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9	Servicemember's spouse's portion of	line 2a				2b	999999	999999	0
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1	3. Add lines 1 and 2b. This is the service	emember's spouse's ea	rned income	from Indiana					H
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9	1. Enter 2-letter code for your state of do	omicile (e.g., IN for India	ana) XX						
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	2. Are you including the income from line	e 3 on your state of dom	nicile's tax re	turn? Yes X		No X	N/A X		
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3	If you answered No or N/A, explain					++++			+
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## Instructions for the Nonresident Military Spouse Earned Income Deduction

Based on provisions within the *Military Spouse Residency Relief Act of 2009* (Public Law No. 111-97), a spouse of a nonresident military servicemember may not owe tax to Indiana on earned income from Indiana sources.

The spouse may claim Indiana-source earned income\* as a deduction if the spouse has elected the same state of residence as the military servicemember under federal law or:

- Indiana is not the military servicemember's state of domicile as reported on the servicemember's Form DD-2058;
- The military servicemember and spouse are domiciliaries of the same state;
- The military servicemember is in Indiana on military orders;
- Either:
  - The military servicemember's spouse is in Indiana in order to live with the servicemember, and resides at the same address; or
  - o The military servicemember and spouse live together in a state other than Indiana, but the servicemember's spouse works in Indiana; and
- The Indiana-source income is included on Indiana Schedule A on line 1B, 2B and/or 7B.

\*Earned income for purposes of this deduction includes:

- Wages, salaries, tips and other compensation from Indiana sources, and/or
- Income from a sole proprietorship (reported on federal Schedule C or C-EZ) from Indiana sources.

**Important:** You <u>must</u> enclose a copy of the military servicemember's W-2 when claiming this deduction.

## Part 1: Figure your deduction

Line 1 – Enter the amount of the military servicemember's spouse's Indiana-source earned wages, salaries, tips and other compensation reported on Schedule A, line 1B or line 2B. DO NOT include any servicemember's income reported on these lines.

*Example.* Mary is a military servicemember. She is stationed in Indiana, and her husband Tom resides with her in Indiana. Her state of domicile on Form DD-2058 is Kansas. Tom's state of domicile is also Kansas. Tom meets the requirements to be eligible to claim this deduction. He earned \$32,000 wage income while working in Indiana during the year, and included that income on Schedule A, Line 1B. He should enter \$32,000 on line 1.

Line 2 – Enter the amount of the military servicemember's spouse's Indiana-source sole proprietorship income reported on Schedule A, line 7B. DO NOT include any servicemember's sole proprietorship income included on line 7B.

*Example.* The same set of circumstances as the example above, except Tom has \$27,000 sole proprietorship income from Indiana sources, and no wage income. He reported the \$27,000 income on Schedule A, line 7B. Mary did not have any sole proprietor income. Tom should enter \$27,000 on lines 2a and 2b.

Line 3 – Add lines 1 and 2 and enter the total here. This is your deduction. Enter this amount on Indiana *Schedule C: Deductions*, under line 11. Identify this deduction by using the 3-digit code number 625.

**Important:** If any of the conditions above change, you will no longer be eligible for the deduction of Indiana-source earned income. Only the income earned up to the time the condition changed will be exempt.

*Example.* Mary was assigned to a post overseas, and left Indiana on October 1; Tom remained in Indiana. \$24,000 of Tom's \$32,000 total wage income was earned before October 1. His deduction is limited to \$24,000.

## Part 2: Additional Information

Line 1 - Enter the 2-letter code of the spouse's state of domicile in the box.

Example. Tom should enter KS for Kansas.

Line 2 – Tell us if you are including the Indiana-source earned income on your state of domicile's tax return.

*Example.* Tom and Mary are domiciliaries of Kansas. They filed a tax return with Kansas, and included the Indiana-source income on the tax return. Tom should check the Yes box.

**Note:** If you answered *No* or *N/A* to the question on line 2, include an explanation.

## Final thoughts

Remember, you must enclose a copy of the military servicemember's W-2 when claiming this deduction. Otherwise, the deduction will be denied.

Get Income Tax Information Bulletin #27 at www.in.gov/dor/files/ reference/ib27.pdf for additional information.

