

Using Technology to Count Days for Residency

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Are your clients headed south for the winter? They may be at risk of a New York residency audit. Residency audits are a common way for states to collect money especially in New York. Fortunately, technology can now help your clients avoid or win a tax audit.

Residency rules

In New York, there are two general tests for residency. The domicile test looks at the location of the one place the individual intends to have as a permanent home. Relevant factors include where the individual's family resides, where he/she conducts business activities, and the relative use and size of each home.

Under the statutory residency test, someone who is not domiciled in New York could still be considered a resident for income tax purposes if he/she maintains a "permanent place of abode" and spends more than 183 days of the year in New York.

Keeping records

Residency audits are very document-intensive and personally invasive. Auditors will piece together the taxpayer's whereabouts using appointment calendars, credit cards, passports, phone bills, EZ-pass records and other documents. They can also look at smartphone applications that track and record location to determine whether the taxpayer met either of the tests for residency.

Benefits of the right technology

Since most of us carry our phone with us all the time, mobile apps are very useful for keeping track of when you are in a particular state or city. For example, TaxDay, Monaeo, TaxBird and other apps can monitor how long you spend in a designated city or state and provide automatic notifications when you are getting close to reaching the day count threshold of a given jurisdiction. Features to look for in choosing an app include having the ability to append notes, receipts, itineraries and other pertinent information so records are all in one place. In addition, it is helpful to have a reporting function to generate a year-end report with all information needed to file the client's tax return and support his/her residency status filing.

If you have a snowbird client (or one with a second home), talk to them about the importance of keeping records about their whereabouts during the year. Whatever method they choose, it will be a huge time and money saver in the event they are audited.

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