# Moving to a new state? Review the tax implications first

Whether you're relocating for work, retirement, family or lifestyle reasons, state taxes can have a significant financial impact. Taxes vary widely from state to state. And establishing residency for tax purposes may be more complicated than you expect. Before moving, be sure you understand how changing states could affect your overall tax situation.

**A variety of taxes to consider**

It may seem like a tax-smart idea to simply move to a state with no personal income tax. But to make an informed decision, you must consider *all* taxes that can potentially apply to a state resident. In addition to income taxes, these may include property taxes, sales taxes and estate taxes.

If the state you're considering has an income tax, look at the types of income it taxes. For example, some states offer tax breaks for pension payments, retirement plan distributions and Social Security payments.

Some states with low or no income tax have higher-than-average property tax rates or sales tax rates that could offset income tax savings. Even if you're moving from one no-income-tax state to another, it's important to look at how your potential property and sales tax expenses in each state compare.

When it comes to estate taxes, the *federal* estate tax doesn't apply to many people these days. For 2026, the federal gift and estate tax exemption is $15 million per individual, or $30 million for a married couple (with proper planning). But some states that have an estate tax provide a much lower exemption. And some states have an inheritance tax in addition to (or in lieu of) an estate tax.

**Effectively establishing domicile**

If you make a permanent move to a new state and want to ensure you're *not* taxed in the state you came from, be careful to establish legal domicile in the new location and terminate it in your old one. The definition of legal domicile varies from state to state. In general, domicile is your fixed and permanent home and the place where you plan to return, even after periods of residing elsewhere.

The more time that passes after you change states and the more steps you take to establish domicile in the new state, the harder it will be for your old state to claim that you're still domiciled there for tax purposes. Five ways to help establish domicile in a new state are to:

1. Change your mailing address at the post office,
2. Change your address on insurance policies, will or living trust documents, and other important documents,
3. Buy or lease a home in the new state and sell your home in the old state (or rent it out at the market rate to an unrelated party),
4. Open and use bank accounts in the new state and close accounts in the old one, and
5. Register to vote, get a driver's license and register your vehicle in the new state.

If you're required to file an income tax return in the new state, file a resident return. And file a nonresident return or no return (whichever is appropriate) in the old state. We can help you make these decisions and file these returns.

**Plan before you relocate**

Moving to another state can affect your taxes in ways that aren't always obvious. Before you relocate, contact us to review the potential income, property, sales and estate tax implications. We can help you minimize potential negative tax consequences and make the most of any tax advantages offered by the new state.