

New Law Gives Military Spouses State Tax Flexibility

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Military Families Can Maintain Permanent Residency During Career

KANSAS CITY, MO, Feb 16, 2010 (MARKETWIRE via COMTEX) -- Managing household paperwork, finances and taxes for military families just got easier thanks to the new Military Spouses Residency Relief Act, according to H&R Block (NYSE: HRB).

The act affects the tax status of families when they move on military orders by allowing more flexibility when it comes to state taxes. Servicemembers often retain their permanent residency throughout their military service. Prior to MSRRA, servicemembers could maintain their home state as their permanent residence for the duration of their military career, despite frequent moves during active duty.

Military spouses can now seek the same permanent residency status as servicemembers and have their income taxed only by their state of permanent residence. State taxes only would be due to the state of their permanent residence, provided the servicemember does not seek additional employment.

"In the past, spouses would have to establish new residency in the duty station state and be subject to that state's income taxes. The Act lets spouses maintain permanent residency in the same state as the servicemembers they are married to and only pay state taxes for the state they call home," said Zach Goff, manager of tax research of The Tax Institute at H&R Block.

Prior to MSRRA, upon arrival at the new duty location spouses would have to make address changes to titles, re-register their vehicles and obtain new driver's licenses. Many times, this would lead to servicemembers and their spouses filing state income tax returns for different states.

To determine whether spouses qualify for relief under MSRRA, they must meet three requirements:

- The servicemember must be present at the duty state in compliance with military orders
- The spouse is stationed with the servicemember
- The spouse is living in the same state as the servicemember

When spouses are applying for the same domicile as servicemembers, they must prove residency, which can be accomplished by activities such as registering to vote, voting via absentee ballot, owning land and maintaining a valid driver's license.

Because MSRRA was passed to help military families, there are still other requirements for legally changing residency. In addition, a non-military spouse will not simply inherit the permanent residency of their spouse by marriage; they must declare it.

"Each state has different tax regulations and different filing requirements," Goff said. "Before spouses attempt to change their state of residency, they should first contact the state taxation board to determine whether they meet the MSRRA requirements."

Taxpayers should check their state's department of revenue Web site for more information about MSRRA and other state tax changes.

Many H&R Block tax professionals are specifically trained and educated to assist military families with preparing their tax returns. For more information about this state income tax information and other military-specific tax concerns, visit <http://hrblock.com/military>.

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 who draw from years of experience and H&R Block's extensive network of resources. For more information visit our press

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About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having prepared more than 500 million tax returns since 1955. In fiscal 2009, H&R Block had annual revenues of \$4.1 billion and prepared more than 24 million tax returns worldwide, utilizing more than 100,000 highly trained tax professionals. The Company provides tax return preparation services in person, through H&R Block At Home(TM) online and desktop software products, and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information, visit our Online Press Center at www.hrblock.com.

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