Legal Matters®

Real Estate
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Prove residency to pass state tax audit

If you own homes in multiple states, establishing residency in the lower tax state can help your tax bill. Turning your second home into your "main home" and establishing legal residency takes more than just careful record keeping, however.

Many states have been cracking down on snowbirds who want to claim residency in "no income tax" states like Florida or Texas while still maintaining their original home. But retirees aren't the only ones under scrutiny. States are keen to capture income tax from mobile, high net worth individuals who may live and work in more than one place.

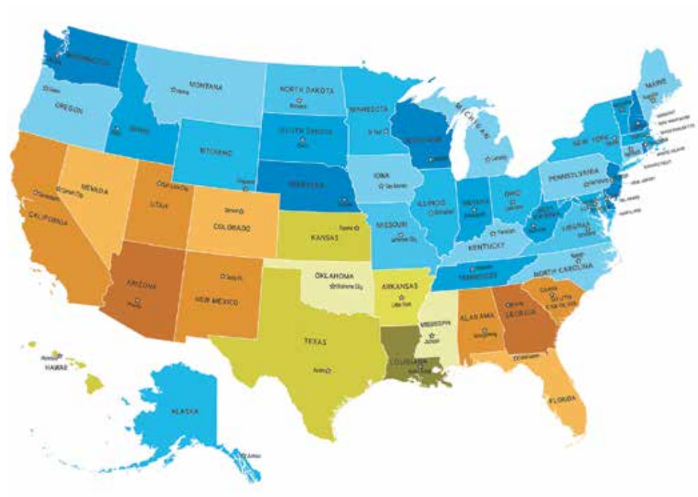
Each state has different residency rules, so talk to an advisor to understand yours. Generally speaking, it's not enough to spend 183 days (six months plus one day) outside your higher-tax state. You may have to meet a higher threshold and prove to tax collectors that you were where you said you were.

Proceed with caution. If you get audited and fail to pass the residency standards, you could be subject to unpaid tax bills with penalties and interest. Worse yet, if you die without establishing clear residency, more than one state may claim you owe income and state death taxes.

Additional complications come into play if you receive alternative forms of income, such as unvested options and deferred compensation. While you might expect to pay tax in your state of residency when you exercise those options, other states may seek payment based on where the work was performed over the vesting period.

Here are some tips for establishing domicile:

- Get a driver's license and register your car in your new state.



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- Register to vote in your new state.
- Establish bank accounts in your new state and close old ones.
- Operate your former home as a rental property.
- Change your address on important documents, including passports, wills and trusts.
- Move your pets with you to your new residence.
- Keep a record of how many days you spend in each state.

Apps such as TaxDay, TaxBird and Monaeo will count the days you spend in each state and alert you when you get too close to the limit. Certain apps have features that help you track other proof-of-location records, such as toll passes, credit card swipes, or transit fares.

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Number of older renters is on the rise

The number of renters over age 60 grew by 43 percent in the last decade, according to a report from RENTCafé, a national apartment listing service. Overall, nearly 37 percent of Americans rent, a near 50-year high, according to the Pew Research Center.

Housing analysts say the trend is partially a result of the Great Recession, as some people who lost their homes never bought again. Many others are baby boomers who were never homeowners in the first place.

The share of older renters grew the most in Austin, Texas, and Phoenix, Arizona, where it more than doubled over the last 10 years. However, seniors in these markets still represent only 12 percent and 17 percent of those cities' overall rental populations, respectively.

Cities with the highest percentages of older renters include New York, where they make up 27 percent of renter households; Baltimore, Maryland (25 percent); and Detroit (24 percent).

According to RENTCafé projections, the 60+ renter share is projected to keep growing, while other age groups decrease. The 60+ cohort is expected to grow to an estimated 18.6 million by 2035 and will become the second largest group of renter households, surpassing those aged 34 and under.

As people age, rental living becomes more attractive. Instead of seeking yards (which require maintenance), older renters look for apartment buildings with elevators and nearby amenities. Developers may want to think about accommodating older renters by updating buildings to make them more accessible.

Consider storage needs, too. Older renters who previously owned homes may look for rentals with more storage space and larger closets, compared to millennial renters who do not have decades of accumulation behind them.

Tariffs, labor shortages drive up home costs

Home building and remodeling costs could rise this year, driven by the dual impact of tariffs and labor shortages.

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A report from Porch, a company that connects consumers to home improvement professionals, suggests that tariffs on Canadian lumber, Chinese goods, and internationally sourced metals could drive up the price of new construction by 3.2 percent.

The median sale price of $315,000 for new houses means that a 3.2 percent increase would add about $10,000 to the initial cost of a home. Because an increase in purchase price drives up the cost of required down payments and interest, homeowners could pay an extra $17,000 over the life of their mortgage, the Porch report suggests.

Homeowners with plans to remodel could expect similar increases, with some projects, such as flooring, seeing as much as a 15-percent price increase.

Meanwhile, 79 percent of construction firms plan to expand headcount to keep pace with demand this year, according to a survey from the Associated General Contractors of America and Sage Construction and Real Estate. Yet almost the same number of firms (78 percent) say they're having a hard time filling positions.

Construction companies are raising pay in order to attract more workers. Nearly six in 10 survey respondents said they had increased base pay, 29 percent had provided new incentives or bonuses and nearly one-quarter improved employee benefits.

Labor shortages among homebuilders are restricting new housing supply, leading to higher home price appreciation in many areas of the country.

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When establishing residency, auditors look at your comprehensive life circumstances, not just certain "check the box" requirements. Are you still involved in a service club or church groups back in your original home state? Where do you host family gatherings? The closer to the minimum-day threshold you spend in your new state, the closer auditors will look.

Recognize that even if you establish residency in a "no income tax" state, another state may still require you to file a nonresident tax return and pay income tax on any income sourced there.

Co-living startups shift rental models

Old way: You move to a big city where housing is expensive and in high demand. You find an apartment above your price range and then post listings to Craigslist to find roommates who can help you cover the rent.

New way: You rent from a co-living startup that offers community living. You don't have to sign a lease that's more than you can afford or manage roommate vetting on your own.

In California, startup OpenDoor manages co-living homes and apartments. Residents rent private bedrooms while sharing common spaces. The company provides a suite of services to make shared living easier for all involved, from furnished common spaces to regular cleanings, business-class Wi-Fi, and community programming.

By some accounts, OpenDoor is part of the first wave of co-living concepts that have targeted young professionals, offering micro-spaces with shared kitchens and large communal areas. A new wave of options is now hitting the market. In the new model, residents have their own private kitchens and living areas as well as shared community spaces and amenities.

Co-living company Node operates under the latter model. The company currently has buildings in cities including Los Angeles, Seattle, Toronto, New York, London and Dublin. Node apartments are fully furnished, so you can move in with just your suitcase, and are targeted at residents who want to stay anywhere from six months to several years.

Node and OpenDoor are among a number of companies, such as Common and WeLive, that are facilitating co-living by making it easier to find roommates, furnish apartments and connect residents.

Co-living startups are cropping up mainly in expensive cities with housing shortages and high rents. But some analysts suggest that co-living options could become the housing model of choice for a mobile, digital workforce.

Remote work is on the rise and fewer jobs require employees to report to an office each day. That creates a class of workers who don't need to be tied to a single home in one city for the long-term. Co-living models enable a more flexible, nomadic lifestyle for people who want to experience living in multiple places but want to find an instant sense of community in each.

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Seven things sellers do that can kill a sale

The home market is still hot, but that doesn't mean sellers can be demanding prima donnas. Certain mistakes can turn buyers off, cost you thousands of dollars, or even squash a deal altogether.

Here are some of the top things that could dissuade buyers from making an offer on your home:

Nasty smells: From sports equipment to stinky shoes, litter boxes and general teenage boy funk, bad odors can leave a lasting impression on buyers.

Too much personality: Buyers need to connect emotionally with a home, and they need to be able to picture themselves inside. To help them, take down your personal pictures and eliminate distinctive décor. Don't hang around for showings or open houses, either.

Lots of stuff: Too much stuff can make your home look smaller. Declutter and move things out well before moving day. Clean out your closets, cabinets and garage and either get rid of your excess stuff or move nonessentials into storage while you're marketing your house.

Fibs and coverups: Be honest about any of your home's known faults. Covering up problems will generally come back to bite you, as buyers will ask to renegotiate or will simply walk away.

Unrealistic expectations: Just because your neighbor's house flew off the market at a premium price doesn't mean yours will too. The market ebbs and flows. Listen to your realtor's advice when it comes to pricing and recommended repairs.

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Possessiveness: Resist the urge to strip your home of curtain rods, drapes, and specialty light fixtures, unless you specified as much in your listing agreement.

Ignoring special circumstances: A variety of situations can create risk and complications in the sale process. Sellers are generally advised to involve a real estate attorney in any sale, but legal support can be essential if you are selling due to a divorce, selling a house from a trust, or selling to family members, or if you have tenants renting the property or have liens or judgments on the property.

Last minute conflicts and complications can unravel a whole deal. A real estate attorney can address any legal issues that crop up during the closing process, or better yet, help you avoid them from the outset.

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Protect your connected home from hackers

Your home may be smart, but is it secure? A variety of internet-connected devices, from doorbells to lights and thermostats, may make your life more convenient, but they also put your home at risk of being hacked.

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Every device that's connected to the internet can be a doorway for bad actors. In one instance, when a family's thermostat and camera systems were hacked, outsiders turned up the heat in a child's bedroom and cursed at the homeowners via camera audio. In other reports, domestic abusers have used smart home technology to stalk their former partners.

Here's how to keep your smart home network safe:

- Quarantine your smart home devices on a guest network, separate from your household internet. This is an option in many router systems.
- Use unique passwords for everything.
- Enable two-factor identification when available. When activated, users need a special code (typically sent to your cellphone) in addition to a password to access devices.
- If you have a home assistant like Amazon Alexa or Google Home, activate voice-recognition features. That can stop burglars or inquisitive guests from accessing your calendar or other personal information.

Remember, too, to keep your router software, devices and device apps up to date. Download and install updates as soon as they are available. Updates protect your devices from the latest security bugs. Many devices will download and apply their own updates, but others might send you alerts through their associated apps.

When purchasing smart home devices, you may be better off with mainstream brands. The best-known names in the industry have a reputation to protect, as well as the resources to keep their security measures current.