

Key Tax Considerations When Deciding to Make a Pandemic Re-location into a Permanent Move

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Many of you have vacated your homes in the New York City area and other high-traffic areas in response to the COVID-19 outbreak. Now, phased re-openings and a slow return to normalcy bring a lot of questions about the end date for what was expected to be a short-term re-location. As a result, many of you are thinking of staying where you are and wondering if there could be tax benefits to doing so.

If you are contemplating staying where you are on a permanent basis, it is important that you evaluate all of the tax implications early and carefully with the help of your key advisors, and plan the best way forward together. Below are some key factors for your consideration.

Domicile and Tax Considerations when Vacating an Area

- **Domicile:** The tax jurisdiction in which a person is taxed depends upon the concept of “domicile”. Your domicile is not so easily changed, as there are indicators that go far beyond where a person is spending time or is physically present. It is important to speak with a professional who is knowledgeable in this complex tax area to understand your short and long-term goals, and what possible tax and other benefits may be on the table or at stake, in order to go about any major changes in an informed and compliant manner.
- **Tax considerations:** These are many and go beyond income tax implications to include property, gift, and estate taxes, among others.

The Importance of Intent

While there are many factors to consider, a key piece of the equation will be whether your intent is to return to your original residence or whether the plan is to relocate

your residence permanently. Of course, that intention must be documented and substantiated as well.

- If the long-term intention is to permanently relocate from a highly-taxed area, it is important to take the proper steps as soon as possible. Until domicile is established somewhere else, the existing domicile designation remains in place. There are steps that can and should be taken right away to start this change.
- Another concern is that if the plan is to stay in another taxing jurisdiction for an extended period of time, you could potentially be taxed there as a statutory resident resulting in double taxation. Again, proper planning and documentation is critical to avoid adverse consequences and ensure compliance.

Navigating these complex issues should be done carefully and with proper guidance. Contact your Anchin Relationship Partner or Sharon Ackerman, a Tax Director in Anchin's Tax Controversy Services Group, at sharon.ackerman@anchin.com.

Disclaimer: Please note this is based on the information that is currently available and is subject to change.