banking and investment relationships?

Any or all of these facts can come into play in determining your residency. The important thing is to plan ahead, evaluate your options, and take some steps to affirmatively establish your residency.