



**Guidebook on
Moving/Living/Working over State Lines**

Presented by the ARAG® Education Center™

Congratulations on taking the initiative to seek out information about moving, living and/or working over state lines. The legal issues that correspond with moving, living and/or working across multiple states can be complex and overwhelming. Many of the most critical legal issues you will need to plan for involve taxes, registrations, licensing and estate planning. Understanding these issues will help you make the right choices to protect your family, finances and future.

Our goal is to provide you a real-life guide to navigating the questions and concerns you may have around moving, living and working over state lines. The information presented in this guidebook is designed to provide the necessary background in a straightforward format to help you determine the next steps that are right for you. We hope you find this Guidebook on Moving/Living/Working over State Lines to be a valuable initial step in understanding and resolving your concerns. If you have additional questions after reading this document, your ARAG legal plan can help. If you have ideas on how to improve, please share them with us at Service@ARAGgroup.com.

If you're not currently an ARAG legal plan member, please feel free to review the enclosed information and contact us to learn how an ARAG legal plan can offer you affordable legal resources and support.

Sincerely,



Angela Ballantine
Director, Customer Care, ARAG

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GLOSSARY

Assessed value: the value assigned to a property for the purpose of determining property taxes.

Domicile, domiciled: A permanent residence (permanent abode) where, even when you are absent, you always have the intention of returning. This intention is demonstrated by your actions, even though you may live elsewhere. You can have only one state of domicile (the state of your permanent residence) at any given time.

■ Your state of domicile changes when you move to another state with the sincere intention of making your permanent home there.

■ If you move to another state but intend to stay there only for a fixed/limited time, your domicile does not change.

■ Your domicile is not dependent upon continuous physical presence.

■ Your domicile does not change by your presence in a former domicile, no matter how long or continued.

Permanent abode: A house, apartment, dwelling place or other residence you maintain as your household for an indefinite period. You do not have to own your residence for it to be your permanent abode. An abode is not permanent if it is occupied only during a fixed or limited period of time for a particular purpose (e.g.

college dormitories, barracks, corporate housing, vacation home, etc.).

When you change your permanent abode from one state to another you are changing your state of domicile as well. By moving, you have shown your intent to change domicile, and you have taken actions that show you now regard your new state as your domicile.

Residence: A place, other than your domicile, where you live for more or less extended periods.

Examples may include college dormitories, barracks, corporate housing, vacation home. What makes these residences less than your permanent abode is that you have no intention of living in them permanently or even indefinitely. It is your intent and your actions which can turn a place of residence into your permanent abode and so your domicile.

OVERVIEW

Moving, living and/or working in multiple states within the same year may require you to think about many issues – both personal and legal. This guidebook can help you determine the legal factors to consider and the steps to take if you find yourself or a family member in one of these situations:

- Moving from one state to another
- Living in multiple states (split-state living or partial-year residence)
- Living in one state and working in another state
- Working in more than one state
- Going to school outside your home state

When you incur one of the situations above most of the legal issues involve taxes, registrations, licensing and estate planning.

Tax Considerations

- Property Taxes
- Income Taxes
- State Sales Tax

Registration and Licensing

- Vehicle Registration
- Driver's License Registration
- Voter Registration
- Professional Licensing
- Artificial Entity (Business) Registration

Estate Planning

- Advance Directive or Living Will
- Healthcare Power of Attorney
- General, Durable or Limited Power of Attorney

This guidebook will provide straightforward information and checklists on the topics above, a worksheet for meeting with an attorney, a list of helpful web sites and information on how ARAG can help.



Did you know?

3.8% or more than 5.2 million Americans live and work across state lines.¹



TAX CONSIDERATIONS



TAX CONSIDERATIONS

Generally, you are responsible for paying taxes in the states in which you own property, earn income or conduct business activities. You may have to pay state taxes on:

- Real estate
- Personal property
- Investments
- Income
- The sale or purchase of property or services
- The privilege of doing business in the state

When you move to another state or work across state lines, there are special considerations for property taxes, income taxes and state sales tax.

Property Taxes

You will be charged real estate property taxes by the state in which you own any property. This is true even if your domicile is in another state. If you own real estate in more than one state (for example, your permanent abode in one state and a vacation residence in another state), you will pay property taxes on each home to the state in which it is located.

You pay real estate taxes on all properties you own to the state in which they are located.

Example: Let's say you live primarily in a home you own in State A. You also have a vacation home in State B. You pay property taxes on your primary home to State A. You also pay property taxes on your vacation home to State B.



Domicile Considerations

Many states give real estate tax benefits to property owners who make their domicile in that state. The tax benefits vary from state to state. Examples include:

- A credit to or reduction in your property taxes
- A reduction in the assessed value of your property
- A limit on the amount that your assessed value can increase

If you own a home, you may get real estate tax benefits from your state of domicile.

Example: Let's say your domicile is in State A and you own a home there. The Homestead Property Tax Credit in State A limits the increase in taxable assessed value of your home to 10% or less each year. If your home's assessed value increases by more than 10% in one year, you receive a tax credit for the amount that exceeds 10%.

Some states impose property taxes on property other than real estate owned by their residents. These include:

- **Tangible property taxes:** taxes on the value of your personal property located in the state (such as cars and boats).
- **Intangible property taxes:** taxes on the value of stocks, bonds, certificates of deposit and other investments. You may be charged taxes even if those investments are maintained and managed outside of the state of your domicile.

Income Taxes

Most states tax income from all sources (see the box to the right for exceptions as of January, 2009). If you are working and living in different states or working in multiple states, you should pay special attention to the tax laws of those states.

These states do not have a state income tax:

- Alaska
- Nevada
- Texas
- Wyoming
- Florida
- South Dakota
- Washington

These states tax dividend and interest income only:

- Tennessee
- New Hampshire

Typically, all income, wherever earned, is included in determining your taxes in the state of your domicile. Some of your income also may be taxed in the state where it is earned.

Even if you earn income in a state that is not your state of domicile, you may or may not have to pay income taxes to the other state. Many states have developed special rules to address the tax burden on their residents who earn income in other states. For instance:

- Your state of domicile may have reciprocal agreements with neighboring states so that you do not have to report or pay taxes to the neighboring state on income earned there.
- Your state of domicile may provide the following:
 - A deduction for income attributed to another state, or
 - A credit for taxes paid to another state for income earned there.

Some states have reciprocal agreements so that employees do not have to pay taxes to a state other than their state of domicile, even if income is earned in a neighboring state.

Example: Let's say you live in State A and work in State B. Since your state of domicile is State A, you have to pay taxes on all your earned income to State A. If State A and State B have a reciprocal agreement, you do not have to pay income taxes to State B on the income earned there.



If you permanently move from one state to another, you will most likely have to file an income tax return in both states for the year you move. You will pay income taxes to both states based on the amount of time you were domiciled in each state.

State Sales Tax

In personal transactions, the state sales tax and similar taxes are determined and paid at the point of sale. When you buy an item or a service in a particular state, and the item or service is subject to a sales tax in that state, then you will pay that state's sales tax on the item or service purchased. On the other hand, you might initiate a purchase in your home state with a seller located in another state (e.g., a catalogue, telephone or internet sale). Such remote sellers look to the state of your domicile to apply any sales tax. For example:

- | In remote sales (such as a catalog sale), the sales tax rate of your domicile is added by the seller.
- | In most cases of Internet sales, the sales tax rate of your domicile is added by the seller.

You can find your state's property tax rules by accessing the state's official web site. For a listing of state government web sites, go to: taxadmin.org/fta/link/.





REGISTRATION & LICENSING

If you move from one state to another, live in more than one state (split-year living or partial-year residence) or work across state lines, pay special attention to:

- Registration of your vehicles
- Your driver's license registration
- Your voter registration
- Any applicable professional licenses
- Registration of any artificial entities (businesses)

Vehicle Registration

You can register and title each of your automobiles, boats or other vehicles in only one state. If you have several vehicles and you reside or work in more than one state, your vehicles do not all have to be registered and titled in the same state. If you are going to keep a vehicle in a particular state (e.g., at your vacation home), you should register it in that state rather than in your home state.

When you move to a new state, you are required to change your vehicle titles and registrations. The time requirements for the new titles and registrations vary from state to state but tend to be very short (e.g., within 30 days of a permanent move or beginning employment in the state). Contact your state's Department/Office of Motor Vehicles for more information.

Driver's License Registration

In order to operate a motor vehicle, you are required to have a driver's license issued by the state in which you live. If your occupation is as a driver in another state, your license can be issued by the state in which you work. You can be licensed in only one state at a time.

When you move from one state to another, a new driver's license is required in the new state. The time requirement for obtaining your new license varies

from state to state but tends to be very short (e.g., within 30 days of a permanent move or beginning employment in the state.) Contact your state's Department of Motor Vehicles for more information.

For specific information regarding your state's Department of Motor Vehicles licensing and registration requirements visit: dmv.org/drivers-license.php.

Voter Registration

In order to vote in an official election, you must first register to vote. When you move and change your domicile to a new state, you should change your voter registration. Remember these simple rules:

- When you register to vote, you are assigned to a particular state and voting district or precinct. This registration location remains the same until you move.
- You cannot be registered to vote in more than one location.

Your voter registration location is determined by your residence as of the registration deadline, not by your permanent address or domicile.

Example: Let's say you and your family live in State A, and you have a daughter attending college in State B during the school year. She can register to vote in State B, even if her permanent address (domicile) is in State A, but she cannot be registered to vote in both states.



Professional Licensing

If you work in certain professions or occupations (for example; a doctor, lawyer, broker or contractor), you may be required to have a state license to practice in your field. When moving to another state or working over state lines, you should know:

- | A license to practice must be issued by each state in which you intend to work.
- | You can be licensed in more than one state.
- | Your licensing may require an initial application and fee. There may also be annual or periodic updates, renewals and/or fees.
- | Local governments where you regularly work (such as counties and cities) may require you to obtain an occupational license or pay particular taxes to practice your profession.

Artificial Entity (Business) Registration

If you are forming or have formed a business under an artificial entity such as a corporation, LLC (limited liability company), LLP (limited liability partnership) or DBA (doing business as) under a fictitious name (a name other than your own) across state lines:

- | You have to register your business in the state in which it is formed.
- | If your entity conducts business in other states, you must also register it with the state(s) in which you do business.

Even if you conduct business in multiple states, you only have to create your business entity in one state. However, you must register your business in every state where you will do work.

Example: Let's say you set up a corporation in State A but intend to actually do business in State B. You will have to register in State B as a foreign corporation doing business in State B. You will have to pay registration fees to both State A and State B.





ESTATE PLANNING

When you move out of state, or if you live in more than one state during the year, you should have your estate planning document reviewed by a lawyer in your new home or part-year residence. Generally, properly prepared estate planning documents will be recognized as valid in any state you move to; however, there can be unique legal rules in your new state that will affect what you intended to accomplish in those estate planning documents.

Here are just a few suggestive examples:

- | Your existing Will leaves your home to your brother but your new state has a law that limits the class of people to whom you can leave your home;
- | Your existing Will names your best friend from back home as your executor but your new state does not permit an executor who is not a resident;
- | Your existing Healthcare Power of Attorney or your Durable Power of Attorney permits your agent to exercise powers that cannot be exercised by an agent in your new state.

People spending a good portion of each year in a state other than their home (for example, individuals who spend the winter in Arizona or Florida), should consider having a Living Will and Healthcare Power of Attorney also prepared for that vacation state. Facilities asked to honor these documents will be more familiar with versions drafted in accordance with their local laws.

The best practice is to have your documents reviewed by an attorney in your new or vacation state.

For more specific guidance on Estate Planning and Living Wills/Powers of Attorney check the ARAG Education Center™ for resources.





Did you know?

Americans are on the go, moving across state lines at the highest rate since the early 1990's. In fact, a total of 8 million Americans move to another in 2006.²

CHECKLISTS FOR SPECIFIC SITUATIONS

If one of the situations listed below applies to you, use the checklist to be sure you have completed and/or considered your legal issues.

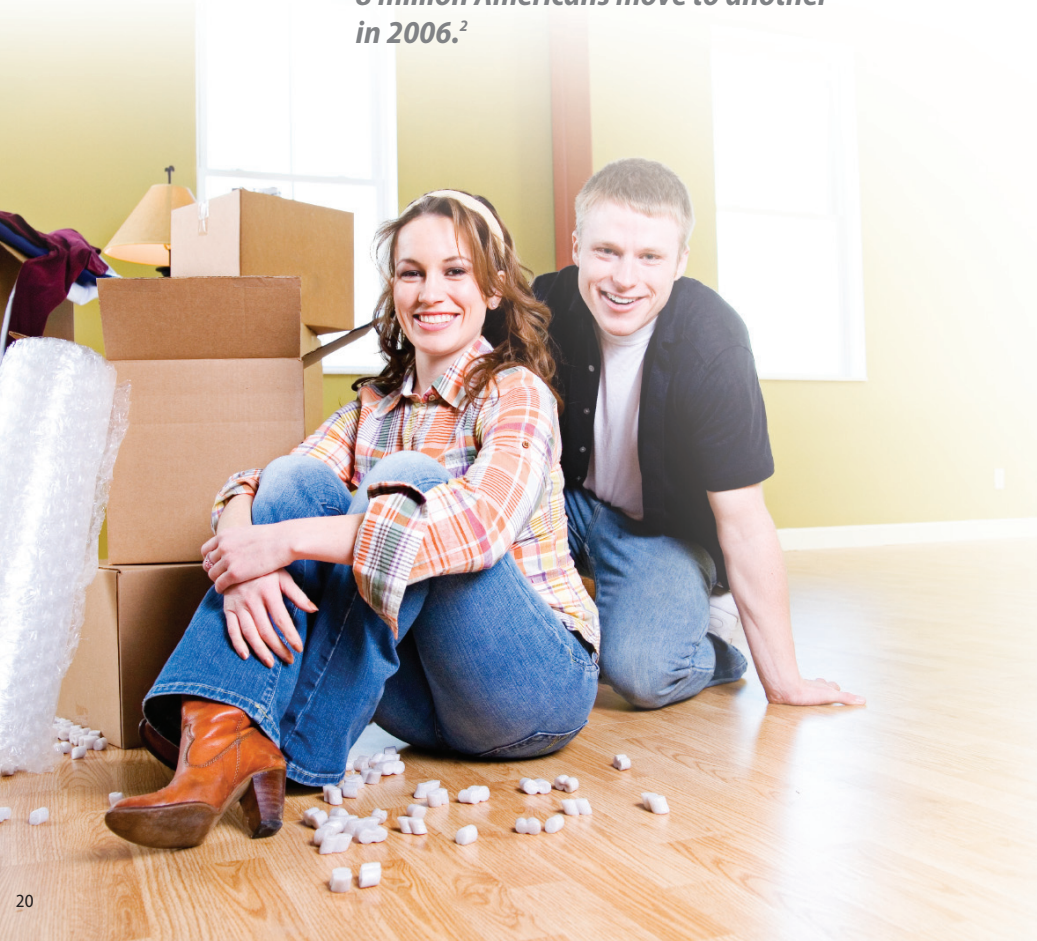
Permanent Move to Another State

If you change your domicile from one state to another, you should:

- File tax returns in both states in the year of the move. Be sure to use the correct forms in both states (those that recognize partial-year residence).
- Register and obtain titles for all vehicles and boats in your new home state if you plan to keep them there.
- Get a new driver's license in your new home state.
- Register to vote in your new home state (after you have a final address in the state).
- Review your Estate Planning documents that were completed in your old state. Even if they are still valid in your new state, you may want to revise certain ones (for example, Living Will or Powers of Attorney).
- Optional: Bank and brokerage accounts in your old state can remain where they are, or you may transfer them to firms in your new home state. Your best option is fiduciary-to-fiduciary transfers since they reduce the risk of unwanted sales and early distributions.
- Determine if you need an attorney's assistance with any legal matters resulting from your move.

If you practice in an occupation that requires licensing, and you intend to practice it in your new home state, you should:

- Apply for professional licenses and pay the fees in your new home state.
- Check to see if local governments require occupational licenses. Obtain any required local licenses.
- Remember to renew and/or update your licenses as often as required.





If you run an artificial entity business that is registered in another state, you should:

- Get that entity qualified to do business in your new home state. (Note: you do not have to create a new entity in the home state. You just have to register your business there.)

Living in More than One State

- Determine the state of your domicile (home state) and your state(s) of partial year residence (other state/s). Remember, you can have only one domicile. This will be important when determining certain legal rights.
- You should have a driver's license from your home state unless your occupation is as a driver in another state.
- Register and obtain titles for your vehicles and boats in the state in which they are kept most of the time.
- Register to vote where you live most of the time. If you will not be there on Election Day, consider voting by absentee ballot.
- Review your Estate Planning documents. These should be written based on the law of your state of domicile. However, certain documents can be written for your partial-year residence as well (for example, Living Will and Powers of Attorney).
- Determine if you need an attorney's assistance with any legal matters.

Working Out of State or in Multiple States

Determine if you have to file income tax returns in multiple states. All income will be taxed in your state of domicile (home state). It may also be taxed in the other states in which you work.

- Check to see if your home state and the other state(s) in which you work have reciprocal agreements. If they do, file an income tax return only in your home state. If not, file income tax returns in your home state and all states that do not have reciprocal agreements.

- Determine if your home state gives you an income deduction or a tax credit for the income earned in the other state(s).
- You should have a driver's license from your home state unless your occupation is as a driver in the other state.
- Determine if you need an attorney's assistance with any legal matters.

If you practice in an occupation that requires licensing:

- Apply for professional licenses and pay the fees for all states in which you practice.
- In locations where you regularly work, check to see if local governments require occupational licenses. Obtain any required local licenses.
- Remember to renew and/or update your licenses as often as required.
- If you run an artificial entity business, be sure that entity is registered in all states where you conduct business.

Attending School Out of State

Decide on the state of your domicile (home state). You can have only one domicile. This will be important when determining certain legal rights.

Important note:

- Students typically can retain the domicile of their family, even if going to school out of state and even if they stay there all year.
- You can make the state in which you go to school (school state) your domicile if you wish to do so.
- You may be eligible for in-state tuition at a state school if your school state is determined as your state of domicile. Check with your school to determine the requirements for in-state tuition status.



LET US HELP YOU

The objective of this guidebook is to serve as a starting point to help you identify and understand your legal needs. If you need additional help or guidance, ARAG is here for you. Simply contact a Customer Care Specialist who can help you navigate your legal issues and understand the benefits available under your plan.

Call: 800-247-4184

E-mail: Service@ARAGgroup.com

To learn more visit The ARAG Education Center™ at:
www.ARAGgroup.com



PREPARING TO MEET WITH YOUR ATTORNEY



PREPARING TO MEET WITH YOUR ATTORNEY

If you decide to consult an attorney regarding your legal matter, we recommend that you complete the following worksheet prior to meeting with the attorney. By preparing this information ahead of time, you will have an opportunity to clearly think through your needs and the attorney will have the necessary information to provide you with the highest level of legal service.

1) Summarize your legal matter in one or two sentences below. You can use this as a starting point when you make your initial phone call to an attorney.

2) List the names, dates and more pertinent details about your legal matter so you will be ready to discuss it either over the phone or during an in-office visit with an attorney.





3) List and attach any documents or background information you will want to take to an initial meeting with your attorney. (These could include any letters you have written about your legal matter, any relevant guarantee, contract, agreement or any letters received from an opposing party or attorney about your matter.)

List of attachments:

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____
- f) _____

Sources

¹U.S. Census Bureau American Community Survey, 2005-2007.

²Analysis of Census Bureau data by Paul Overberg, USA TODAY, November 30, 2007.

RESOURCES FOR MORE INFORMATION

The following web sites were used as resources in developing this guidebook and provide additional information.

Tax-related web sites

For more information regarding the Internal Revenue Service (IRS) visit: www.irs.gov

For more information regarding IRS tax forms and publications visit: www.irs.gov/formspubs

State Government web sites

For more information regarding U.S. state and territory regulations visit: usa.gov/Agencies/State_and_Territories.shtml

Alabama: alabama.gov

Alaska: state.ak.us

Arizona: az.gov

Arkansas: state.ar.us

California: ca.gov

Colorado: colorado.gov

Connecticut: ct.gov

Delaware: delaware.gov

District of Columbia: dc.gov

Florida: myflorida.com

Georgia: georgia.gov

Hawaii: ehawaii.gov

Idaho: accessidahoho.org

Illinois: illinois.gov

Indiana: in.gov

Iowa: iowa.gov

Maine: maine.gov

Maryland: maryland.gov

Massachusetts: mass.gov

Michigan: michigan.gov

Minnesota: state.mn.us

Mississippi: mississippi.gov

Missouri: mo.gov

Kansas: kansas.gov

Kentucky: kentucky.gov

Louisiana: louisiana.gov

Maine: maine.gov

Maryland: maryland.gov

Massachusetts: mass.gov

Michigan: michigan.gov

Minnesota: state.mn.us

Mississippi: mississippi.gov

Missouri: mo.gov

Montana: mt.gov

Nebraska: nebraska.gov

Nevada: nv.gov

New Hampshire: nh.gov

New Jersey: state.nj.us

New Mexico: newmexico.gov

New York: state.ny.us

North Carolina: ncgov.com

North Dakota: nd.gov

Ohio: ohio.gov

Oklahoma: ok.gov

Oregon: oregon.gov

Pennsylvania: pa.gov

Rhode Island: ri.gov

South Carolina: sc.gov

South Dakota: sd.gov

Tennessee: tennesseeanyttime.org

Texas: texasonline.com

Utah: utah.gov

Vermont: vermont.gov

Virginia: virginia.gov

Washington: access.wa.gov

West Virginia: wv.gov

Wisconsin: wisconsin.gov

Wyoming: wyoming.gov

