Military Spouse Residency, Relocations, and Tax Considerations

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Event Materials

Visit the **event page** to download a copy of the presentation slides and any additional resources.

Continuing Education

This webinar has been approved to offer continuing education credit. Please stay tuned for more information!

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Today’s Presenters

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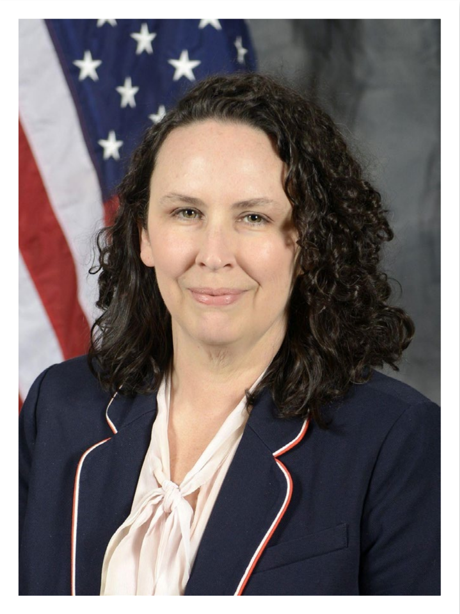
Department of Defense Office of the General Counsel



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Learning Objectives

1. Describe changes to the Servicemembers Civil Relief Act (SCRA) regarding military spouse residency for tax purposes.
2. Identify tax considerations when moving.
3. Explain the impacts of domicile requirements in divorce.
4. Understand recent policy updates regarding the employment of military spouses.

Military Spouse Residency for Tax Purposes

Servicemembers Civil Relief Act (SCRA) Protections

- Predecessor was the Soldiers' and Sailors' Civil Relief Act (SSCRA)
- Provides protections for Service members who are on active duty or called to active duty
- Purpose is the help Service members focus on military duties

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Source: The American Yawp

SCRA Basics

- What is covered under the SCRA?
  - Mortgage relief
  - Termination of leases
  - Protection from eviction
  - 6% cap on interest rates
  - Stay of proceedings
  - And more!
- Who is eligible for SCRA protections?
- What kind of tax-related protections does the SCRA provide?

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Military Spouse Income Taxation Under SCRA

2003	Earned income was taxed in the residence or domicile where it was earned.
2009	**Military Spouse Residency Relief Act (MSRRA)** Earned income was taxed where military spouse maintains domicile - not where income was earned - when solely to be with Service member in compliance with Service member's orders.
2018	**Veterans Benefit and Transition Act (VBTA)** Earned income tax was taxed where military spouse maintains domicile OR in Service member's domicile when solely to be with member in compliance with Service member's orders.
2022	**Veterans Auto and Education Improvement Act** Earned income may be taxed in Service member's state of domicile or residence, in the military spouse's state of legal residency or domicile, OR in the state where Service member's permanent duty station is located, when solely to be with Service member in compliance with Service member's orders.

Download a PDF of the Timeline of Changes

Domicile and Residency

- Domicile, or “legal residence”
    - Only one at a time
    - A mixed question of law and fact
    - Intentions alone do not establish domicile
- Domicile often confused with “Home of Record”

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Indicators of Domicile

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- Registering to vote
- Getting a Driver's License
- Registering vehicle in state
- Paying state taxes
- Reflecting legal residence in will
- Establishing a permanent address
- Notifying old state's taxing authorities
- Owning property

Changing Domicile

- Be physically present in the state
- Have a present intent to remain in the state indefinitely AND
- Abandon ties with former state of residence
    - Surrender old driver's license
    - Do not vote in old state's elections
    - Deregister vehicle in old state
    - Write a letter to state income tax authorities

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Potential Issues

- Broader application to military spouses than Service members
- Requirement to being physically with the Service member in compliance with the Service member’s military orders
- Conflicts with state laws

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Example #1

- Joe, a Service member, who is domiciled in Texas, receives orders to move from Georgia to North Dakota for three years.
- Kathy, Joe's spouse, remains in Georgia with their high school children, allowing them to graduate with friends in their established neighborhood.

In which states should Joe and Kathy file a tax return?

Pause the video while you think!
The answer will be shared on the next slide.

Example #1 (continued)

- Texas does not have a state income tax, so Joe is not required to file a return in that state.
- Joe would only file a North Dakota return if he had a civilian job in that state.
  - For instance, if Joe worked at a local hardware store in North Dakota on the weekends, he would file as a North Dakota nonresident and only report income from that W-2.

Example #1 (continued)

- Now, under the 2022 amendment, Kathy can choose to file:
  - In Georgia (where she currently resides),
  - In Texas (her Service member's domicile), or
  - In North Dakota (her Service member's permanent duty station).

Not One Size Fits All

- Here's a wrinkle: What if Kathy and Joe's children are **in college rather than in high school** and they would like to maintain Georgia residency so that they can receive in state tuition?
  - In this case, Joe and Kathy would file in two different states, and they would file married filing separately.

Example #2

- Jake and Sarah are both Service members stationed in Virginia and are married to each other.
- Jake is domiciled in Texas; Sarah is domiciled in Wyoming.
- Jake retires in January 2025 and moves to Montana, where Sarah will eventually join him. Sarah continues to serve in Virginia for another year.

Where should Jake and Sarah file their 2025 tax return?

Pause the video while you think!
The answer will be shared on the next slide.

So Many Choices!

- Once Jake retires as a Service member, he is considered a military spouse. As such, he may choose to file his taxes in one of three states:
  - In Montana, where he resides;
  - In Wyoming -- The residence or domicile of the Service member, Sarah, to whom he is married; or
  - In Virginia -- The permanent duty station of his Service member.

Spouse Residency Key Takeaways

- Now under the SCRA, a military spouse can CHOOSE one of the following, while solely to be with a Service member in compliance with Service member's orders:
    - Service member's residence or domicile
    - Spouse's residence or domicile
    - Permanent duty station of the Service member
- Domicile is not "Home of Record"

Tax Considerations When Moving

Determining Where to File

- Residency Classifications
  - Resident
  - Nonresident
  - Part-year resident
- Each state has its own rules for who must file, often based on:
  - Income thresholds
  - Residency status
  - Type of income earned
- Some states require a return even if no tax is owed.

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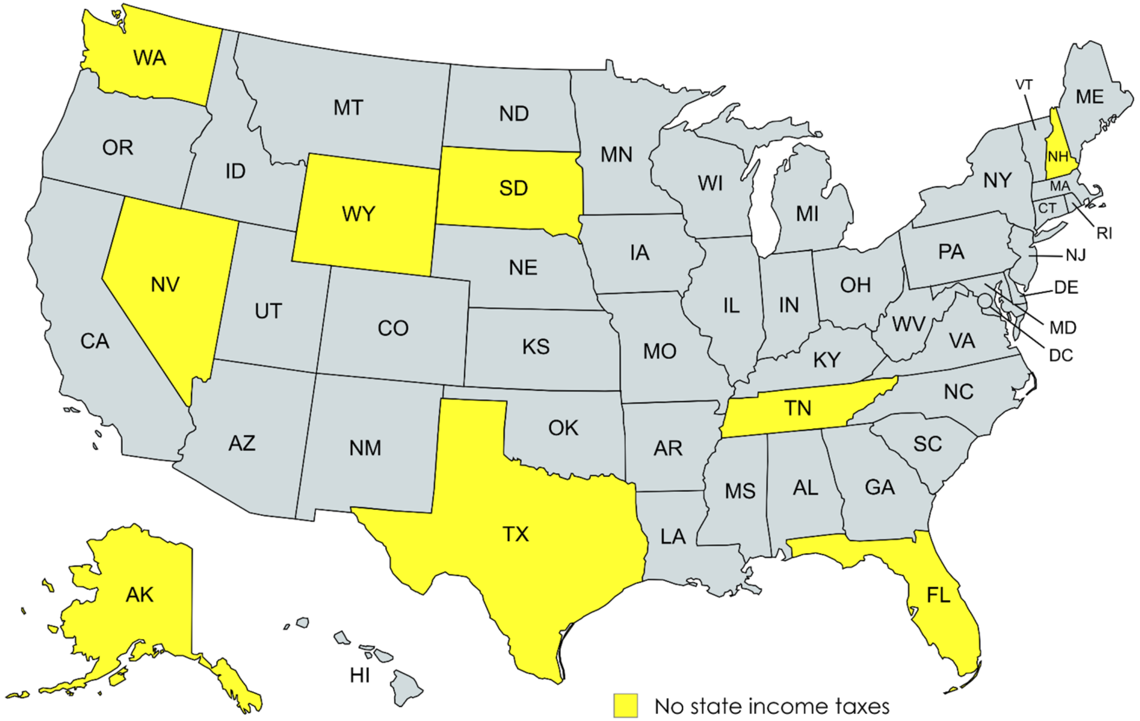
Tax Considerations

- Nine states have no state income tax
- May need to file tax returns in multiple states
- Be aware of reciprocal state tax agreements for employees who commute across state lines
- Qualifying for credits and deductio



Map created using mapchart.net/usa

One-on-One Tax Assistance

- Speak with an independent tax advisor
- Schedule free consultation with Military OneSource MilTax

https://www.militaryonesource.mil/financial-legal/taxes/miltax-military-tax-services/

Moving Key Takeaways

- Each state has its own rules for who must file.
- Clients may need to file multiple tax returns, and they also may be impacted by reciprocal state tax agreements if commuting across state lines.
- Military Spouses have access to free, trusted resources to help them make informed and unbiased decisions when navigating their taxation of income.

Domicile Requirements in Divorce

Divorce Jurisdiction and Residency Basics

- All states have residency requirements to get a divorce.
  - Prevents "forum shopping"
- General rule is that parties must:
  - Be living and present in the state, *and*
  - Consider it your permanent home.
- Courts need:
  - Subject matter jurisdiction (authority to grant divorce)
  - Personal jurisdiction (authority over each spouse for property, custody, etc.)

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Military Divorce Filing Options

- Military families have several choices where they can file:
  - State where non-military spouse resides
  - State where Service member is stationed
  - State where Service member is domiciled
  - Or where spouses consent to jurisdiction

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Additional Considerations

- Both state and federal laws govern military divorce
- Child custody jurisdiction
- Filing for divorce while stationed overseas

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The Role the SCRA Plays in Divorce

- The SCRA allows Service members to request postponement of court proceedings
  - If service has material effect on ability to defend against litigation
  - Stay can last duration of deployment, plus 60 days

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Divorce and Domicile Key Takeaways

- All states have residency requirements to file for divorce.
- Military families may have several choices where they can file.
- Both state and federal laws govern military divorce.
- Service members may request postponement of court proceedings if service has material effect on ability to defend against litigation.

Military Spouse Employment Policy Updates

Federal License Portability Provision

Spouse occupational licensing through PCS: A 2023 amendment to the Servicemembers Civil Relief Act allows spouses to take their license with them when PCSing to a new state. The license or certificate should be considered valid at a "similar scope of practice" in the discipline applied for in the new jurisdiction for the duration of the military orders.

Resources and guidance can be found here:
https://myseco.militaryonesource.mil/portal/article/federal-license-portability-provision

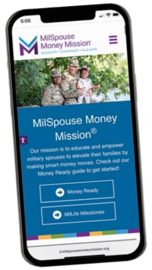
Spouse Education & Career Opportunities (SECO) Resources

All resources are included on the event page under "**Event Materials**"
OneOp.org/learn/160093

- Program Overview [PDF] | SECO
  https://download.militaryonesource.mil/seco/Media/Default/Collaterals_Catalog/Program_Overview/What-is-SECO.pdf
- Licensure Reimbursement | SECO
  https://myseco.militaryonesource.mil/portal/article/licensure-reimbursement-pcs-moves
- Federal Jobs for Spouses | SECO
  https://myseco.militaryonesource.mil/portal/article/federal-government-jobs
- Guidance on Exempting Military Spouses and Foreign Service Spouses from Agency Return to Office Plans https://www.chcoc.gov/content/guidance-exempting-military-spouses-and-foreign-service-spouses-agency-return-office-plans

FINRED Digital Resources

Visit the FINRED website at https://finred.usalearning.gov for original, reliable and up-to-date financial information you can count on.



Discover MilSpouse Money Mission resources including:

- Money Ready curriculum
- MilLife Milestones
- Videos
- Blogs
- Resources https://www.milspousemoneymission.org

With Sen$e, find helpful information to:

- Prepare for transitions throughout your military career.
- Make wise financial decisions when life events happen.
- Thrive while spending within your means.

Sign up at https://finred.usalearning.gov/eNews-subscriber **for our eNewsletters, which are tailored for:**

- Service members and families
- Service providers
- Spouses

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Upcoming Event

Understanding Financial Uncertainty and Military Suicide Risk

Wednesday, July 16, 2025 at 11am EST - 12:30 pm EST

This session will recognize the critical link between financial distress and suicide risk among service members and their families. Explore best practices for ethical and supportive financial counseling and resources for crisis intervention.

Continuing education credit will be available for this session!

OneOp.org/learn/160089

The Academy | Military Youth Well-Being

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- American Association for Family and Consumer Sciences
- Association for Financial Counseling & Planning Education
- Commission for Case Manager Certification
- National Council on Family Relations
- The Center for Financial Certifications (FinCert.org)
- The Patient Advocate Certification Board
- Society for Human Resource Management
- University of Texas at Austin, Steve Hicks School of Social Work
- Certificate of attendance

Evaluation Link

Go to the event page for the evaluation and post-test link.

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