Important Tax Information Regarding Spouses of United States Military Servicemembers

On November 11, 2009, President Obama signed into law the Military Spouses Residency Relief Act (the “Act”). The Act is effective beginning with the 2009 tax year.

The Act amends the Servicemembers Civil Relief Act (“SCRA”) to provide that a spouse shall neither lose nor acquire domicile or residence in a state when the spouse is present in the state solely to be with the servicemember in compliance with the servicemember’s military orders if the residence or domicile is the same for both the servicemember and spouse.

Important:

The Act prohibits North Carolina from taxing the income earned for services performed in North Carolina by a spouse of a servicemember stationed in North Carolina if:

1. The servicemember is present in North Carolina solely in compliance with military orders
2. The spouse is in North Carolina solely to be with the servicemember
3. The spouse is domiciled in the same state as the servicemember

All three conditions must be met to qualify for exemption.

To Claim Exemption:

A military spouse who claims exemption from withholding under the Military Spouses Residency Relief Act must submit a new Form NC-4 EZ each year by February.

The military spouse must attach a copy of:

1. Their spousal military identification card
2. A copy of the servicemember’s most recent leave and earnings statement.

The military spouse must also submit a new NC-4 EZ immediately upon determining that the spouse no longer meets the requirements for the exemption.

NOTE: The form NC-4 EZ must say that the domiciled state is any state other than NC, otherwise the form is invalid.