

Residency Confusion Can Cause Military Personnel to Overpay Taxes

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H&R Block Advises on Military Spouse Residency Relief Act, State Tax Obligations

Nov 12, 2012 (Marketwire via COMTEX) --Confusion about military spouse residency rules means many military families may be overpaying their state taxes, according to analysis done by The Tax Institute at [H&R Block](#) (NYSE: HRB). The institute says understanding eligibility for the Military Spouse Residency Relief Act can help service members pay only what they owe and keep more of what is theirs.

"Lack of guidance on eligibility for the new rules can cause military families to needlessly file tax returns and pay taxes to states they live in temporarily due to military orders," said Kathy Pickering, executive director of The Tax Institute. "Misinterpretation of the law has likely resulted in many service members and their spouses paying state taxes they didn't owe."

Service members often retain residency status in their home states, despite frequent moves during active duty. The act, which became effective tax year 2009, allows spouses to also retain residency status in their home state if they move with their military spouse. Under these rules, the spouse's pay earned where they are stationed is not taxed there, but instead in the home state.

A civilian will not automatically be granted the same residency of their service member spouse. Instead, residency must be declared and the spouse must meet these three requirements to qualify for relief:

- The spouse moves with the service member to the duty state in compliance with military orders
- The spouse is living in the state solely to be with the service member
- The spouse and service member share the same home state.

Before attempting to change their state of residency, military spouses should contact their state taxation board or department of revenue. Because each state has different tax regulations and filing requirements that will help spouses determine if they meet the act's requirements.

Military spouses who meet the requirements should ask their employer to withhold state income tax for their home state of residency. This will eliminate the need to file a return to obtain a refund of taxes withheld for the state where the service member is stationed.

"If errors were made on past returns, the good news is that overpaid taxes can still be recovered going back to 2009 when the act went into effect. This is because amended returns for tax year 2009 will be accepted through April 15, 2013," Pickering said.

If a service member thinks errors were made on past returns, amended returns can be filed for the past three years, which includes 2009, 2010 and 2011 income tax returns. One way to find out is to get a free [Second Look@ review](#)* with an H&R Block tax professional. H&R Block is offering free Second Looks through Dec. 31 to ensure taxpayers received the maximum refund possible. This offer is good at participating offices for the review of returns not prepared by H&R Block. New this year, taxpayers can get a Second Look from the comfort of their own homes with the secure, video conferencing tool Block Live(SM).

Many H&R Block tax professionals are specifically trained and educated to assist military families with preparing their tax returns; last year, H&R Block filed tax returns for more than 40 percent of active, reserve and retired service members. For more information about this state income tax information and other military-specific tax concerns, visit <http://hrblock.com/military> or call 800-HRBLOCK to find a nearby tax professional.

*At participating offices through April 30, 2013. Fees apply if you have us file a corrected or amended return. Results may vary. All tax situations are different. OBTP#13696 ©2013 HRB Tax Group, Inc.

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About The Tax Institute at H&R Block

The Tax Institute at H&R Block is the go-to source for objective insights on federal and state tax laws affecting the individual. It provides nonpartisan information and analysis on the real world implications of tax policies and proposals to policymakers, journalists, experts and tax preparers. The Institute's experts include CPAs, Enrolled Agents, attorneys and former IRS agents.

For Further Information

Gene King

816-854-4287

Email Contact