



MILITARY SPOUSES RESIDENCY RELIEF ACT

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Military Spouses Residency Relief Act (MSRRA) Overview

MSRRA provides crucial tax relief for military spouses who earn income in a state where they are residing due to their spouse's military orders. Here's what you need to know:

1. Key Taxation Rules

- **Income Tax Relief:** If you are a military spouse living in a state solely because your spouse is stationed there under military orders, you generally do not have to pay state income taxes in that state. Instead, you will pay income tax to your state of domicile (legal residence), assuming that state taxes wages.
- **Domiciliary State Taxes:** If your state of domicile has an income tax, you must pay state income taxes to that state, even if you earned the income elsewhere.

2. Understanding Domicile (Legal Residence)

- **Definition:** Your domicile is the place you consider "home." This is where you have been physically present and intend to return to when temporarily absent.
- **Proof of Domicile:** Indicators include where you vote, own property, hold professional licenses, register vehicles, hold a driver's license, and accept tax breaks for a declaration of homestead.
- **Changing Domicile:** You can change your domicile by being physically present in a new state, forming the intent to make it your permanent home, and establishing new contacts there.

3. Example Scenario

- **Domicile in Texas, Stationed in Virginia:** Suppose you and your spouse are domiciled in Texas, and your spouse is reassigned to Virginia. Under MSRRA, you do not have to pay Virginia state income tax on your earnings. You would only need to comply with Texas tax laws. Since Texas has no state income tax, you would not owe state income tax.

4. Common Misunderstandings

- **Choosing Domicile:** You cannot arbitrarily pick a domicile. You must have been physically present in the state and established it as your domicile.
- **Inheriting Domicile:** You cannot inherit your spouse's domicile upon marriage. Each spouse must independently establish their domicile.
- **Recapturing Domicile:** You cannot claim a former domicile without physically returning and re-establishing the necessary contacts.
- **Non-Service Income:** MSRRA does not exempt income from sources other than employment (e.g., rental income) from state taxes in the state where the property is located.
- **Complicated Scenarios:** If you live in one state but work in another, or if you and your spouse have different domiciles, seek legal assistance for clarification.

5. Driver's License and Voting

- **Driver's License:** MSRRA does not determine whether you need a new driver's license. This depends on state law.
- **Voting:** MSRRA makes it easier to vote in your domiciliary state by absentee ballot. Voting is a significant factor in proving domicile.

6. Other Benefits

- **Personal Property Tax:** Non-business personal property (e.g., automobiles) titled in your name or jointly with your spouse is exempt from taxation in the non-domiciliary state if you are there due to military orders.

NOTE: This guide is intended for general informational purposes only and does not constitute legal advice. It is advisable to periodically verify this information and consult with a legal professional for the most current and applicable advice. If you have any questions or need to schedule an appointment with a legal assistance attorney, please call the Legal Office at 325-654-3203