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# To Leave High California Taxes Behind, Consider These Steps



In the past, some residents of the Golden State avoided state taxes with fancy trusts formed outside California. But now, [trusts to avoid California tax are no longer effective](#). If you hope to avoid paying California taxes, [moving away still works](#), but it pays to know the factors that the California Franchise Tax Board considers in assessing residency. After all, the state is well known for auditing people who leave, and [California tax disputes are tricky](#).

## Domicile

A California tax resident is an individual who is: In California for other than a temporary or transitory purpose; or “Domiciled” in California, but who is outside of California for a temporary or transitory purpose. A domicile is the place where an individual voluntarily establishes his or her true, fixed, permanent home and principal establishment, and to which place he or she has, whenever absent, the intention of returning.

It is the place in which an individual has voluntarily fixed the habitation of self and family. An individual can only have one domicile at any one time. If an individual has acquired a domicile at one place, that domicile is *retained* until another domicile is acquired. A change in domicile requires:

- Abandonment of the prior domicile;
- Physically moving to and residing in a new locality; and
- Intent to remain in the new locality permanently or indefinitely.
- Intent to change domicile is insufficient to change domicile. The intent must be manifested in acts and declarations.

## Temporary or Transitory Purpose

California looks to objective factors to determine whether a taxpayer is in California for other than a temporary or transitory purpose. These factors include:

- The amount of time spent in California versus time spent outside California;
- The location(s) of a taxpayer's spouse and children, including where the children attend school;
- The location of your principal residence, including a comparison of the size and value of your residences, and the location of the property for which you have claimed the homeowner's property tax exemption;
- Where your driver's license was issued;
- Where your vehicles are registered;
- Where you maintain your professional licenses;
- Where you are registered to vote;
- The locations of banks where you maintain accounts;
- The origination points of your financial transactions;
- The locations of your doctors, dentists, accountants, and attorneys;
- The locations of your church, temple or mosque, professional associations, and social and country clubs of which you are a member;
- The permanence of your work assignments and business interests in California;
- The location of your social ties;
- The contact address you use for mail and correspondence; and
- Telephone records showing the origination of your phone calls.

California employs a comparative analysis to see if the taxpayer has closer connections to another state.

### Physical Presence

A major factor California examines in determining with which state a taxpayer has the closest connections is the taxpayer's physical presence in the state. Physical presence can trigger or affect certain presumptions under California law concerning California residency.

### Presumptions

If you spent more than *9 months* of the year in California, then you are *presumed* to be a California resident. This can be a very difficult presumption to rebut. If you spend *6 months* or less of the year in California, then you can qualify for a beneficial safe harbor for "seasonal visitors" to California (*i.e.*, individuals who live outside of California but have a vacation home in California). This safe harbor only applies if the individual spends six months or less in California, is domiciled outside of California, and does not conduct business while in California. Owning a home in California and being a member of social clubs do *not* disqualify a taxpayer from this safe harbor.

### Steps For Changing Residence

Here are some steps to document a change of residency and domicile to another state. Not every step must be taken, but the more steps you can take, the stronger your case may be for establishing that you are no longer a California resident.

1. Obtain new state driver's license.
2. Surrender California driver's license.
3. Move and register car(s) in new state.
4. Notify California DMV of move of vehicles and re-registration.
5. Insure cars and real estate with insurance agents in new state.
6. Register to vote in new state.
7. Cancel California voter registration with county elections office for old residence.
8. Terminate California club memberships.
9. Join clubs and social groups in new state.
10. Relocate family to new state.
11. Move cherished family heirlooms (photos, keepsakes, *etc.*) to home in new state.
12. Sell, list for sale, or lease (preferably a long-term lease) any California property.
13. Terminate lease of any California property.
14. Lease (preferably long-term) or buy residence in new state.
15. Notify friends and family of permanent move out of California.
16. Notify banks, credit card companies, *etc.* of move and provide new state address for statements, *etc.* Have major financial correspondence like bank statements, credit card statements, *etc.*, delivered to new state address.
17. Begin to use healthcare providers (including primary physician) and other advisors (for example, accountants, except with regards to advice concerning California taxation) in new state.
18. File change of address forms with US Postal Service and IRS.
19. Notify all contacts of change of address in view of permanent move.
20. Obtain new state landline or cellular phone number to use as contact phone number.

21. Send holiday cards, birthday cards, and other correspondence from home in new state.
22. Change professional affiliations and licenses as needed to new state.
23. Establish office or workplace in new state.
24. Limit physical presence in California as much as possible.

No matter how carefully you move, some kinds of income are still taxed by California, even when you are a nonresident. An example is [stock options and restricted stock](#) earned while you worked in California. Another tip is that [California taxes nonresidents selling stock and LLC interests](#).