

With so many people working remotely these days, it's become common to think about moving to another state. If you've found yourself harboring such notions, be sure to consider taxes before packing up your things.

What taxes apply?

It may seem like a no-brainer to simply move to a state with no personal income tax, but you must consider *all* taxes that can potentially apply to state residents. In addition to income taxes, these may include:

- property taxes
- sales taxes, and
- estate or inheritance taxes.

If the states you're considering have an income tax, look at what types of income they tax. Some states, for example, don't tax wages but do tax interest and dividends. And, some states offer tax breaks for pension payments, retirement plan distributions and Social Security payments.

What are the domicile requirements?

If you make a permanent move to a new state and want to escape taxes in the state you came from, it's important to establish [legal domicile](#) in the new location. Generally, your domicile is a fixed and permanent home location where you plan to return, even after periods of residing elsewhere.

Each state has its own rules regarding domicile. You don't want to wind up in a worst-case scenario. For example, two states could claim you owe state income taxes if you established domicile in the new state but didn't successfully terminate domicile in the old one. Additionally, if you die without clearly establishing domicile in just one state, both the old and new states may claim that your estate owes income taxes and any state estate tax due.

How to Establish Domicile

The simplest and most obvious way to establish domicile is:

- To buy or lease a home in the new state and sell your previous home (or rent it out at market rates to an unrelated party).
- Change your mailing address on passports, insurance policies, and other important documents.
- Get a driver's license in the new state and registering your vehicle there also helps.
- Take these and other steps as soon as possible after moving.

Need help?

When looking into whether the grass is greener in another state, do some research and [contact us](#). We can help

you avoid unpleasant tax surprises.

You Might Also Like

- [Consider Taxes Before Moving Out of State](#)
- [State Taxes Impact Business Sales](#)