



ILLINOIS EMIGRATION CRISIS?



“If you want less of something (cigarette smoking, alcohol consumption, wealthy residents), tax it.”

—Tax axiom

Since our last newsletter on domicile - probably one of the more popular newsletters of the last decade - there have been several noteworthy changes in the Illinois rules that govern domicile. Domicile is critical, of course, since it controls whether a person is vulnerable to Illinois income and estate taxes. Residency is technically referred to as domicile in the tax world, and a person typically has only one domicile.

You may recall the Illinois Department of Revenue (IDOR) using the support of Illinois-based charities as evidence against folks who were trying to establish domicile in a state other than Illinois. Now, because of a change in the Illinois regulations, a person's support of an Illinois charity cannot be used to prove a person is domiciled in Illinois. This is a big boost for all Illinois charities and a wise change to Illinois law. The fact IDOR even made such an argument shows how it is willing to grasp at any fact it can to assess tax.

Another Illinois law change is less charitable. This new regulation pertains to the situation where a person attempts to establish domicile outside of Illinois but still claims a homestead property tax exemption for an Illinois home. In this circumstance, IDOR uses the Illinois homestead exemption as definitive evidence that Illinois is in fact the person's state of domicile.

This is potentially devastating since many folks who have left Illinois do not realize they have a homestead exemption on the home they kept in Illinois. The easy solution is to have the exemption removed once a person changes domicile. Similarly, a person should get his name off the Illinois voter roll, and vote in person - not absentee - in the new state of domicile. (Many other suggestions are contained in a prior newsletter and our handy checklist.)

The last Illinois rule change addresses time spent in one location or another. Specifically, if a person attempts to change his domicile from Illinois to another state, but spends more time in Illinois than the supposed

new state of domicile, IDOR can argue that Illinois remains the person's state of domicile.

So the tsunami of folks emigrating from Illinois continues. Illinois loses tens of thousands of residents annually, including over 100,000 in 2014. As you'd suspect, the folks who leave Illinois have a far greater income than the folks who migrate to Illinois.

How much taxable income is leaving Illinois? Illinois lost about \$1.6B in 2010, \$2.6B in 2011, \$3.6B in 2012, and \$4.1B in 2013 - these are not cumulative amounts. United Van Lines tracks where its moving vans go, and Illinois ranks fifth in having the most folks move out. Interestingly, emigration accelerates in better economic times since folks can more easily sell their homes and find new employment in other states.

There is a suspicion that senior citizens are leading the emigration charge. In fact, every age demographic in Illinois, from younger taxpayers to older taxpayers, shows a net loss. There is no indication the exodus will slow, putting ever more pressure on IDOR to track and tax those folks trying to disconnect from Illinois and its income and estate taxes.



“Go West (South?), Young Man!”
—Horace Greeley