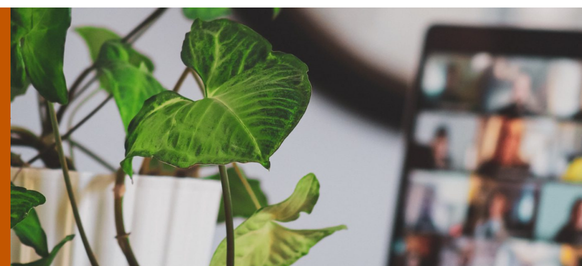

7 Things You Should Consider About Your Tax Residency

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With the Massachusetts “millionaire’s tax” here to stay—and with no indication of further reductions to the Massachusetts estate tax—many taxpayers are re-examining whether changing their state of residency could meaningfully reduce their tax burden. While some states are more tax-friendly than others, changing residency for tax purposes is not as simple as buying a home elsewhere or spending part of the year in another state.

Before assuming you’ve successfully changed your residency, it’s important to understand how states evaluate residency and how those rules affect both income and estate taxes.

1. States May Tax All of a Resident’s Income

Most states impose income tax on all income earned by their residents, regardless of where that income is generated. Your residency status—not just where you work or invest—often determines which state gets to tax your income. This makes residency a foundational concept in state income tax planning.

2. Residency Is Determined Using Two Key Tests

States generally rely on two primary tests to determine whether you are a resident:

- The domicile test, and
- The statutory residency (days) test

Meeting either test can result in being treated as a resident for tax purposes.

3. Domicile Is About Intent and Lifestyle, Not Just Property

Your domicile is your true, fixed, and permanent home—the place you intend to return to whenever you are away. While you may have multiple residences, you can have only one domicile at a time.

States look closely at where you maintain your most significant family, social, economic, civic, and religious ties. Simply purchasing property or spending time in another state does not automatically change your domicile if the facts suggest your true home remains elsewhere.

4. The 183-Day Rule Can Trigger Statutory Residency

Even if you successfully change your domicile, your former state may still treat you as a statutory resident.

In Massachusetts, this can occur if you:

- Spend more than 183 days in the state during the year, and
- Maintain a permanent place of abode in Massachusetts (owned or not)

For example, moving to Florida while keeping a Massachusetts home where you spend summers—or maintaining an apartment while working periodically in Massachusetts—can expose you to statutory residency and continued state taxation.

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5. Leaving the State Does Not Eliminate All State Taxes

Nonresidents are still subject to tax on Massachusetts-source income, including income from:

- Employment performed in Massachusetts,
- A trade or business carried on in Massachusetts, or
- Rental income from a property in Massachusetts

This can include income received after you move out of state if it is tied to Massachusetts activity.

6. Residency Has Major Estate Tax Consequences

Residency affects more than income taxes—it is also critical for estate tax purposes.

Massachusetts imposes an estate tax on:

- The entire gross estate of a Massachusetts resident at death (with a $2 million exclusion), and
- Massachusetts-located real estate or tangible personal property, even if the decedent was domiciled elsewhere.

As a result, the executor of an estate may be required to file a Massachusetts estate tax return and provide detailed information about the decedent's domicile—sometimes decades after the individual believed they had left the state. In certain cases, careful planning (such as entity ownership of real estate) may help mitigate these outcomes.

7. The Burden of Proving a Change in Residency Is on You

If you claim to have changed your domicile and you are selected for examination by the tax authorities, the burden will be on you to prove you successfully changed your domicile. High-tax states carefully scrutinize residency changes, particularly for high-income taxpayers.

States may review:

- Travel calendars and day counts
- Credit card and phone records
- Driver's license, voter, and auto registrations
- Location of bank accounts and professional relationships
- Even where your pets reside

Your actions must align with your stated intent. The burden is on the taxpayer to show they have truly abandoned their former domicile and established a new permanent home elsewhere.

Bottom line: Your state tax residency can have a significant impact on both your income and estate taxes. As your living arrangements change—or if you are considering a move—it's important to evaluate residency issues carefully and proactively. Thoughtful planning and documentation can make all the difference.

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