

Don't Get Caught in the Cold: A Former Auditor's Tax Tips for Snowbirds

Are you planning to migrate south to avoid yet another Minnesota winter? Before you pack your sunscreen and sandals, learn how the Minnesota Department of Revenue's residency rules may impact you and how to avoid potential tax pitfalls.

Snowbirds frequently find themselves on the hook for Minnesota income taxes for one of three reasons:

- **Misunderstanding the residency rules**
- **Poor planning**
- **Making mistakes during an audit**

Know the Rules

Complying with the rules is more complex than simply staying outside of Minnesota for more than one-half of the year. This is only one of the two separate tests that you need to pass.

You also need to prove that you actually moved to your sunny side beach home, which involves a 26-factor analysis. You may have heard about some of these factors, including: where you are registered to vote, in which state you have your driver's license, and whether or not you have abandoned your homestead status in Minnesota. However, auditors do not give all of these factors the same weight. A legal professional can help you understand which factors you should prioritize.

Make a Plan

You need to plan your move, which includes creating and documenting a narrative explaining when and why you intend to leave your Minnesota domicile. Auditors look for "that moment" in time when you decided to pick up roots and retire in another state.

Once you make the move, you will need to document your whereabouts. As the taxpayer, you have the burden of proof. Use a calendar to log your meetings, travel, and recreational events.



If you use a software calendar, such as Microsoft Outlook, print a date and time stamped hard copy of your calendar at the end of each year. This will help prove that your calendar entries were not made a few days before you provided it to the auditor.

Tell Your Story

Finally, do not stress if you receive Minnesota's infamous "residency questionnaire," but do not complete it alone. This is your first chance to tell your story. First impressions are important. Use the questionnaire as an opportunity to explain why you moved. The "why" may be as simple as not wanting to endure another winter of below freezing temperatures. Whatever the reason, make your response thorough and detailed. You need to convince the auditor you have actually moved and no longer reside in Minnesota.

Conclusion

Moss & Barnett possesses the experience and insight to help plan for your residency change. Do not go it alone. Please reach out to one of our Wealth Preservation and Estate Planning lawyers for assistance.



Nathan Thompson is a member of our Business Law group and Wealth Preservation and Estate Planning group. He focuses his practice on tax law and navigates clients through the complexity of the tax rules.

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