

JOURNAL REPORTS: WEALTH MANAGEMENT

Help for Taxpayers Who Need to Prove Where They Live

For people who own homes in different states, apps track your whereabouts to establish residency in one or the other



Low-tax-state Florida attracts buyers of second homes from higher-tax Northern states. PHOTO: ISTOCK

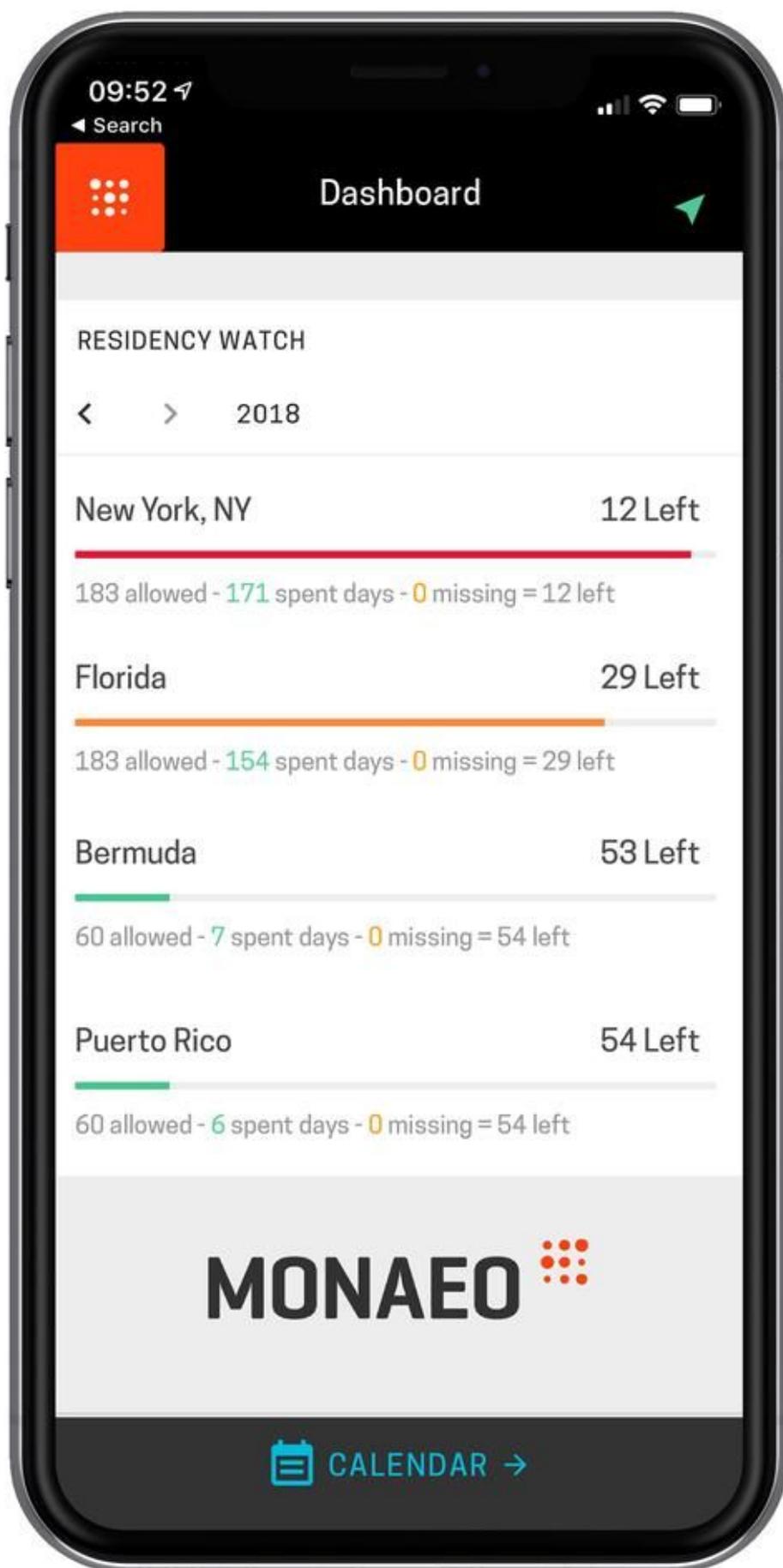
By Daniel Akst

March 8, 2019 10:35 a.m. ET

When Jim Stamos and his wife retired to Florida in 2015, they left behind the snowstorms of Connecticut. But because they kept their old house, they had a problem: If they couldn't prove they lived and spent most of their time in Florida, which has no state income tax, they might have to pay Connecticut, which does.

So they turned to an iPhone app called Monaeo, which automatically records their whereabouts using a combination of digital technologies including the cellular network, Wi-Fi and GPS. Since they got the app, Mr. Stamos says, he no longer worries about keeping track of the couple's travels.

Taxpayers in such situations once relied on handwritten diaries and folders full of receipts to



The Monaeo app automatically records a user's whereabouts using cellular network, Wi-Fi and GPS technologies. PHOTO: MONAEO

show where they spent their time. Increasingly, though, technology is on the taxpayer's side—and not a moment too soon, because the Tax Cuts and Jobs Act of 2017 limited the deductibility of state and local taxes on federal returns, making it all the more important for taxpayers who own two homes to be able to prove they live in the lower-tax jurisdiction.

It's especially important if both homes are in states that collect income taxes. "You can end up paying taxes for the whole year in both places," warns Matthew DiDonato, a specialist in state and local taxes at accounting and consulting firm Grant Thornton.

The tug of war over taxes often involves someone claiming to live in Florida, which is popular with retirees from cold Northern states. But people also commonly own homes in two adjoining states with different tax rates.

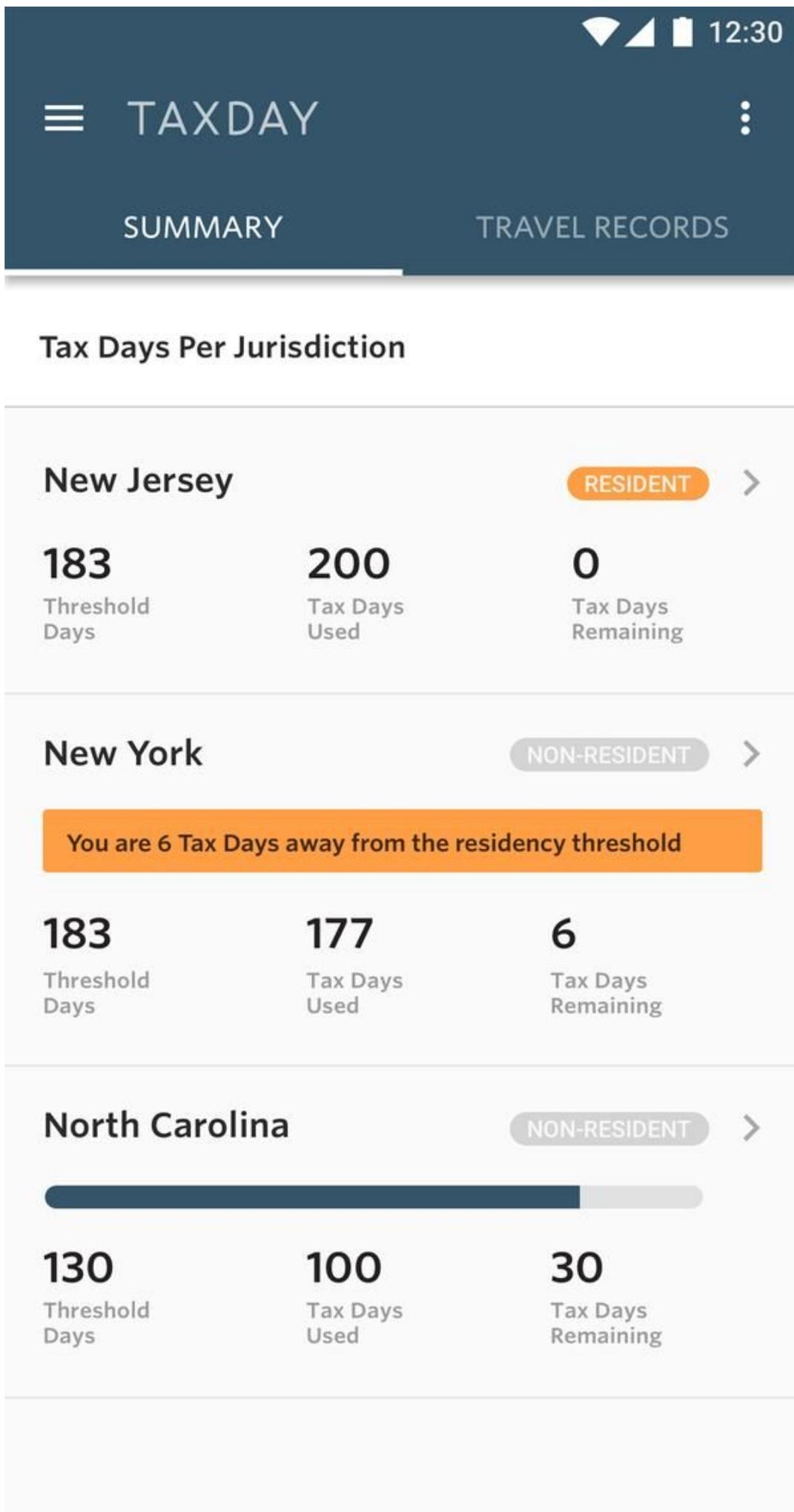
This is an issue, for instance, for many taxpayers in the New York City metropolitan area, where the city and state, as well as neighboring Connecticut and New Jersey, all have different tax rates. Similarly, California, at 13.3%, has the highest state marginal tax rate, according to the Tax Foundation, but next door, Nevada has no state income tax. New Hampshire doesn't tax wages or salaries, but neighboring Massachusetts and Vermont do.

In addition to the app, Monaeo's \$79-a-month service includes a website that allows users to grant accountants, lawyers and assistants access to their information.

A less expensive option is TaxDay, a \$10-a-month app that knows the rules in each state, New York City and (in the Android version) some other large cities for the maximum number of days a person can spend there before being taxed as a resident.

It uses GPS to track users automatically, and alerts them when they are running out of days allowed. The app also lets them record the purpose of each trip, because rules differ as to what qualifies for tax purposes as time spent in a location. Some jurisdictions, for instance, don't count time at an airport or spent involuntarily hospitalized. Users can attach boarding passes and other receipts within the app.

Jonathan Mariner, TaxDay's founder and president, says he launched the app as result of personal experience. In his former position as chief financial officer of Major League Baseball,



The TaxDay app allows users to record the purpose of each trip to keep track of what qualifies taxwise.

he traveled extensively between his home in Florida and New York City. As a result, he says, “I’ve been audited by New York state three times.”

Tracking apps alone won’t necessarily give taxpayers an ironclad case if tax authorities question their movements. Smartphone apps are always subject to gaming, after all. You could, for instance, give someone a phone and credit card to use for you in Florida when you are actually in Pennsylvania.

For an extra fee, Monaeo offers a service that also pulls together any other available digital evidence of location for a taxpayer undergoing an audit. Possible additional sources of evidence include electronic toll-collection records—examples include the multistate E-ZPass system or

California's FasTrak—as well as credit-card charges, records of plane trips, office-building swipes with a keycard, and transit fare cards linked to a bank or credit-card account.

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