



## Robert W. Wood

THE TAX LAWYER

TAXES 02/13/23

# Leaving California Can Cut Your Taxes, But Be Careful



High taxes getting you down? California's 13.3% rate is the same on ordinary income and capital gain, and there have been several proposals to increase the top [13.3% rate as high as 16.8%](#). Moving sounds easy, but if you aren't careful how you do it, you could end up saying [goodbye California taxes, and hello to a residency audit](#). California's tough [Franchise Tax Board \(FTB\) monitors the line between residents and non-residents](#), and can probe how and when you left.

It pays to know what you are up against, and the burden is on *you* to show you are *not* a Californian. If you are in California for more than nine months, you are *presumed* to be a resident, and more than six months can often cause problems too. If high income tax rates are not scary enough, [California also proposed a \*wealth tax\*](#), although so far that did not pass.

Even without any of these proposed tax hikes, paying 13.3% in non-deductible state taxes (after the IRS \$10,000 cap) is painful. You can leave for Nevada, Texas, Washington or other no-tax states, but if you aren't careful, you could end up [being asked to keep paying California taxes](#). In some cases, [California can assess taxes no matter where you live](#).

Although the [IRS can audit 3 or 6 years, California can sometimes audit forever](#). California, like the IRS, gets unlimited time if you never file an income tax return. That can make filing a non-resident tax return—just reporting your California-source income as a non-resident—a smart move. California looks to objective factors to determine residency. Your time in California versus time outside counts. California uses a comparative analysis to see if you have closer connections to another state.

Many people who leave have unrealistic expectations and have a hard time distancing themselves from California. And be careful, because in [California tax disputes, procedure counts](#). In some cases, [California can even assess taxes no matter where you live](#). Consider the size and value of your residences, and the location of the property on which you claimed the homeowner's property tax exemption.

Where your driver's license was issued, cars are registered, professional licenses, registration to vote all counts. So does the location of your banks, doctors, dentists, accountants, church, temple or mosque, and more. What

clubs are you a member of, and where? Where do you work, and have business and social contacts? Where do you have all your mail sent?

As you might expect, physical presence is probably the biggest issue. If you spend more than 9 months in California, you are *presumed* to be a resident. If you spend 6 months or less in California, you may qualify as a seasonal visitor, but only if you don't work while you are in the state and meet other tests. If you are a California resident but are heading for the exits, consider this checklist:

1. Get a new other state driver's license, and turn in your California one.
2. Move and register your car(s) in your new state.
3. Notify California DMV, move vehicles and re-registration.
4. Insure cars and real estate with insurance in the new state
5. Register to vote in the new state.
6. Cancel California voter registration for old residence.
7. Terminate California club memberships.
8. Join clubs and social groups in the new state.
9. Relocate family to the new state.
10. Move cherished family heirlooms (photos, keepsakes, etc.) to home in the new state.
11. Sell, list for sale, or lease (preferably a long-term lease) any California property—selling is best.
12. Terminate lease of any California property.
13. Lease (long-term) or buy residence in the new state. Buying is best.
14. Notify friends and family of permanent move out of California.
15. Notify banks, credit card companies, etc. of move and provide new state address for statements. Have correspondence including bank statements, credit card statements, etc., sent to new state address.

16. Use healthcare providers and other advisors (except with regards to advice concerning California taxation) in the new state.

17. File change of address forms with US Postal Service and IRS.

18. Notify all contacts of change of address and permanent move.

19. Obtain new state phone numbers.

20. Send holiday cards, birthday cards, and other correspondence from home in the new state.

21. Change professional affiliations and licenses as needed to the new state

22. Establish office or workplace in the new state.

23. Limit physical presence in California as much as possible.

Be careful out there.

Check out my [website](#).