

Ep81: Issues to Consider When Moving Out of State

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PATTI BRENNAN: Hi, everybody, welcome to the “Patti Brennan Show.” This show is for those of you who want to protect, grow, and use your assets to live your very best lives. This is part of our ongoing “Ask Patti Brennan” series.

People ask questions and a lot of times we get the same types of questions. Today, we’re going to talk about, “I’m thinking about moving to a different state. What issues should I consider before doing so?”

You may be a remote worker and you might be tired of paying the high rents in the city. You may be retiring and want to move to a warm-weather state. What are some of the things that you might want to keep in mind as you consider moving to a different state?

So, first of all, it’s really important for you to know that you can only have legal domicile in one state. A lot of people are doing this because they want to move out of the higher tax states.

Let me be the first one to tell you, if you haven’t heard it before, a lot of the higher tax states are going after people who are moving out to make sure that it’s legit, to make sure that you are actually spending more than six months in the new state.

So you’ve got to set this up so that if you are claiming to be living in a state like Florida for example, that you can prove that you are actually doing so. That’s especially true if you’re keeping two homes. So, how do you go about doing that? Well, first of all, again, understand the six-month and one-day rule. You also want to set yourself up so that it is completely defensible.

For example, change your driver’s license, your voter registration, your passport, your doctors, that’s probably a really sensitive area and believe me, some of these higher-tax states are asking the question, “Hmm, where is your doctor? Are you really living in Florida, for example? Or are you just setting it up so that you don’t have to pay our state taxes?”



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Also, you want to make sure that the second state, or your primary state that you're moving from, can't claim residency. You can be domiciled in another state but you may have to file two tax returns if, for example, you're working part-time in one state and part-time in the other.

In addition to changing your driver's license and doing the standard things, tell UPS, tell the Post Office, the IRS, have everything mailed to the new state. Other examples would be Medicare, Social Security office. If you're a veteran, notify the VA.

Everybody that you do business with, every piece of mail that you receive, notify those people that you are now living in this new state. Again, I've mentioned the doctors' offices, that's kind of a very personal thing. Also, hairdressers, believe it or not.

These states are getting very creative. They'll look into your EZ Pass records and see, "Gee, are you really driving back and forth? How much time are you spending in one state versus the other?" Airline tickets, I mean it's just really incredible what they're doing to go after that tax money.

In addition to understanding how your actions might develop the defense, if you will, against a state coming after you for taxes in their state, you really want to also consider, what's some of the programs that you might be giving up? For example, if you have a special needs child, or you're using some of the social benefits in your state.

States will vary tremendously, so please understand what you may be giving up or may be getting in various states. Again, the income taxes, if you're torn between one state or another, understand the income tax ramifications, one versus the other.

For example, in Pennsylvania, 401(k) distributions, IRA distributions are not taxed on a state level whereas they are for people who, for example, move to Delaware. That's an important consideration because, especially when you're retired and start receiving that income, that can add up to a lot of money.

In addition to that, what are some of the creditor protections that one state might provide versus another? Again, very important for people who work in certain professions. If your move is tax-motivated, be very careful about how that is construed. You may have to file taxes in both states and there's some crediting that might occur.

If you are paying for your own move, unreimbursed moving expenses in certain situations will be tax deductible so definitely keep that in mind. Look at your state withholding and your federal withholding as well. What's that going to look like in your new residence, in your domicile, if you will?

Here's a question that I often get that is kind of complicated, "What happens if you're



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married? You file a joint return. One spouse is living in one state. The other spouse is living in another because they may have to work there? How does that work?"

Well, again, it depends on the state. Some states will require that, even though you may be filing a joint tax return on a federal basis, you would have to file separate returns on a state level, but not all.

When you move to the new state and declare your domicile, I would highly recommend you meet with an estate planning attorney to review your estate planning documents. While it may not be necessary to make any changes, you may want to do that anyway because there are state-specific rules that may apply or not apply anymore.

So that would be number one. Number two, if you are on Obamacare or you're on Medicare, the supplemental plans that are out there are based on where you live so it is important to understand that a move will affect or can affect your medical benefits. Just know it going in, and understand it, and make your decisions accordingly.

There's a lot of things to take into consideration, the cost of moving, the property taxes may be higher. There may not be an income tax, but the property taxes are ridiculous.

Also, understand the concept of homesteading where you get a lower property tax as long as it's your primary residence. When you pull all of this together, you'll have a very clear understanding of the implication of moving to, again, a state like Florida versus staying in Pennsylvania or New Jersey.

Staying in California, California is another state that's getting very aggressive going after people who are moving to Texas, for example. It's very interesting to see a lot of the tech companies and people who work in that area, in the San Francisco area, are moving to Austin because it is a very tax-friendly state and a very tax-friendly city.

So, lots of considerations as well as quality of life. Where do you want to live? At the end of the day, it's your life. It's quality of life. Where's your family, where are your friends, what's important to you? We can figure out the money part. Just understand the implications, and plan accordingly.

Thank you so much for tuning in today. I hope this was helpful. If you have any questions, please go to our website. Write in your questions. We are here to help you in any way we can. Thank you so much. Have a great day.



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