



# DEMYSTIFYING THE CHANGE OF DOMICILE PROCESS

How to be 100% prepared for your state residency audit  
before you move from a high-income tax state to a  
NO INCOME TAX state.



# THE PROBLEM

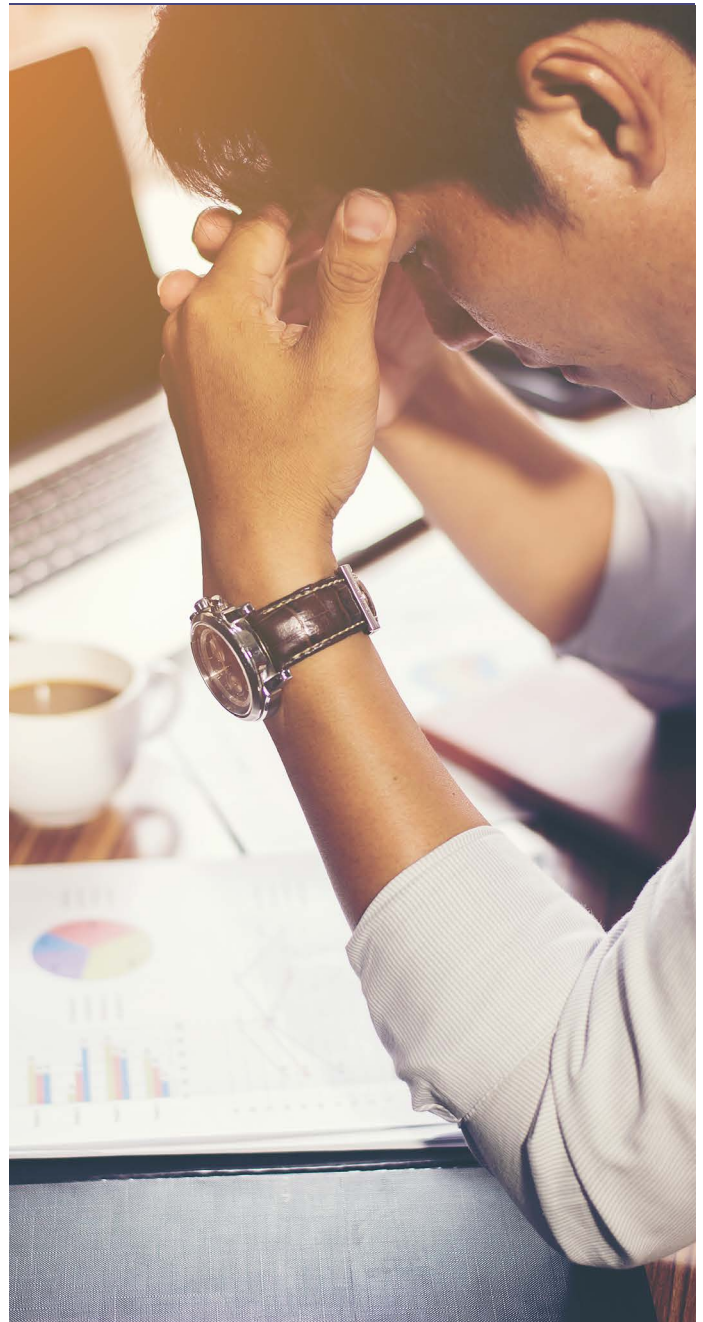


Most high net worth individuals are completely unprepared for the highly intrusive state residency audit once they stop paying income taxes in their home state.

It is a very common problem that high-income earners know all too well. You decided to move out of your high-

income tax state and settle in a no income tax state like Florida for example. You purchased a house or are renting a condo. You made sure that you lived the requisite number of days in Florida to count as a state resident. At this point, everything is fine, right? Well, like many others, there is a long list of additional factors that high tax states like New York, New Jersey and California consider before loosening their grip on your tax dollars. This long, exhaustive list is a lot, even for the most astute taxpayer. The unfortunate result that people realize after the fact is that they owe tens of thousands, hundreds of thousands or even millions of dollars in back taxes.

You have worked hard for your money. Those late nights in the office, necessary business trips, and having to miss out on family time have finally paid off. You are now moving to Florida. The only problem: your home state wants a big chunk of your income.





## YOUR HOME STATE WANTS A BIG CHUNK OF YOUR INCOME

The hidden dilemma - many high-income individuals are taken completely by surprise by the taxes they owe once they move out of their high-income tax state. The misconception is that if they simply spend 183 days or more in their new state, they have successfully established domicile there. Then they stop paying income taxes in their “old” home state. Then they get a letter in the mail either fishing with questions or announcing an audit. This is where the problem begins. Some states like New York have a very intrusive audit process and, if you or someone you know is unlucky enough to be audited by one of these high-tax states, it could make your life miserable.



# 20,000

## RESIDENCY AUDITS CONDUCTED OVER THE LAST FIVE YEARS IN NEW YORK STATE

Keep in mind that the chance of a residency audit is close to 100% for those high-income earners moving from high income tax states who either stopped paying state income taxes or show reduced income taxes on their state tax return. You see, even before the Covid-19 pandemic, many states faced a revenue shortfall (hello New York, Minnesota, and California). A residency audit is a way to help their budget, especially since most taxpayers are unprepared prior to tax audit. According to a recent CNBC article titled, *Tax collectors chase rich New Yorkers moving to low-tax states*, more than half of those audited in New York lost their case. Furthermore, as of 2018, those audited in New York had to pay, on average, \$273,000 in back taxes – per audit! If that doesn't get your attention, nothing will.



# \$ 273,000

## THE AVERAGE PAID IN BACK TAXES TO NEW YORK STATE PER AUDIT

### The Audit Triggers

Be aware of those things that can trigger an audit by the state you are saying you are no longer a resident. There are many legitimate circumstances for taxpayers to no longer pay state income taxes, however you must be prepared well in advance of an audit. Some of the triggers include items like:

- > Filing a nonresident return when you have a permanent home in the state.
- > Not filing a return when there is some connection to the state.
- > Filing a nonresident return when you've file resident returns in years prior.



# 100%

## CHANCE OF BEING AUDITED IN SOME HIGH-INCOME TAX STATES AFTER MOVING TO A NO INCOME TAX STATE

So, what does a high-income individual do if he or she resides in a high-income tax state and wants to properly establish domicile in a no income tax state like Florida?

First, do not panic. Six Months and a Day is here to help. This eBook was written specifically to help high-income individuals like you who are considering or in the process of changing residency.

# YOUR SOLUTION

First, accept the fact that there is a lot of hard work that goes into establishing a new domicile correctly, so that it passes muster when the auditors come calling. If you have lived part of the year in another state, even if it exceeds 183 days (six months and a day), you're not necessarily in the clear. You must "properly" establish domicile. Properly establishing domicile is more than simply renting or buying a condo and "living" in the Sunshine State for 183 days or more. It is more than changing your driver's license or voter registration. If you are audited, the burden of proof is on you to produce the desired evidence that you moved to a new location with the "intent" to remain there permanently. The questions go deeper than you would expect.





## Properly Establishing Domicile

To properly establish domicile outside of your high-tax state, you must follow and actively maintain some very elaborate rules. One big one is where do you maintain a residence as your “primary abode”. How do you do that? To effectively answer that question, you must prove that this is your primary residence by showing things like :



**The residence is livable all  
year round**



**You receive your important  
mail there**



**Most of your life  
revolves around that  
residence**



**Your children and spouse  
live there, or other family  
is nearby**

In short, the issue here regarding the establishment of domicile is all about proving your intent to the tax authorities. Does your life revolve around this residence? Or, does this residence get some use, but most of your life revolves around your residence located in the high-income tax state? The concept of intent is extremely subjective and decided based upon the standards of the state auditor assigned to you, so no two cases look alike.





## **Understanding Domicile vs Residency**

Some high-income tax states like New York have two ways in which they determine whether you are a resident of New York State. The first is the domicile Test and the second is the Statutory Residence Test.

Taking New York as an example, the domicile Test is implemented to determine if you have your primary, permanent and one true home in New York. This test is based on intent and is subjective.

The Statutory Residency Test (six month and a day rule) is to help auditors determine if an individual maintains a “Permanent Place of Abode” in the state of New York and spends more than 183 days in each



of the year in question. Even spending one hour in the state could be considered one full day in the eyes of an auditor (The same applies for residencies in New York City subject to city tax).

An audit by a high-income tax state can be extremely invasive, asking for everything from your federal tax return, utility bills, school tuition bills and more. They are so intrusive that it has become commonplace for state auditors to subpoena cell phone tower location records from your telecom company. It sounds outrageous, but the high-income tax state will regularly go to great lengths to determine domicile in order to receive their taxes.

Be Prepared. You must stop and ask yourself why so many people fail the audit and owe back taxes? Most high-income individuals simply do not have the time, desire or discipline to develop and manage a process that will successfully organize their activities and records to effectively satisfy a state tax audit. Most make their decisions based on misinformed preconceived notions regarding the factors necessary to prove intent. It can become a very costly conundrum if you are not properly prepared in advance.

# TAKE ACTION

Imagine having access to a platform that provides you with a 360-degree view of everything needed to fully prepare for a residency audit. Imagine a company that helps you identify and properly document significant 'change' events, maintains records important to an audit trail, and works with you to create a unique strategy based on your individual circumstances. Imagine a turnkey resource that can give you peace of mind and can save you tens to hundreds of thousands of dollars, if not more. Partnering with a change of domicile expert will help you:



Learn the criteria  
your state will  
use during your  
audit



Create your  
specific strategy  
to defend against  
a future audit



Develop and  
maintain the  
proper audit trail  
for you



Save a lot of money  
in taxes and legal  
fees

It is critical to be prepared long before receiving your state tax audit letter in the mail. How will you respond when you get that letter? Will you be prepared?



# WHO WE ARE

We are Six Months and a Day, a firm that helps individuals and business owners transition from high-income tax states to Florida and other no income states. Our mission is to demystify the change of domicile process while saving you time and money.

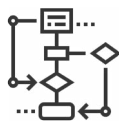
Because the process can be long and arduous, Six Months and a Day helps take the pain out of the change of domicile process while helping you protect the income you have worked so hard for.

Six Months and a Day offers a comprehensive streamlined process to track and monitor the change of domicile process. Concierge 'white glove' services are available at each step to make your transition as simple and painless as possible.



## **Audit Preparation**

we help you learn  
the facts



## **Action Plan**

we help you  
strategize for  
defense



## **Documentation**

we help you  
maintain the correct  
audit trail



## **Transition**

we help you  
transition your  
lifestyle

**DO NOT MAKE MISTAKES NOW THAT LEAD TO OWING  
SIGNIFICANT BACK TAXES IN THE FUTURE.**



# ABOUT THE AUTHORS



ERIC DONNER  
Co-founders

JOSHUA DONNER  
Co-founders

After making their move to Florida, this father son-duo seeks to leverage their own experiences to help others go from panic to paradise.

Friends and family were intrigued by the improved quality of life and affordability of the Florida lifestyle that the Donner boys were living. They wondered how they too could get a slice of the good life. So, Eric and Joshua Donner co-founded Six Months and a Day.

With over 30 years as an advisor specializing in advanced tax, estate, and business exit planning, Eric is in a unique position to leverage his expertise for this innovative new venture.

With a client relationship background and a BA in Psychology, Joshua brings his relationship management and leadership development skills to Six Months and a Day to ensure a personal touch to the complex and sometimes overwhelming change of domicile process.



CONTACT US TO LEARN MORE ON HOW TO PROPERLY PREPARE  
FOR YOUR CHANGE OF DOMICILE.



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