



# INCOME TAX-FREE STATES OFFER RELOCATION ADVANTAGES

The 2017 tax law changes have spurred interest for many in relocating to states that have no or low state income tax on earned income. If your business is considering relocating, or you have a job that allows you to live anywhere, choosing a tax-advantaged state may be worth considering.

## The Tax Impact

The 2017 Tax Cuts and Jobs Act limits the deduction for state and local taxes on personal tax returns to \$10,000. In addition to the loss of the state and local tax deduction, states have been increasing their personal income tax rates over the years. This is especially costly to residents of high-tax states, such as New York, New Jersey and California, where the loss of this deduction adds an additional expense of 37% on any state income taxes over \$10,000.

For example if your property, state and local taxes total \$100,000, you would have to pay an additional \$33,300 in federal income taxes ( $\$100,000 - \$10,000 \times 37\%$ ). Relocating to a low tax or no income tax state could substantially lower or even eliminate this extra tax burden.

## States with Tax Advantages

States free of state income tax are: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. It is not difficult to see the long-term economic benefits of moving to a tax-advantaged state. For retirees, it means, in those states, they won't pay state income tax on Social Security benefits, IRA and 401(k) withdrawals or pension payouts.

## Establishing State Domicile

Be sure you understand what that state charges for property, sales and other taxes to see if those actually offset not paying state income tax. Keep in mind, you cannot simply declare your state of domicile—you must establish your intent, document



your domicile and conduct all aspects of your life accordingly. See the checklist on the next page for steps you can take.

## Weigh All Factors

You would be giving up affiliations to your hometown such as your voting rights. However, if a move makes sense for your business or other goals, considering a state where you don't have to pay state taxes on your 401(k) and other accounts may be worth it.

## Partner With an Advisor

At Mariner Wealth Advisors, our goal is to assist you in every step of making this transition, from simple steps like changing account addresses, to the more involved steps like homesteading a residence properly. We believe that an overall wealth management plan should integrate finances and taxes to help give you the most tax-advantaged strategy possible.

## Checklist to Establish a Domicile in a Tax-Free State

Below is a checklist of some of the steps you can take to help support your intent to establish a domicile.

- Obtain a drivers license in your new state of domicile and surrender the license issued by your former state.
- Use your new address on your passport (Personal Data page)
- Register cars, boats and other vehicles in new state.
- Change the primary address for credit cards, insurance policies and other bills
- Open accounts with banks and brokerage firms using your new address
- Create estate planning documents that include a recital of residence
- Purchase or rent a primary home and sell or close the lease on a home in a former state (not required, but preferable)
- List new address on your federal income tax return
- Change voter registration, vote in your new state
- Keep a diary or log of the days spent in all states to more easily support domicile.
- Join religious and social organizations in your new state. If possible change to non-resident status of any club memberships that you might maintain in your former state.
- Establish relationships with medical professionals in your new state, and have your medical records forwarded to your new doctors.
- File a nonresident tax return in your former state if required or file a final return in your former state upon leaving.
- File a “Declaration of Domicile” in the office of the circuit court in the county of residence and file a copy or a “Declaration of Non-Domicile” with your former state.
- If your new state has in-state benefits, file for them. For example, in Florida, you should file for homesteading with your local county to secure property tax benefits.
- Transaction business in your new state when possible and if you have a professional license, obtain a valid license in the state you move to, assuming you will continue to work

## Contact Mariner Wealth Advisors today for help in establishing domicile.

### Sources:

<https://www.kiplinger.com/slideshow/taxes/T054-S001-states-without-income-tax/index.html>

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