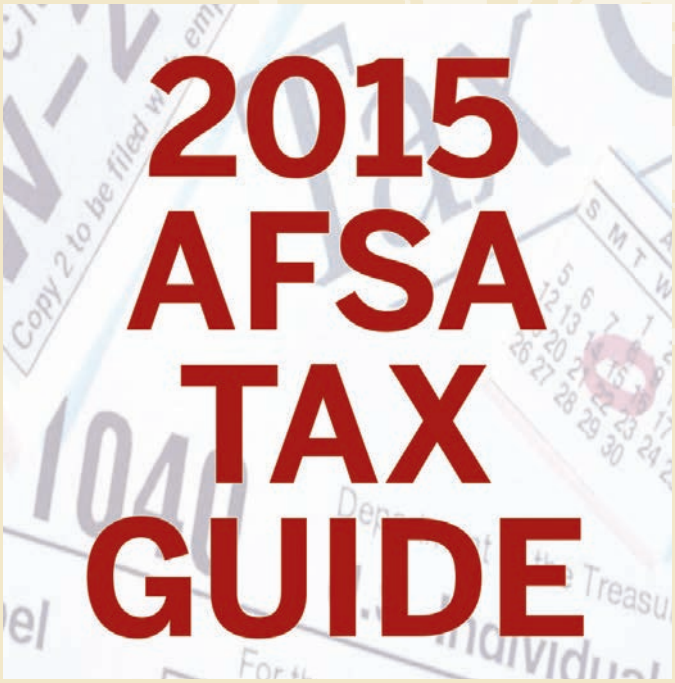
Federal and State Tax Provisions for the Foreign Service

The American Foreign Service Association's annual Tax Guide is designed as an informational and reference tool. Although we try to be accurate, many of the new provisions of the tax code and the implications of Internal Revenue Service regulations have not been fully tested. Therefore, use caution and consult with a tax adviser as soon as possible if you have specific questions or an unusual or complex situation.

Foreign Service employees most frequently ask AFSA about home ownership, tax liability upon sale of a residence and state of domicile. We have devoted special sections to these issues.

James Yorke (YorkeJ@state.gov), who compiles the tax guide, would like to thank M. Bruce Hirshorn, Foreign Service tax counsel, for his help in its preparation.



CREATED BY JEFF LAU

FEDERAL TAX PROVISONS

For 2015, the six tax rates for individuals remain at 10, 15, 25, 28, 33, 35 and 39.6 percent.

The 10-percent rate is for taxable income up to $18,451 for married couples, $9,226 for singles. The 15-percent rate is for income up to $74,901 for married couples, $37,451 for singles. The 25-percent rate is for income up to $151,201 for married couples, $90,751 for singles. The 28-percent rate is for income up to $230,451 for married couples and up to $189,301 for singles. The 33-percent rate is for income up to $411,501 for married couples and singles. Annual income above $411,501 is taxed at 35 percent. Income above $464,851 for married couples and above $413,201 for singles is taxed at 39.6 percent.

Although long-term capital gains are taxed at a maximum rate of up to 15 percent and are reported on form Schedule D, married taxpayers with income greater than $464,851 and singles greater than $413,201 pay a capital gains rate of 20 percent. These rates are effective for all sales in 2015,

Continued on p. 69

PLEASE NOTE

This guidance applies to the 2015 tax year, for returns due on April 18, 2016. While correct at press time, bear in mind there may be changes to the tax code for the 2016 tax year. At present, however, we are not aware of any possible changes that are likely to apply to 2015.

CALENDAR

January 6
12-2 p.m.
AFSA Governing Board Meeting

January 15
Deadline: Sinclaire Language Award Nominations

January 18
Martin Luther King Day: AFSA Offices Closed

February 3
12-2 p.m.
AFSA Governing Board Meeting

February 6
Deadline: Community Service and Art/Academic Merit Awards

February 15
Presidents Day: AFSA Offices Closed

February 17
12-1:30 p.m.
Luncheon: 185th A-100 Class

February 18
2-3:30 p.m.
AFSA Book Notes: *Foreign Policy Breakthroughs*

February 28
Deadline: AFSA Dissent & Performance Award Nominations

March 6
Deadline: AFSA Financial Aid Scholarship Applications

REGULAR AFSA NEWS PP. 62-68

Tax Guide • Continued from page 61

except for those people who fall within the 10- to 15-percent tax bracket: their rate is 0 percent. Long-term capital gain is defined as gain from the sale of property held for 12 months or longer.

Also, for 2015, since the Supreme Court decision on same-sex marriage, same-sex couples who were married before Dec. 31, 2015, in a state where it is legal must now file their federal tax return either as married filing separately or married filing jointly, not single.

Personal Exemption

For each taxpayer, spouse and dependent the personal exemption is $4,000. There is a personal exemption phaseout for 2015.

Foreign Earned Income Exclusion

Many Foreign Service spouses and dependents work in the private sector overseas and thus are eligible for the foreign earned income exclusion.

American citizens and residents living and working overseas are eligible for the income exclusion, unless they are employees of the United States government. The first $100,800 earned overseas as an employee or as self-employed may be exempt from income taxes.

To receive the exemption, the taxpayer must meet one of two tests: (1) the physical presence test, which requires that the taxpayer be present in a foreign country for at least 330 full (midnight to midnight) days during any 12-month period (the period may be different from the tax year); or (2) the bona fide residence test, which requires that the taxpayer has been a bona fide resident of a foreign country for an uninterrupted period that includes an entire tax year.

Most Foreign Service spouses and dependents qualify under the bona fide residence test, but they must wait until they have been overseas for a full calendar year before claiming it. Keep in mind that self-employed taxpayers must still pay self employment (Social Security and Medicare) tax on their foreign-earned income. Only the income tax is excluded.

Note: The method for calculating the tax on non-excluded income in tax returns that include both excluded and non-excluded income was changed, beginning in 2006, so as to result in higher tax on the non-excluded portion. (See the box below for a full explanation.)

Extension for Taxpayers Abroad

Taxpayers whose tax home is outside the United States on April 15 are entitled to an automatic extension until June 15 to file their returns. When filing the return, these taxpayers should write "Taxpayer Abroad" at the top of the first page and attach a statement of explanation.

There are no late filing or late payment penalties for returns filed and taxes paid by June 15, but the IRS does charge interest on any amount owed from April 15 until the date it receives payment.

Standard Deduction

The standard deduction is given to non-itemizers. For couples, the deduction is now $12,600, and for singles, $6,300. Married couples filing separately get a standard deduction of $6,300 each, and head-of-household filers receive a $9,250 deduction. An additional amount is allowed for taxpayers over age 65 and for those who are blind.

Most unreimbursed employee business expenses must be reported as miscellaneous itemized deductions, which are subject to a threshold of 2 percent of adjusted gross income (AGI).

These include professional dues and subscriptions to publications; employment and educational expenses; home office, legal, accounting, custodial and tax preparation fees; home leave, representational and other employee business expenses; and contributions to AFSA's Legislative Action Fund.

Unreimbursed moving expenses (including unreimbursed expenses incurred in moving pets) are an adjustment to income, which means that you may deduct them even if you are taking the standard deduction. However, the deduction includes only the unreimbursed transportation, storage and travel costs of moving your possessions and yourself and your family to the new location; it does not include meals.

Medical expenses (includ-

IMPORTANT NOTE: FOREIGN EARNED INCOME

The foreign earned income exclusion allows U.S. citizens who are not U.S. government employees and are living outside the United States to exclude up to $100,800 of their 2015 foreign-source income if they meet certain requirements. Since 2006, you have been required to take your total income and figure what your tax would be, then deduct the tax that you would have paid on the excludable income.

For example: a Foreign Service employee earns $80,000 and their teacher spouse earns $30,000.

Before 2006: Tax on $110,000 minus $30,000 = tax on $80,000 = tax bill of $13,121.
Since 2006: Tax on $110,000 = $20,615; tax on $30,000 = $3,749; total tax = $20,615 minus $3,749 = tax bill of $16,866.

ing health and long-term care insurance, but not health insurance premiums deducted from government salaries) are now subject to a threshold of 10 percent of AGI, unless the taxpayer is over age 65, in which case it remains at 7.5 percent until 2017, after which it rises to 10 percent.

In other words, medical expenses would have to exceed $3,000 for a taxpayer with a $30,000 AGI in order to be deductible. There is a reduction of itemized deductions for higher income taxpayers for 2015.

State and local income taxes and real estate and personal property taxes remain fully deductible for itemizers, as are charitable contributions to U.S.-based charities for most taxpayers (donations to overseas charitable organizations such as local churches at post are not deductible). Donations to the AFSA Scholarship Fund and the Fund for American Diplomacy are fully deductible as charitable contributions, as are donations to AFSA via the Combined Federal Campaign. Individuals may also dispose of any profit from the sale of personal property abroad in this manner.

For 2015 tax returns, any interest paid on auto or personal loans, credit cards, department stores and other personal interest will not be allowed as itemized deductions. If such debts are consolidated, however, and paid with a home equity loan, interest on the home equity loan is allowable. Interest on educational loans will be allowed as an adjustment to gross income.

Mortgage interest is still, for the most part, fully deductible. Interest on loans intended to finance investments is deductible up to the amount of net income from investments. Interest on loans intended to finance a business is 100-percent deductible.

Passive-investment interest on investments in which the taxpayer is an inactive participant (i.e., a limited partnership) can be deducted only from the income produced by other passive activities.

Interest on loans that do not fall into the above categories, such as money borrowed to buy tax-exempt securities, is not deductible.

Home Leave Expenses

Employee business expenses, such as home leave and unreimbursed representation, may be listed as miscellaneous itemized deductions and claimed on Form 2106. In addition to the 2-percent floor, only 50 percent for meals and entertainment may be claimed (100 percent for unreimbursed travel and lodging). Only the employee's (not family members') home leave expenses are deductible.

AFSA recommends maintaining a travel log and retaining a copy of home leave orders, which will help if the IRS ever questions claimed expenses. It is important to save receipts: without receipts for food, a taxpayer may deduct only the federal meals-and-incidentals per diem rate at the home leave address, no matter how large the grocery or restaurant bill. Lodging is deductible, as long as it is not with friends or relatives, or in one's own home.

The IRS will disallow use of per diem rates and any expenses claimed for family members. If a hotel bill indicates double rates, the single room rate should be claimed; and, if possible, the hotel's rate sheet should be saved for IRS scrutiny. Car rental, mileage and other unreimbursed travel expenses, including parking fees and tolls, may be deducted. The rate for business miles driven is 57.5 cents for 2015.

Those who use this optional mileage method need not keep detailed

FOREIGN EARNED INCOME EXEMPTION DENIALS

Some AFSA members report having difficulty claiming the foreign earned income exemption (FEIE). To receive the exemption, the taxpayer must meet one of two tests:

1) The physical presence test requires that the taxpayer be present in a foreign country for at least 330 full (midnight to midnight) days during any 12-month period (the period may be different from the tax year); or

2) The bona fide residence test requires that the taxpayer has been a bona fide resident of a foreign country for an uninterrupted period that includes an entire tax year.

We understand that IRS auditors have been denying the FEIE for Foreign Service spouses and dependents under the bona fide residence test, on the grounds that diplomatic status overseas does not constitute "bona fide residence" in a foreign country.

In this context, note that if you work for a company or organization on the local economy you generally have to pay local taxes, and your "tax home" is technically in the foreign country. You will have relinquished your diplomatic status in any matters related to your job, although of course for matters outside your job you would retain the diplomatic status that you derive from your FS employee spouse or parent.

However, members report that they have successfully used the physical presence test. They have also used this in appealing a denial of the bona fide residence test. This test requires that you spend 330 full days during a calendar year actually in a foreign country, not just outside the United States. Time spent traveling to and from a country does not count. If using this test, you are advised to record all your travel carefully and to keep copies of visas and tickets so that you can substantiate the 330 days in case of an audit.

records of actual vehicle expenses. They must, however, keep a detailed odometer log to justify the business use of the vehicle and track the percentage of business use. This optional mileage method applies to leased vehicles, as well.

Official Residence Expenses

For official residence expenses, the only deductible expenses are those above the 3.5 percent paid out of pocket.

Since Oct. 1, 1990, employees who receive official residence expenses have not been allowed to reduce their reportable income by 3.5 percent. An IRS ruling in 1990 states that "usual expenses," defined as 3.5 percent of salary, are not deductible. These expenses can be deducted as miscellaneous business expenses.

Home Ownership

Individuals may deduct interest on up to $1 million of acquisition debt for loans secured by a primary and/or secondary residence. This also includes loans taken out for major home improvements.

On home equity loans, interest is deductible up to $100,000, no matter how much the home cost, unless the loan is used for home improvements, in which case the $1 million limit applies. The $100,000 ceiling applies to the total of all home equity loans you may have.

The same generally applies to refinancing a mortgage. Points paid to obtain a refinanced loan cannot be fully deducted the same year, but must be deducted over the life of the loan. It is advisable to save the settlement sheet (HUD-1 Form) for documentation in the event your tax return is selected by the IRS for audit.

Qualified residences are defined as the taxpayer's principal residence and one other residence. The second home can be a house, condo, co-op, mobile home or boat, as long as the structure includes basic living accommodations, including sleeping, bathroom and cooking facilities.

If the second home is a vacation property that you rent out for fewer than 15 days during the year, the income need not be reported. Rental expenses cannot be claimed either, but all property taxes and mortgage interest may be deducted.

Rental of Home

Taxpayers who rented out their homes in 2015 can continue to deduct mortgage interest as a rental expense. Also deductible are property management fees, condo fees, depreciation costs, taxes and all other rental expenses. Losses up to $25,000 may be offset against other income, as long as the modified adjusted gross income (MAGI) does not exceed $100,000 to $150,000 and the taxpayer is actively managing the property.

Note that a taxpayer who retains a property manager does not lose this benefit, as this is still considered active management of the property. All passive losses that cannot be deducted currently are carried forward and deducted in the year the property is sold.

Sale of a Principal Residence

Current tax laws allow an exclusion of up to $500,000 for couples filing jointly and up to $250,000 for single taxpayers on the long-term gain from the sale of their principal residence. One need not purchase another residence to claim this exclusion. All depreciation taxen after May 7, 1997, will, however, be recaptured (added to income) at the time of sale and taxed at 25 percent.

Since January 2009, gain from the sale of a home can no longer be excluded from gross income for periods when it was rented out before you occupied it as a principal residence for the first time.

The only qualification for the capital-gains exclusion is that the house sold must have been owned and occupied by the taxpayer as his or her principal residence for at least two of the last five years prior to the date of the sale.

Military Families Tax Relief Act

As a result of the Military Families Tax Relief Act of 2003, the five-year period may be extended for members of the Foreign Service by any period during which the taxpayer has been away from the area on a Foreign Service assignment, up to a maximum of 15 years (including the five years).

There are some exceptions to the two-year occupancy requirement, including a sale due to a "change in place of employment" (this would include foreign transfers). This exclusion is not limited to a once-in-a-lifetime sale, but may be taken once every two years.

When a principal residence is sold, capital gains realized above the exclusion amounts are subject to taxation. This exclusion replaces the earlier tax-law provision that allowed both the deferral of gain and a one-time exclusion of a principal residence sale.

CHILD CARE TAX CREDIT WHEN OVERSEAS

Bear in mind that in order to claim the child care tax credit while serving overseas, you must submit IRS Form 2441, for which the instructions say: "For U.S. citizens and resident aliens living abroad, your care provider may not have, and may not be required to get, a U.S. taxpayer identification number (for example, an SSN or EIN). If so, enter "LAFCP" (Living Abroad Foreign Care Provider) in the space for the care provider's taxpayer identification number."

Temporary rental of the home does not disqualify one from claiming the exclusion. The 2003 law requires only that you have occupied the house as your principal residence for the required period (two years out of five, extended). However, new legislation in 2009 requires that the "two years out of five (extended)" cannot start until the date the home is occupied as a principal residence for the first time.

Under Internal Revenue Code Section 1031, taxpayers whose U.S. home may no longer qualify for the principal residence exclusion may be eligible to replace the property through a "tax-free exchange" (the so-called Starker exchange). In essence, one rental property may be exchanged for another, as long as that one is also rented.

In exchanging the properties, capital gains tax may be deferred. Technically, a simultaneous trade of investments occurs. Actually, owners first sign a contract with an intermediary to sell their property, hold the cash proceeds in escrow, identify in writing within 45 days the property they intend to acquire, and settle on the new property within 180 days, using the money held in escrow as part of the payment.

It is important to emphasize that the exchange is from one investment property to another investment property—the key factor in the IRS evaluation of an exchange transaction is the intent of the investor at the time the exchange was consummated. The IRS rules for these exchanges are complex and specific, with a number of pitfalls that can nullify the transaction. An exchange should never be attempted without assistance from a tax lawyer specializing in this field.

Calculating Your Adjusted Basis

Many Foreign Service employees ask what items can be added to the cost basis of their homes when they are ready to sell. Money spent on fixing up the home for sale may be added to the basis.

To qualify as legitimate fixing-up costs, the following conditions must be met: (1) the expenses must be for work performed during the 90-day period ending on the day on which the contract to sell the old residence was signed; (2) the expenses must be paid on or before the 30th day after sale of the house; and (3) the expenses must not be capital expenditures for permanent improvements or replacements (these can be added to the basis of the property, the original purchase price, thereby reducing the amount of profit). A new roof and kitchen counters are not "fix-up" items, but painting the house, cleaning up the garden and making minor repairs qualify.

The Affordable Care Act

The Affordable Care Act imposed two new tax increases beginning in 2013. There is a 3.8-percent net investment tax on net investment income to the extent it is in excess of MAGI of $250,000 for those married filing jointly, and $200,000 for those filing single. Net investment income includes interest, dividends, rents, royalties, pensions and annuities, and gain from the sale of property.

Secondly, the rate of the Medicare tax that is withheld from employees' paychecks is increased by 0.9 percent on salaries or self-employment earnings over the same thresholds. ■

TAX WITHHOLDING WHEN ASSIGNED DOMESTICALLY

In 2014, the State Department instituted new procedures to comply with Treasury regulations for withholding state taxes for all employees serving domestically. (See Department Notice 2014_11_016, dated Nov. 3, 2014.)

This means state taxes will be withheld for an employee's "regular place of duty"—in other words, your official duty station. If you require state taxes to be withheld for a state other than that of your official duty station, your bureau executive director must provide a certification to the department's Bureau of the Comptroller and Global Financial Services.

This does not mean that you must relinquish your state of domicile if it is different than your official duty station. "Domicile" (legal residence) is different from "residence," and so long as you maintain your ties to your home state you will be able to change your withholdings, if you so wish, back to your home state when you go overseas again. See the Overseas Briefing Center's guide to Residence and Domicile, available on AFSA's website at www.afsa.org/domicile.

Bear in mind, too, that CGFS does not adjudicate state income tax elections when you are serving overseas, since in those circumstances it is the employee's responsibility to accurately elect state income taxes. However, upon the employee's return to a domestic assignment, CGFS will evaluate the employee's state tax withholding election based on his or her new official domestic duty station.

STATE TAX PROVISIONS

Liability: Every employer, including the State Department, is required to withhold state taxes for the location where the employee either lives or works. Employees serving overseas, however, must maintain a state of domicile in the United States where they may be liable for income tax; the consequent tax liability that the employee faces will vary greatly from state to state.

In addition, the many laws on taxability of Foreign Service pensions and annuities also vary by state. This section briefly covers both those situations. See separate box on page 72 on state tax withholding for State employees.

Domicile and Residency

There are many criteria used in determining which state is a citizen's domicile. One of the strongest determinants is prolonged physical presence, a standard that Foreign Service personnel frequently cannot meet due to overseas service.

In such cases, the states will make a determination of the individual's income-tax status based on other factors, including where the individual has family ties, has been filing resident tax returns, is registered to vote, has a driver's license, owns property, or where the person has bank accounts or other financial holdings.

In the case of Foreign Service employees, the domicile might be the state from which the person joined the Service, where his or her home leave address is, or where he or she intends to return upon separation. For the purposes of this article, the term "domicile" refers to legal residence; some states also define it as permanent residence. Residence refers to physical presence in the state.

Foreign Service personnel must continue to pay taxes to the state of domicile (or to the District of Columbia) while residing outside of the state, including during assignments abroad, unless the state of residence does not require it.

Members should review the Overseas Briefing Center's guide to residence and domicile, available on AFSA's website at www.afsa.org/residence-and-domicile.

Domestic Employees in the D.C. Area

Foreign Service employees residing in the metropolitan Washington, D.C., area are generally required to pay income tax to the District of Columbia, Maryland or Virginia, in addition to paying tax to the state of their domicile.

Virginia requires tax returns from most temporary residents as well. Most states allow a credit, however, so that the taxpayer pays the higher tax rate of the two states, with each state receiving a share.

We recommend that you maintain ties with your state of domicile— by, for instance, continuing to also file tax returns in that state if appropriate—so that when you leave the D.C. area for another overseas assignment, you can demonstrate to the District of Columbia, Virginia or Maryland your affiliation to your home state.

Also, if possible, avoid using the D.C. or Dulles, Va. pouch zip code as your return address on your federal return, since in some cases, the D.C. and Virginia tax authorities have sought back taxes from those who have used this address.

See the box on page 72 for new procedures within the State Department for state tax withholdings.

States That Have No Income Tax

There are currently seven states with no state income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. In addition, New Hampshire and Tennessee have no tax on earned income, but do tax profits from the sale of bonds and property.

States That Do Not Tax Non-Resident Domiciliaries

There are nine states that, under certain conditions, do not tax income earned while the taxpayer is outside the state: California, Connecticut, Idaho, Missouri, New Jersey, New York, Oregon, Pennsylvania (see entry for Pennsylvania below) and West Virginia. The requirements for all except California, Idaho and Oregon are that the individual not have a permanent "place of abode" in the state, have a permanent "place of abode" outside the state, and not be physically present for more than 30 days during the tax year. California allows up to 45 days in the state during a tax year.

All of these states require the filing of non-resident returns for all income earned from in-state sources. Foreign Service employees should also keep in mind that states could challenge the status of overseas government housing in the future.

The "State Overviews" and "State Pension and Annuity Tax" sections below give brief state-by-state information on tax liability, with addresses provided to get further information or tax forms. Tax rates are provided where possible.

As always, members are advised to double-check with their state's tax authorities. While AFSA makes every attempt to provide the most up-to-date information, readers with specific questions should consult a tax expert in the state in question at the addresses given. We provide the website address for each in the state-by-state guide, and an email address or link where available. Some states do not offer customer service via email.

We also recommend the Federation of Tax Administrators' website, www.taxadmin.org, which provides much useful information on individual state income taxes.

2015 AFSA TAX GUIDE

STATE OVERVIEWS

ALABAMA

Individuals domiciled in Alabama are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Alabama's individual income tax rates range from 2 percent on taxable income over $500 for single taxpayers and $1,000 for married filing jointly, to 5 percent over $3,000 for single taxpayers and $6,000 for married filing jointly.
Write: Alabama Department of Revenue, 50 N. Ripley, Montgomery AL 36104.
Phone: (334) 353-0602.
Email: Link through the website, "About Us," then "Contacts," then "Income Tax."
Website: www.ador.state.al.us

ALASKA

Alaska does not tax individual income or intangible or personal property. It has no state sales and use, franchise or fiduciary tax. However, some municipalities levy sales, property and use taxes.
Write: State Office Building, 333 West Willoughby Ave., 11th Floor, P.O. Box 110420, Juneau AK 99811-0420.
Phone: (907) 465-2320.
Website: www.tax.state.ak.us

ARIZONA

Individuals domiciled in Arizona are considered residents and are taxed on any income that is included in the federal adjusted gross income, regardless of their physical presence in the state. Arizona's tax rate ranges in five brackets from a minimum of 2.59 percent to a maximum of 4.54 percent of taxable income over $300,000 for married filing jointly or $150,000 for single filers.
Write: Arizona Department of Revenue, Taxpayer Information & Assistance, P.O. Box 29086, Phoenix AZ 85038-9086.
Phone: (602) 255-3381.
Email: For general questions: taxpayerassistance@azdor.gov
Website: www.azdor.gov

ARKANSAS

Individuals domiciled in Arkansas are considered residents and are taxed on their entire income regardless of their physical presence in the state. The Arkansas tax rate ranges in six brackets from a minimum of 2.5 percent to a maximum of 7 percent of net taxable income over $35,099.
Write: Department of Finance and Administration, Income Tax Section, P.O. Box 3628, Little Rock AR 72203-3628.
Phone: (501) 682-1100.
Email: Use Contact Form on "Contact Us" page.
Website: www.arkansas.gov/dfa

CALIFORNIA

Foreign Service employees domiciled in California must establish non-residency to avoid liability for California taxes (see Franchise Tax Board Publication 1031). However, a "safe harbor" provision allows anyone domiciled in state but who is out of the state on an employment-related contract for at least 546 consecutive days to be considered a non-resident. This applies to most FS employees and their spouses, but members domiciled in California are advised to study FTB Publication 1031 for exceptions and exemptions. The California tax rate for 2015 ranges in eight brackets from 1 percent of taxable income under $7,850 for singles and $15,770 for joint filers to a maximum of 12.3 percent on taxable income over $526,443 for singles and $1,052,886 for joint filers. Non-resident domiciliaries are advised to file on Form 540NR.
Write: Personal Income Taxes, Franchise Tax Board, P.O. Box 942840, Sacramento CA 94240-0040.
Phone: toll-free 1 (800) 852-5711 (inside the U.S.); (916) 845-6500 (outside the U.S.).
Email: Link through the website's "Contact Us" tab.
Website: www.ftb.ca.gov

COLORADO

Individuals domiciled in Colorado are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Colorado's tax rate is a flat 4.63 percent of federal taxable income plus or minus allowable modifications.
Write: Department of Revenue, Taxpayer Service Division, P.O. Box 17087, Denver CO 80217-0087.
Phone: (303) 238-7378.
Email: Link through the website's "Contact Us" tab on the "Taxation" page.
Website: www.colorado.gov/revenue

CONNECTICUT

Connecticut domiciliaries may qualify for non-resident tax treatment under either of two exceptions as follows: Group A: the domiciliary 1) did not maintain a permanent place of abode inside Connecticut for the entire tax year; and 2) maintains a permanent place of abode outside the state for the entire tax year; and 3) spends not more than 30 days in the aggregate in the state during the tax year. Group B: the domiciliary 1) in any period of 548 consecutive days, is present in a foreign country for at least 450 days; and 2) during the 548-day period, is not present in Connecticut for more than 90 days; and 3) does

not maintain a permanent place of abode in the state at which the domiciliary's spouse or minor children are present for more than 90 days. Connecticut's tax rate for married filing jointly rises from 3 percent on the first $20,000, in six steps to 6.7 percent of the excess over $500,000. For singles it is 3 percent on the first $10,000, rising in six steps to 6.7 percent of the excess over $250,000.
Write: Department of Revenue Services, Taxpayer Services Division, 25 Sigourney St., Suite 2, Hartford CT 06106-5032.
Phone: (860) 297-5962.
Email: Contact through the "Contact us" page on the website.
Website: www.ct.gov/drs

DELAWARE

Individuals domiciled in Delaware are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Delaware's graduated tax rate rises in six steps from 2.2 percent of taxable income under $5,000 to 6.6 percent of taxable income over $60,000.
Write: Division of Revenue, Taxpayers Assistance Section, State Office Building, 820 N. French St., Wilmington DE 19801.
Phone (302) 577-8200.
Email: personaltax@state.de.us
Website: www.revenue.delaware.gov

DISTRICT OF COLUMBIA

Individuals domiciled in the District of Columbia are considered residents and are subject to tax on their entire income regardless of their physical presence there. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the District for 183 days or more. The District's tax rate is 4 percent if income is less than $10,000; $400 plus 6 percent of excess over $10,000 if between $10,000 and $40,000; $2,200 plus 8.5 percent of excess over $40,000; and $28,550 plus 8.95 percent of any excess above $350,000.
Write: Office of Tax and Revenue, Customer Service Center, 1101 4th St. SW, Suite 270 West, Washington DC 20024.
Phone: (202) 727-4829.
Email: taxhelp@dc.gov
Website: www.cfo.washingtondc.gov/cfo/site/default.asp

FLORIDA

Florida does not impose personal income, inheritance, gift or intangible personal property taxes. Property tax exemptions are only available if you own and permanently reside on the property. Sales and use tax is 6 percent. There are additional county sales taxes which could make the combined rate as high as 9.5 percent.
Write: Taxpayer Services, Florida Department of Revenue, 5050 W. Tennessee St., Bldg. L, Tallahassee FL 32399-0100.
Phone: toll-free 1 (800) 352-3671, or (850) 488-6800.
Email: Link through website. Go to "Taxes," then "Contact Us," then "Visit Our Tax Questions Page," then "Send Us Your Question Electronically."
Website: http://dor.myflorida.com/dor/taxes/

GEORGIA

Individuals domiciled in Georgia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Georgia has a graduated tax rate rising in six steps to a maximum of 6 percent of taxable income over $10,000 and above for joint married filers and $7,000 for single filers.
Write: Georgia Department of Revenue, Taxpayer Services Division, 1800 Century Blvd.NE, Atlanta GA 30345-3205.
Phone: (877) 423-6711, Option 2.
Email for questions: taxpayer.services@dor.ga.gov
Website: www.dor.georgia.gov/taxes

HAWAII

Individuals domiciled in Hawaii are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Hawaii's tax rate rises in 12 steps from 1.4 percent on taxable income below $2,400 for single filers and $4,800 for joint filers, to a maximum of 11 percent for taxable income above $200,000 for single filers and $400,000 for joint filers.
Write: Oahu District Office, Taxpayer Services Branch, P.O. Box 259, Honolulu HI 96809-0259.
Phone: toll-free 1 (800) 222-3229, or (808) 587-4242.
Email: Taxpayer.Services@hawaii.gov
Website: www.state.hi.us/tax

IDAHO

Individuals domiciled in Idaho for an entire tax year are considered residents and are subject to tax on their entire income. However, you are considered a non-resident if: 1) you are an Idaho resident who lived outside of Idaho for at least 445 days in a 15-month period; and 2) after satisfying the 15-month period, you spent fewer than 60 days in Idaho during the year; and 3) you did not have a personal residence in Idaho for yourself or your family during any part of the calendar year; and 4) you did not claim Idaho as your federal tax home for deducting away-from-home expenses on your federal return; and 5) you were not employed on the staff of a U.S. senator; and 6) you did not hold an elective or appointive office of the U.S. government other than the armed forces or a career appointment in the U.S. Foreign Service (see Idaho Code Sections 63-3013 and 63-3030). In 2015, Idaho's tax

rate rises in eight steps from a minimum of 1.6 percent to a maximum 7.4 percent on the amount of Idaho taxable income over $10,890 for singles and $21,780 for married filers. A non-resident must file an Idaho income tax return if his or her gross income from Idaho sources is $2,500 or more.
Write: Idaho State Tax Commission, P.O. Box 36, Boise ID 83722-0410.
Phone: (208) 334-7660 or toll-free 1 (800) 972-7660.
Email: taxrep@tax.idaho.gov
Website: www.tax.idaho.gov

ILLINOIS

Individuals domiciled in Illinois are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The Illinois tax rate is a flat 3.75 of net income for all tax years beginning on or after Jan. 1, 2015.
Write: Illinois Department of Revenue, P.O. Box 19001, Springfield IL 62794-9001.
Phone: toll-free 1 (800) 732-8866, or (217) 782-3336.
Email: Link through the website's "Contact Us," then "Taxpayer Answer Center."
Website: www.revenue.state.il.us

INDIANA

Individuals domiciled in Indiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Indiana's tax rate is a flat 3.3 percent of federal adjusted gross income. Several counties also charge a county income tax.
Write: Indiana Department of Revenue, Individual Income Tax, P.O. Box 7207, Indianapolis IN 46207-7207.
Phone: (317) 232-2240.
Email: Link through the website's "Contact Us" tab.
Website: www.in.gov/dor

IOWA

Individuals domiciled in Iowa are considered residents and are subject to tax on their entire income to the extent that income is taxable on the person's federal income tax returns. Iowa's 2015 tax rate rises in nine steps from 0.36 percent to a maximum 8.98 percent of taxable income over $69,255, depending on income and filing status.
Write: Taxpayer Services, Iowa Department of Revenue, P.O. Box 10457, Des Moines IA 50306-0457.
Phone: (515) 281-3114.
Email: Use email form on "Contact Us" page.
Website: www.iowa.gov/tax

KANSAS

Individuals domiciled in Kansas are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. In 2015, the Kansas tax rate is 2.7 percent on Kansas taxable income under $15,000 for single filers, under $30,000 for joint filers, and 4.6 percent on income over those amounts.
Write: Kansas Taxpayer Assistance Center, Room 150, 915 SW Harrison, Topeka KS 66612.
Phone: (785) 368-8222.
Email: tac@kdor.ks.gov
Website: www.ksrevenue.org

KENTUCKY

Individuals domiciled in Kentucky are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Kentucky's tax rate ranges from 2 percent on the first $3,000 of taxable income to 6 percent on all taxable income over $75,000.
Write: Kentucky Department of Revenue, 502 High Street, Frankfort KY 40601-2103.
Phone: (502) 564-4581.
Email: Link through the website's "Contact Us" tab.
Website: www.revenue.ky.gov

LOUISIANA

Individuals domiciled in Louisiana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Louisiana's tax rate rises from 2 percent for the first $12,500 for single filers or $25,000 for joint filers; in three steps to 6 percent for over $50,000 for single filers or $100,000 for joint filers.
Write: Taxpayer Services Division, Individual Income Tax Section, Louisiana Department of Revenue, P.O. Box 201, Baton Rouge LA 70821-0201.
Phone: (855) 307-3893.
Email: Link through the website's "Contact LDR Online tab" on the "Contact Us" page.
Website: www.revenue.louisiana.gov

MAINE

Individuals domiciled in Maine are considered residents and are subject to tax on their entire income. Since Jan. 1, 2007, however, there have been "safe harbor" provisions. Under the General Safe Harbor provision, Maine domiciliaries are treated as non-residents if they satisfy all three of the following conditions: 1) they did not maintain a permanent place of abode in Maine for the entire taxable year; 2) they maintained a permanent place of abode outside Maine for the entire taxable year; and 3) they spent no more than 30 days in the aggregate in Maine during the taxable year. Under the Foreign Safe Harbor provision, Maine domiciliaries are treated as non-residents if

they are present in a foreign country for 450 days in a 548-day period and do not spend more than 90 days in Maine during that period. Maine's tax rate in 2015 is 6.5 percent on Maine taxable income over $5,200 for singles and $10,450 for joint filers, and 7.95 percent for over $20,900 for singles and $41,850 for married filing jointly.
Write: Maine Revenue Services, Income Tax Assistance, P.O. Box 9107, Augusta ME 04332-9107.
Phone: (207) 626-8475.
Email: income.tax@maine.gov
Website: www.maine.gov/revenue

MARYLAND

Individuals domiciled in Maryland are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for an aggregated total of 183 days or more. Maryland's tax rate is $90 plus 4.75 percent of taxable income over $3,000 up to $100,000 if filing single and $150,000 if filing jointly. It then rises in four steps to $12,760 plus 5.75 percent of the excess of taxable income over $250,000 for singles or $15,072 plus 5.75 percent of the excess over $300,000 for married filers. In addition, Baltimore City and the 23 Maryland counties impose a local income tax, which is a percentage of the Maryland taxable income, using line 31 of Form 502 or line 9 of Form 503. The local factor varies from 1.25 percent in Worcester County (and for non-residents) to 3.2 percent in Baltimore City, and in Montgomery, Prince George's and Howard counties (see the Comptroller of Maryland's website for details for all counties).
Write: Comptroller of Maryland, Revenue Administration Center, Taxpayer Service Section, 110 Carroll Sreet, Annapolis MD 21411-0001.
Phone: (410) 260-7980, or toll-free 1(800) 638-2937.
Email: taxhelp@comp.state.md.us
Website: www.marylandtaxes.com

MASSACHUSETTS

Individuals domiciled in Massachusetts are considered residents and are subject to tax on their entire income regard-

less of their physical presence in the state. Salaries and most interest and dividend income are taxed at a flat rate of 5.15 percent for 2015. Some income (e.g., short-term capital gains) remains taxed at 12 percent for 2015.
Write: Massachusetts Department of Revenue, Taxpayer Services Division, P.O. Box 7010, Boston MA 02204.
Phone: (617) 887-6367.
Email: Link through the website's "Contact Us" tab.
Website: www.mass.gov/dor/

MICHIGAN

Individuals domiciled in Michigan are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. In 2013 and subsequent years, Michigan's tax is 4.25 percent. Some Michigan cities impose an additional 1- or 2-percent income tax. Detroit imposes an additional 2.5-percent tax.
Write: Michigan Department of Treasury, Lansing MI 48922.
Phone: toll-free (517) 373-3200.
Email: treasIndTax@michigan.gov
Website: www.michigan.gov/treasury

MINNESOTA

Individuals domiciled in Minnesota are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Minnesota's tax rate in 2015 is 5.35 percent on taxable income up to $25,070 for singles or $36,650 for married joint filers, rising in three steps to a maximum of 9.85 percent on taxable income over $154,950 for single filers or $258,260 for married filing jointly.
Write: Minnesota Department of Revenue, 600 North Robert St., St. Paul MN 55146-5510.
Phone: (651) 296-3781.
Email: individual.incometax@state.mn.us
Website: www.taxes.state.mn.us

MISSISSIPPI

Individuals domiciled in Mississippi are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Mississippi's tax rate is 3 percent on the first $5,000 of taxable income, 4 percent on the next $5,000 and 5 percent on taxable income over $10,000 for all taxpayers, whether filing singly or jointly.
Write: Department of Revenue, P.O. Box 1033, Jackson MS 39215-1033.
Phone: (601) 923-7000.
Email: Link through the website's "Contact Us" tab.
Website: www.dor.ms.gov

MISSOURI

An individual domiciled in Missouri is considered a non-resident, and is not liable for tax on Missouri income if the individual has no permanent residence in Missouri, has a permanent residence elsewhere and is not physically present in the state for more than 30 days during the tax year. Missouri calculates tax on a graduated scale up to $9,000 of taxable income. Any taxable income over $9,000 is taxed at a rate of $315 plus 6 percent of the excess over $9,000.
Write: Individual Income Tax, P.O. Box 2200, Jefferson City MO 65105-2200.
Phone: (573) 751-3505.
Email: income@dor.mo.gov
Website: www.dor.mo.gov

MONTANA

Individuals domiciled in Montana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Montana's tax rate for 2015 is 1 percent of taxable income under $2,800 rising in seven steps to a maximum of 6.9 percent of taxable income over $17,100. See the website for various deductions and exemptions.
Write: Montana Department of Revenue, P.O. Box 5805, Helena MT 59604-5805.
Phone: (406) 444-6900.
Email: Link through the website's "Contact Us" tab.
Website: www.revenue.mt.gov/home

NEBRASKA

Individuals domiciled in Nebraska are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. For 2015 the individual income tax rates range in four steps from a minimum of 2.46 percent to a maximum of 6.84 percent of the excess over $29,460 for singles and $58.920 for joint filers. If adjusted gross income is over $258,250 for single filers or $370,800 for joint filers an additional tax of between 0.438 and 0.183 percent is imposed.
Write: Department of Revenue, 301 Centennial Mall South, P.O. Box 94818, Lincoln NE 68509-4818.
Phone: (402) 471-5729.
Email: Link through the website's "Contact Us" tab.
Website: www.revenue.state.ne.us

NEVADA

Nevada does not tax personal income. There is a sales and use tax that varies from 6.85 percent to 8.1 percent depending on local jurisdiction. Additional ad valorem personal and real property taxes are also levied.
Write: Nevada Department of Taxation, 1550 College Pkwy.,

Suite 115, Carson City NV 89706.
Phone: (775) 684-2000.
Website: www.tax.state.nv.us

NEW HAMPSHIRE

The state imposes no personal income tax on earned income and no general sales tax. The state does levy, among other taxes, a 5-percent tax on interest and dividend income of more than $2,400 annually for single filers and $4,800 annually for joint filers, and an 8.5-percent tax on business profits, including sale of rental property. There is no inheritance tax. Applicable taxes apply to part-year residents.
Write: Central Tax Services Unit, P.O. Box 3306, Concord NH 03302-3306.
Phone: (603) 230-5000.
Website: www.revenue.nh.gov

NEW JERSEY

A New Jersey domiciliary is considered a non-resident for New Jersey tax purposes if the individual has no permanent residence in New Jersey, has a permanent residence elsewhere and is not physically in the state for more than 30 days during the tax year. Filing a return is not required (unless the non-resident has New Jersey-source income), but it is recommended in order to preserve domicile status. Filing is required on Form 1040-NR for revenue derived from in-state sources. Tax liability is calculated as a variable lump sum plus a percentage from a minimum of 1.4 percent of taxable gross income up to $20,000, in three steps to 6.37 percent between $75,000 and $500,000, and a maximum of 8.97 percent on taxable gross income over $500,000 for both single and joint filers.
Write: State of New Jersey, New Jersey Division of Taxation, Technical Information Branch, P.O. Box 281, Trenton NJ 08695-0281.
Phone: (609) 292-6400.
Email: Link through the website's "Contact Us" tab.
Website: www.state.nj.us/treasury/taxation

NEW MEXICO

Individuals domiciled in New Mexico are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The basis for New Mexico's calculation is the federal adjusted gross income figure. Rates rise from a minimum of 1.7 percent in four steps to a maximum of 4.9 percent on New Mexico taxable income over $16,000 for single filers and $24,000 for married filing jointly.
Write: New Mexico Taxation and Revenue Department, 1100 South St. Francis Drive, Santa Fe NM 87504.
Phone: (505) 827-0700.
Email: Link through the website's "Email Us" tab.
Website: www.newmexico.gov

NEW YORK

There is no tax liability for out-of-state income if the individual has no permanent residence in New York, has a permanent residence elsewhere and is not present in the state more than 30 days during the tax year. Filing a return is not required, but it is recommended to preserve domicile status. The tax rate rises in six steps from a minimum of 4 percent to 6.45 percent of taxable income over $21,250 for single filers and $42,450 for married filing jointly; 6.65 percent on taxable income over $79,600 for single filers and $159,350 for joint filers; 6.85 percent on taxable income over $212,500 for single filers or $318,750 for joint filers; and at 8.82 percent over $1,062,650 for single filers and over $2,125,450 for joint filers. In New York City the maximum rate is 3.648 percent over $90,000 and 3.876 percent over $500,000. Filing is required on Form IT-203 for revenue derived from New York sources.
Foreign Service employees assigned to the U.S. Mission to the United Nations for a normal tour of duty are considered to be resident in New York state for tax purposes. See the Jan. 16, 2009 memo TSB-M-09(2)I at www.tax.ny.gov/pdf/memos/income/m09_2i.pdf.
Write: New York State Department of Taxation and Finance, Personal Income Tax Information, W.A. Harriman Campus, Albany NY 12227.
Phone: (518) 457-5181.
Email: Link through the website's "Answer Center" tab.
Website: www.tax.ny.gov

NORTH CAROLINA

Individuals domiciled in North Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. North Carolina charges a flat tax rate of 5.75 percent for 2015. Residents must also report and pay a "use tax" on purchases made outside the state for use in North Carolina.
Write: North Carolina Department of Revenue, P.O. Box 25000, Raleigh NC 27640-0640.
Phone: toll-free 1 (877) 252-3052. From overseas, call 1 (252) 467-9000.
Website: www.dornc.com

NORTH DAKOTA

Individuals domiciled in North Dakota and serving outside the state are considered residents and are subject to tax on their entire income. For the 2015 tax year, the tax rate ranges in four steps from 1.1 percent on North Dakota taxable income up to $37,450 for single and $62,200 for joint filers to a maximum of 2.90 percent on taxable income over $411,500 for single and joint filers.
Write: Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Dept. 127, Bismarck ND 58505-0599.
Phone: (701) 328-1247.
Email: individualtax@nd.gov
Website: www.nd.gov/tax

OHIO

Individuals domiciled in Ohio are considered residents and their income is subject to tax, using the federal adjusted gross income figure as a starting base. Ohio's tax rate starts at a minimum of 0.528 percent on taxable income under $5,200, rising in seven steps to a maximum of 5.333 percent on taxable income over $208,500 for single and joint filers. Ohio also charges a school district income tax of between 0.5 and 2 percent, depending on jurisdiction.
Write: Ohio Department of Taxation, Taxpayer Services Center, P.O. Box 530, Columbus OH 43216-0530.
Phone: toll-free 1 (800) 282-1780 or (614) 387-0224.
Email: Link through the website's "Contact Us" tab.
Website: www.tax.ohio.gov

OKLAHOMA

Individuals domiciled in Oklahoma are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Oklahoma's tax rate rises in eight stages to a maximum of 5.25 percent on taxable income over $8,700 for single filers and $15,000 for married filing jointly.
Write: Oklahoma Tax Commission, Income Tax, P.O. Box 26800, Oklahoma City OK 73126-0800.
Phone: (405) 521-3160.
Email: otcmaster@tax.ok.gov
Website: www.tax.ok.gov

OREGON

Individuals domiciled in Oregon are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. For 2015, Oregon's tax rate rises from 5 percent on taxable income over $3,350 for single filers and over $6,700 for married filing jointly, in three steps to 9.9 percent on taxable income over $125,000 for single filers and $250,000 for joint filers. Oregon has no sales tax.
Write: Oregon Department of Revenue, 955 Center St. NE, Salem OR 97301-2555.
Phone: (503) 378-4988.
Email: questions.dor@state.or.us
Website: www.oregon.gov/DOR

PENNSYLVANIA

Pennsylvania's tax rate is a flat 3.07 percent. Pennsylvania tax authorities have ruled that Pennsylvania residents in the U.S. Foreign Service are not on federal active duty for state tax purposes,

and thus their income is taxable compensation. For non-Foreign Service state residents, there is no tax liability for out-of-state income if the individual has no permanent residence in the state, has a permanent residence elsewhere, and spends no more than 30 days in the state during the tax year. However, Pennsylvania does not consider government quarters overseas to be a "permanent residence elsewhere." Filing a return is not required, but it is recommended to preserve domicile status. File Form PA-40 for all income derived from Pennsylvania sources.
Write: Commonwealth of Pennsylvania, Department of Revenue, Taxpayer Services Department, Harrisburg PA 17128-1061.
Phone: (717) 787-8201.
Email: Link through the website's "Contact Us" tab.
Website: www.revenue.pa.gov

PUERTO RICO

Individuals who are domiciled in Puerto Rico are considered residents and are subject to tax on their entire income regardless of their physical presence in the commonwealth. Normally, they may claim a credit with certain limitations for income taxes paid to the United States on income from sources outside Puerto Rico. Taxes range from 7 percent of taxable income up to $25,000 to 33 percent of the taxable income over $61,500 for all taxpayers.
Write: Departamento de Hacienda, P.O. Box 9024140, San Juan PR 00902-4140.
Phone: (787) 727-2020.
Email: infoserv@hacienda.gobierno.pr
Website: www.hacienda.gobierno.pr

RHODE ISLAND

Individuals domiciled in Rhode Island are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2015 Rhode Island tax rate is 3.75 percent of taxable income up to $60,550 for all filers, 4.75 percent for income over $59,600 and 5.99 percent of taxable income over $137,650 for all filers. Also, a 2010 change treats capital gains as ordinary taxable income. Refer to the tax division's website for current information and handy filing hints, as well as for forms and regulations.
Write: Rhode Island Division of Taxation, Taxpayer Assistance Section, One Capitol Hill, Providence RI 02908-5801.
Phone (401) 574-8829, Option 3.
Email: Tax.Assist@tax.ri.gov
Website: www.tax.state.ri.us

SOUTH CAROLINA

Individuals domiciled in South Carolina are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. South Carolina's 2015 tax rates

rise in six steps from 3 percent on the first $5,820 of South Carolina taxable income to a maximum of 7 percent of taxable income over $14,550.
Write: South Carolina Tax Commission, P.O. Box 125, Columbia SC 29214.
Phone: (803) 898-5000.
Email: iitax@dor.sctax.gov or through the "Contact Us" tab.
Website: www.sctax.org

SOUTH DAKOTA

There is no state income tax and no state inheritance tax. State sales and use tax is 4 percent; municipalities may add up to an additional 2.75 percent.
Write: South Dakota Department of Revenue, 445 E. Capitol Ave., Pierre SD 57501-3185.
Phone: (605) 773-3311.
Email: Link through the website's "Contact Us" tab.
Website: http://dor.sd.gov

TENNESSEE

Salaries and wages are not subject to state income tax, but Tennessee imposes a 6-percent tax on most dividends and interest income of more than $1,250 for single filers or $2,500 for joint filers in the tax year.
Write: Tennessee Department of Revenue (Attention: Taxpayer Services), 500 Deaderick St., Nashville TN 37242.
Phone: (615) 253-6000.
Email: TN.Revenue@tn.gov
Website: www.tn.gov/revenue

TEXAS

There is no state personal income tax. State sales tax is 6.25 percent with local additions adding up to 2 percent.
Write: Texas Comptroller, P.O. Box 13528, Capitol Station, Austin TX 78711-3528.
Phone: toll-free 1 (800) 252-5555.
Email: Use email options on "Contact Us" page.
Website: www.window.state.tx.us

UTAH

Utah has a flat tax of 5 percent on all income. Individuals domiciled in Utah are considered residents and are subject to Utah state tax. Utah requires that all federal adjusted gross income reported on the federal return be reported on the state return regardless of the taxpayer's physical presence in the state. Some taxpayers will be able to claim either a taxpayer tax credit or a retirement tax credit, or both (see the Utah State Tax Commission website for explanation).
Write: Utah State Tax Commission, Taxpayer Services Division, 210 North 1950 West, Salt Lake City UT 84134.
Phone: toll-free 1 (800) 662-4335, Option 0, or (801) 297-2200, Option 0.
Email: Link through the website's "Contact Us" tab.
Website: www.tax.utah.gov

VERMONT

Individuals domiciled in Vermont are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. The 2015 tax rate ranges from 3.55 percent on taxable income under $37,450 for singles and $62,600 for joint filers to a maximum of 8.95 percent on taxable income over $411,500 for singles and joint filers.
Write: Vermont Department of Taxes, Taxpayer Services Division, 133 State St., Montpelier VT 05633-1401.
Phone: (802) 828-2505.
Email: Link through the website's "Contact Us" tab.
Website: www.tax.vermont.gov

VIRGINIA

Individuals domiciled in Virginia are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for 183 days or more. These individuals should file using Form 760. In addition, Virginia requires non-residents to file Form 763 if their Virginia adjusted gross income (which includes any federal salary paid during time they are residing in Virginia) exceeds $11,950 for single filers and married filing separately, or $23,900 for married filing jointly. Individual tax rates are: 2 percent if taxable income is less than $3,000; $60 plus 3 percent of excess over $3,000 if taxable income is between $3,000 and $5,000; $120 plus 5 percent of excess over $5,000 if taxable income is between $5,000 and $17,000; and $720 plus 5.75 percent if taxable income is over $17,000. In addition, using Form R-1H, Virginia allows employers of household help to elect to pay state unemployment tax annually instead of quarterly.
Write: Virginia Department of Taxation, Office of Customer Services, P.O. Box 1115, Richmond VA 23218-1115.
Phone: (804) 367-8031.
Email: Link through the website's "Contact Us" tab.
Website: www.tax.virginia.gov

WASHINGTON

There is no state income tax and no tax on intangibles such as bank accounts, stocks and bonds. Residents may deduct Washington sales tax on their federal tax returns if they itemize deductions. The state tax rate is 6.5 percent and local additions can increase that to 9.5 percent in some areas.
Write: Washington State Department of Revenue, Taxpayer Ser-

vices, P.O. Box 47478, Olympia WA 98504-7478.
Phone: toll-free 1 (800) 647-7706.
Email: Link through the website's "Contact Us" tab.
Website: www.dor.wa.gov

WEST VIRGINIA

There is no tax liability for out-of-state income if the individual has no permanent residence in West Virginia, has a permanent residence elsewhere and spends no more than 30 days of the tax year in West Virginia. However, non-resident domiciliaries are required to file a return on Form IT-140 for all income derived from West Virginia sources. Tax rates rise in four steps from 4 percent of taxable income over $10,000 for all filers, to 6.5 percent of taxable income for all filers over $60,000.
Write: Department of Tax and Revenue, The Revenue Center, 1001 Lee St. E., Charleston WV 25337-3784.
Phone: toll-free 1 (800) 982-8297, or (304) 558-3333.
Email: TaxHelp@wv.gov
Website: www.wvtax.gov

WISCONSIN

Individuals domiciled in Wisconsin are considered residents and are subject to tax on their entire income regardless of where the income is earned. Wisconsin's 2015 tax rate ranges from 4 percent on income up to $11,090 for single filers or $14,790 for joint filers, rising in four steps to a maximum of 7.65 percent on income over $244,270 for single filers or $325,700 for joint filers.
Write: Wisconsin Department of Revenue, Individual Income Tax Assistance, P.O. Box 8906, Madison WI 53708-8906.
Phone: (608) 266-2772.
Email: DORIncome@revenue.wi.gov
Website: www.dor.state.wi.us

WYOMING

There is no state income tax and no tax on intangibles such as bank accounts, stocks or bonds. State sales tax is 4 percent. Local jurisdictions may add another 4 percent.
Write: Wyoming Department of Revenue, Herschler Building, 122 West 25th St., Cheyenne WY 82002-0110.
Phone: (307) 777-5200.
Email: dor@wyo.gov
Website: http://revenue.wyo.gov

2015 AFSA TAX GUIDE

STATE PENSION AND ANNUITY TAX

The laws regarding the taxation of Foreign Service annuities vary greatly from state to state. In addition to those states that have no income tax or no tax on personal income, there are several states that do not tax income derived from pensions and annuities. Idaho taxes Foreign Service annuities while exempting certain categories of Civil Service employees. Several websites provide more information on individual state taxes for retirees, but the Retirement Living Information Center at www.retirementliving.com/taxes-by-state is one of the more comprehensive and is recommended for further information.

ALABAMA

Social Security and U.S. government pensions are not taxable. The combined state, county and city general sales and use tax rates range from 7 percent to as much as 10 percent. See also www.revenue.alabama.gov/taxpayerassist/retire.pdf.

ALASKA

No personal income tax. Most municipalities levy sales and/or use taxes of between 2 and 7 percent and/or a property tax. If over age 65, you may be able to claim an exemption.

ARIZONA

Up to $2,500 of U.S. government pension income may be excluded for each taxpayer. There is also a $2,100 exemption for each taxpayer age 65 or over. Arizona does not tax Social Security. Arizona state sales and use tax is 5.6 percent, with additions depending on the county and/or city.

ARKANSAS

The first $6,000 of income from any retirement plan or individual retirement account is exempt (to a maximum of $6,000 overall). Social Security is not taxed. There is no estate or inheritance tax. State sales and use tax is 6.5 percent; city and county taxes may add another 5.5 percent.

CALIFORNIA

Pensions and annuities are fully taxable. Social Security is not taxed. The sales and use tax rate varies from 7.5 percent (the statewide rate) to 11 percent in some areas.

COLORADO

Up to $24,000 of pension or social security income can be excluded if individual is age 65 or over. Up to $20,000 is exempt if age 55 to 64. State sales tax is 2.9 percent; local additions can increase it to as much as 9.9 percent.

CONNECTICUT

Pensions and annuities are fully taxable for residents. Social Security is exempt if federal adjusted gross income is less than $50,000 for singles or $60,000 for joint filers. Statewide sales tax is 6.35 percent. No local additions.

DELAWARE

Pension exclusions per person: $2,000 is exempt under age 60; $12,500 if age 60 or over. There is an additional standard deduction of $2,500 if age 65 or over if you do not itemize. Social Security income is excluded from taxable income. Delaware does not impose a sales tax.

DISTRICT OF COLUMBIA

Pension or annuity exclusion of $3,000 is applicable if 62 years or older. Taxable income excludes Social Security. Sales and use tax is 5.75 percent, with higher rates for some commodities (liquor, meals, etc.).

FLORIDA

There is no personal income, inheritance, gift tax or tax on intangible property. The state sales and use tax is 6 percent. There are additional county sales taxes which could make the combined rate as high as 9.5 percent.

GEORGIA

Individuals who are 62 years or older or totally disabled may exclude up to $35,000 of retirement income. Up to $65,000 of retirement income is excludable for taxpayers age 65 or older. Taxable income excludes Social Security. Sales tax is 4 percent statewide, with additions of up to 3 percent depending on jurisdiction.

HAWAII

Pension and annuity distributions from a government pension plan are not taxed in Hawaii. Social Security is not taxed. Hawaii charges a general excise tax of 4 percent instead of sales tax.

IDAHO

In 2015, Civil Service Retirement System and Foreign Service Retirement and Disability System pensions qualify for a deduction of up to $31,956 for a single return and up to $47,934 for a joint return if the individual is age 65 or older, or age 62 and disabled. Federal Employees' Retirement System or Foreign Service Pension System pensions do not qualify for this deduction. The deduction is reduced dollar for dollar by Social Security benefits. Social Security itself is not taxed. Idaho state sales tax is 6 percent; some local jurisdictions add as much as another 3 percent.

ILLINOIS

Illinois does not tax U.S. government pensions or Social Security. State sales tax is 6.25 percent. Local additions can raise sales tax to 10.5 percent in some jurisdictions.

INDIANA

If the individual is over age 62, the adjusted gross income may be reduced by the first $2,000 of any pension, reduced dollar for dollar by Social Security benefits. There Is also a $1,000 exemption if over age 65, or $1,500 if federal adjusted gross income is less than $40,000. There is no pension exclusion for survivor

annuitants of federal annuities. Social Security is not taxed in Indiana. Sales tax and use tax in Indiana is 7 percent.

IOWA

Annuities and pensions are generally taxable. A married couple with an income for the year of less than $32,000 may file for exemption, if at least one spouse or the head of household is 65 years or older on Dec. 31. Single persons who are 65 years or older on Dec. 31 may file for an exemption if their income is $24,000 or less. The same income tax rates apply to annuities as to other incomes. As of 2014, Social Security benefits are not subject to taxation. Statewide sales tax is 6 percent, with no more than 1 percent added in local jurisdictions.

KANSAS

U.S. government pensions are not taxed. There is an extra deduction of $850 if the individual is over age 65. Social Security is exempt if federal adjusted gross income is under $75,000. State sales tax is 6.3 percent, with additions of between 1 and 4 percent depending on jurisdiction.

KENTUCKY

Government pension income is exempt if the individual retired before Jan. 1, 1998. If retired after Dec. 31, 1997, pension/annuity income up to $41,110 remains fully excludable for 2015. Social Security is exempt. Sales and use tax is 6 percent statewide, with no local sales or use taxes.

LOUISIANA

Federal retirement benefits are exempt from Louisiana state income tax. There is an exemption of $6,000 of other annual retirement income received by any person age 65 or over. Married filing jointly may exclude $12,000. State sales tax is 4 percent with local additions up to a possible total of 10.75 percent. Use tax is 8 percent regardless of the purchaser's location.

MAINE

Recipients of a government sponsored pension or annuity who are filing single may deduct up to $10,000 ($20,000 for married filing jointly) on income that is included in their federal adjusted gross income, reduced by all Social Security and railroad benefits. For those age 65 and over, there is an additional standard deduction of $1,450 (single), $1,150 (married filing single) or $2,200 (married filing jointly). General sales tax is now 5.5 percent, 8 percent on meals and liquor.

MARYLAND

Those over 65 or permanently disabled, or who have a spouse who is permanently disabled, may under certain conditions be eligible for Maryland's maximum pension exclusion of $29,000. Also, all individuals 65 years or older are entitled to an extra $1,000 personal exemption in addition to the regular $3,200 personal exemption available to all taxpayers. Social Security is exempt. See the worksheet

and instructions in the Maryland Resident Tax Booklet. General sales tax is 6 percent, 9 percent on liquor.

MASSACHUSETTS

Federal pensions and Social Security are excluded from Massachusetts gross income. Each taxpayer over age 65 is allowed an additional $700 exemption on other income. Sales tax is 6.25 percent.

MICHIGAN

In 2012 and subsequent years, pension benefits included in adjusted gross income from a private pension system or an individual retirement account are deductible for those born before 1946, to a maximum of $47,309 for a single filer, or $94,618 for joint filers; public pensions are exempt. If born after 1946 and before 1952, the exemption for public and private pensions is limited to $20,000 for singles and $40,000 for married filers. Those born after 1952 are ineligible for any exemption until age 67. Social Security is exempt. Full details at: www.michigan.gov/documents/taxes/PensionBenefitsChart_479546_7.pdf. Michigan's state sales tax rate is 6 percent. There are no city, local or county sales taxes.

MINNESOTA

Social Security income is taxed by Minnesota to the same extent it is on your federal return. If your only income is Social Security, you are not required to file an income tax return. All federal pensions are taxable, but single taxpayers who are over age 65 or disabled may exclude some income if federal adjusted gross income is under $33,700 and non-taxable Social Security is under $9,600. For a couple, the limits are $42,000 for adjusted gross income and $12,000 for nontaxable Social Security. Statewide sales and use tax is 6.875 percent; some local additions may increase the total to 9.53 percent.

MISSISSIPPI

Social Security, qualified retirement income from federal, state and private retirement systems, and income from individual retirement accounts are exempt from Mississippi tax. There is an additional exemption of $1,500 on other income if over 65. Statewide sales tax is 7 percent.

MISSOURI

Public pension income may be deducted if Missouri adjusted gross income is less than $100,000 when married filing jointly or $85,000 for single filers, up to a limit of $36,442 for each spouse. The maximum private pension deduction is $6,000. You may also deduct 100 percent of Social Security income if over age 62 and federal adjusted gross income is less than the limits above. Sales tax is 4.225 percent; local additions may add another 2 percent.

MONTANA

There is a $3,980 pension income exclusion if federal adjusted gross income is less than $33,200. Those over age 65 can exempt an additional $800 of interest income for single taxpayers and $1,600 for married joint filers. Social Security is subject to tax. Montana has no general sales tax, but tax is levied on the sale of various commodities.

NEBRASKA

U.S. government pensions and annuities are fully taxable. Social Security is taxable. State sales tax is 5.5 percent, with local additions of up to 2 percent.

NEVADA

No personal income tax. Sales and use tax varies from 6.85 to 8.1 percent, depending on local jurisdiction.

NEW HAMPSHIRE

No personal income tax. There is no inheritance tax. There is a 5-percent tax on interest/dividend income over $2,400 for singles ($4,800 married filing jointly). A $1,200 exemption is available for those 65 or over. No general sales tax.

NEW JERSEY

Pensions and annuities from civilian government service are subject to state income tax, with exemptions for those who are age 62 or older or totally and permanently disabled. However, see this link for the distinction between the "Three-year method" and the "General Rule method" for contributory pension plans: www.state.nj.us/treasury/taxation/njit6.shtml. Singles and heads of households can exclude up to $15,000 of retirement income; those married filing jointly up to $20,000; those married filing separately up to $10,000 each. These exclusions are eliminated for New Jersey gross incomes over $100,000. Residents over 65 may be eligible for an additional $1,000 personal exemption. Social Security is not taxed. State sales tax is 7 percent.

NEW MEXICO

All pensions and annuities are taxed as part of federal adjusted gross income. Taxpayers 65 and older may exempt up to $8,000 (single) or $16,000 (joint) from any income source if their income is under $28,500 (individual filers) or $51,000 (married filing jointly). The exemption is reduced as income increases, disappearing altogether at $51,000. New Mexico has a gross receipts tax, instead of a sales tax, of 5.125 percent; county and city taxes may add another 6.625 percent in some jurisdictions.

NEW YORK

Social Security, U.S. government pensions and annuities are not taxed. For those over age 59½, up to $20,000 of other annuity income (e.g., Thrift Savings Plan) may be excluded. See New York state's Publication 36 at www.tax.ny.gov/pdf/publications/income/pub36.pdf for details. Sales tax is 4 percent statewide. Other local taxes may add up to an additional 5 percent.

NORTH CAROLINA

Pursuant to the "Bailey" decision (see www.dornc.com/taxes/individual/benefits.html), government retirement benefits received by federal retirees who had five years of creditable service in a federal retirement system on Aug. 12, 1989, are exempt from North Carolina income tax. Those who do not have five years of creditable service on Aug. 12, 1989, must pay North Carolina tax on their federal annuities. As of 2014, the $4,000 deduction is no longer available. For those over age 65, an extra $750 (single) or $1,200 (couple) may be deducted. Social Security is exempt. State sales tax is 4.75 percent; local taxes may increase this by up to 3 percent.

NORTH DAKOTA

All pensions and annuities are fully taxed. Social Security is exempt. General sales tax is 5 percent, 7 percent on liquor. Local jurisdictions impose up to 3 percent more.

OHIO

Retirement income is taxed. Taxpayers 65 and over may take a $50 credit per return. In addition, Ohio gives a tax credit based on the amount of the retirement income included in Ohio adjusted gross income, reaching a maximum of $200 for any retirement income over $8,000. Social Security is exempt. State sales tax is 5.75 percent. Counties and regional transit authorities may add to this, but the total must not exceed 8.75 percent.

OKLAHOMA

Individuals receiving Federal Employees' Retirement System, Foreign Service Pension System or private pensions may exempt up to $10,000, but not to exceed the amount included in the federal adjusted gross income. Since 2011, 100 percent of a federal pension paid in lieu of Social Security (i.e., Civil Service Retirement System and Foreign Service Retirement and Disability System—"old system"—including the CSRS/FSRDS portion of an annuity paid under both systems) is exempt. Social Security included in federal adjusted gross income is exempt. State sales tax is 4.5 percent. Local and other additions may bring the total up to 9.5 percent.

OREGON

Generally, all retirement income is subject to Oregon tax when received by an Oregon resident. However, federal retirees who retired on or before Oct. 1, 1991, may exempt their entire federal pension; those who worked both before and after Oct. 1, 1991, must prorate their exemption using the instructions in the tax booklet. If you are over age 62, a tax credit of up to 9 percent of taxable pension income is available to recipients of pension income, including most private pension income, whose household income was less than $22,500 (single) and $45,000 (joint),and who received less than $7,500 (single)/$15,000 (joint) in Social Security benefits. The credit is the lesser of the tax liability or 9 percent of taxable pension income. Oregon does not tax Social Security benefits. Oregon has no sales tax.

PENNSYLVANIA

Government pensions and Social Security are not subject to personal income tax. Pennsylvania sales tax is 6 percent. Other taxing entities may add up to 2 percent.

PUERTO RICO

The first $11,000 of income received from a federal pension can be excluded for individuals under 60. For those over 60, the exclusion is $15,000. If the individual receives more than one federal pension, the exclusion applies to each pension or annuity separately. Social Security is not taxed.

RHODE ISLAND

U.S. government pensions and annuities are fully taxable. Sales tax is 7 percent; meals and beverages are taxed at 8 percent.

SOUTH CAROLINA

Individuals under age 65 can claim a $3,000 deduction on qualified retirement income; those 65 years of age or over can claim a $10,000 deduction on qualified retirement income. A resident of South

Carolina who is 65 years or older may claim a $15,000 deduction against any type of income ($30,000 if both spouses are over 65), but must reduce this figure by any other retirement deduction claimed. Social Security is not taxed. Sales tax is 6 percent plus 1 percent in some counties. Residents aged 85 and over pay 5 percent.

SOUTH DAKOTA

No personal income tax or inheritance tax. State sales and use tax is 4 percent; municipalities may add up to an additional 2 percent. Residents who are age 66 and older and have a yearly income of under $10,250 (single) or in a household where the total income was under $13,250 are eligible for a sales tax or a property tax refund.

TENNESSEE

Social Security, pension income and income from individual retirement accounts and Thrift Savings Plans are not subject to personal income tax. Most interest and dividend income is taxed at 6 percent if over $1,250 (single filers) or $2,500 (married filing jointly). However, for tax year 2015 and subsequently, those over age 65 with total income from all sources of less than $37,000 for a single filer and $68,000 for joint filers are completely exempt from all taxes on income. State sales tax is 5 percent on food, 7 percent on other goods, with between 1.5 and 2.75 percent added, depending on jurisdiction.

TEXAS

No personal income tax or inheritance tax. State sales tax is 6.25 percent. Local options can raise the rate to 8.25 percent.

UTAH

Utah has a flat tax rate of 5 percent of all income. For taxpayers over age 65, there is a retirement tax credit of $450 for single filers and $900 for joint filers. This is reduced by 2.5 percent of income exceeding $25,000 for single filers and $32,000 for joint filers. See the state website for details. State sales tax is 4.7 percent; local option taxes may raise the total to as much as 9.95 percent.

VERMONT

U.S. government pensions and annuities are fully taxable. State general sales tax is 6 percent; local option taxes may raise the total to 7 percent (higher on some commodities).

VIRGINIA

Individuals over age 65 can take a $12,000 deduction. The maximum $12,000 deduction is reduced by one dollar for each dollar by which adjusted gross income exceeds $50,000 for single, and $75,000 for married, taxpayers. All taxpayers over age 65 receive an additional personal exemption of $800. Social Security income is exempt. The estate tax was repealed for all deaths after July 1, 2007. The general sales tax rate is 5.3 percent (4.3 percent state tax and 1 percent local tax, with an extra 0.7 percent in northern Virginia).

WASHINGTON

No personal income tax. Retirement income is not taxed. State sales tax is 6.5 percent; rates are updated quarterly. Local taxes may increase the total to 9.5 percent.

WEST VIRGINIA

Up to $2,000 of any civil or state pension is tax exempt. Social Security income is taxable only to the extent that the income is includable in federal adjusted gross income. Taxpayers age 65 and older or surviving spouses of any age may exclude the first $8,000 (individual filers) or $16,000 (married filing jointly) of any retirement income. Out-of-state government pensions qualify for this exemption. State sales tax is 6 percent with additions of between 0.5 and 1 percent in some jurisdictions.

WISCONSIN

Pensions and annuities are fully taxable. Those age 65 or over may take two personal deductions totaling $950. Benefits received from a federal retirement system account established before Dec. 31, 1963, are not taxable. Social security is not taxable. Those over age 65 and with a federal adjusted gross income of less than $15,000 (single filers) or $30,000 (joint filers) may exclude $5,000 of income from federal retirement systems or individual retirement accounts. Those over age 65 may take an additional personal deduction of $250. State sales tax is 5 percent; most counties charge an extra 1.5 percent.

WYOMING

No personal income tax. State sales tax is 4 percent. Local taxes may add another 4 percent.

—James Yorke, Senior Labor Management Advisor