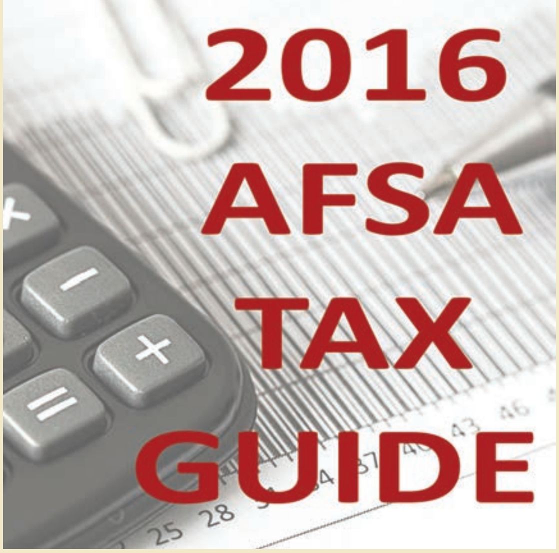
2016 Federal and State Tax Provisions for the Foreign Service



The American Foreign Service Association's annual Tax Guide is designed as an informational tool. Although this update accurately summarizes the law, it is merely a starting point. The language of the actual tax provisions is always more technical than what follows here. AFSA recommends that you use this guide with caution and consult a tax adviser with specific questions, as the IRS may impose penalties for understating tax liabilities (please see the Circular 230 notice at the end of this article).

Gross income is the starting point for figuring state and federal income tax. It includes "all income from whatever source derived." Adjustments to gross income, deductions and tax credits are matters of legislative grace. Congress passes, the IRS applies and the courts scrutinize the law and its application. The result is federal tax law. State legislatures may adopt the federal system or deviate from federal law, sometimes requiring residents to add back amounts for a higher taxable state income. Consequently, no tax benefit should be claimed without knowing state and federal law.

This update begins with federal tax law, headlined by the 2016 tax brackets and rates. From there the personal exemption, foreign earned income exclusion, extension for taxpayers abroad, and standard and itemized deduction rules are presented. Special attention is devoted to the topics Foreign Service employees most frequently ask AFSA about: moving, interest, home leave and official residence expenses; home ownership and sale of a principal residence.

This update concludes with each state's domicile rules. James Yorke (YorkeJ@state. gov), who compiles the tax guide, would like to thank Sam Schmitt of the EFM Law Company for preparing the section on federal tax provisions.

2016 FEDERAL TAX PROVISONS

The table on page 63 summarizes the marginal income and corresponding capital gains tax brackets.

PLEASE NOTE

This guidance applies to the 2016 tax year, for returns due on April 18, 2017. While correct at time of publication, bear in mind there may be changes to the tax code for the 2017 tax year. At present, we are not aware of any possible changes that are likely to apply to 2016 returns.

Personal Exemption:

For each taxpayer, spouse and each dependent, the personal exemption is $4,050. A personal exemption phase-out is in place for 2016. Unmarried taxpayers who earn more than $259,400 individually ($285,350 head of household, $311,300 married filing jointly) should contact a tax professional to calculate the amount by which their personal exemption must be reduced.

Foreign Earned Income Exclusion:

Americans living and working overseas may be eligible for this exclusion, but not if they are employees of the U.S. government. The first $101,300 earned overseas as an employee or self-employed may be exempt from income taxes.

To receive this exclusion the taxpayer must:

(1) Establish a tax home in a foreign country, which is the general area of the taxpayer's "main place of business, employment or post of duty." In other words, where the taxpayer is "permanently or indefinitely engaged to work as an employee or self-employed individual"; and,

(2) Either (a) Meet 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 OR (b) Meet the "physical presence" test, which requires the taxpayer to 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).

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, resulting in higher tax on the non-excluded portion. (See the box on page 64 for a full explanation.)

Extension for Taxpayers Abroad:

Taxpayers whose tax home is outside the United States on April 18, 2016, 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 18 until the date it receives payment.

2016 Tax Brackets & Rates

Income Tax Rate*	Upper Income Limit			Capital Gains Rate ***
	Individual	Married** Filing Jointly	Head of Household	
10%	$9,275	$18,550	$13,250	0%
15%	$37,650	$75,300	$50,400	
25%	$91,150	$151,900	$130,150	15%
28%	$190,150	$231,450	$210,800	
33%	$413,350	$413,350	$413,350	
35%	$415,050	$466,950	$441,000	
39.6%	> $415,050	> $466,950	> $441,000	20%

* Marginal rates apply to income in excess of each of the prior tax brackets.
** Income thresholds for those married filing separately are half of those who are married filing jointly. Same-sex couples who were married in or after tax year 2013, in a state where it is legal, must file their federal tax return as either married filing jointly or married filing separately, not individually.
*** Refers to long-term capital gains—gains from the sale of property held for greater than 12 months.

Standard Deduction:

Taxpayers who do not itemize are entitled to take a standard deduction in the following amounts:

2016 Standard Deduction

Individual	$6,300
Married Filing Jointly	$12,600
Head of Household	$9,300

An additional amount is allowed for taxpayers over age 65 and for those who are blind.

Itemized Deductions:

Taxpayers who itemize cannot claim the standard deduction. However, itemizers gain the benefit of specific deductions, including the deduction for unreimbursed employee expenses on 1040 Schedule A. These are deductible to the extent they exceed 2 percent of adjusted gross income (AGI). Some examples of unreimbursed employee expenses include professional dues and subscriptions to publications; employment and continuing education expenses; home office, legal, accounting, custodial and tax preparation fees; home leave, representational and other employee business expenses. In 2016, the IRS will phase out itemized deductions a taxpayer is allowed at certain income thresholds. Unmarried individuals earning more than $155,650 individually ($259,400 head of household, $311,300 married filing jointly) should contact a tax professional to calculate the limits on their itemized deductions.

Medical and Dental Expenses:

Taxpayers who itemize can deduct medical expenses to the extent they exceed 10 percent of AGI (including health and long-term care insurance, but not health insurance premiums deducted from government salaries). If the taxpayer is over 65, the threshold at which this deduction can be claimed remains at 7.5 percent until Jan. 1, 2017, after which, the threshold increases to 10 percent for all taxpayers.

Unreimbursed Moving Expenses:

Taxpayers who itemize and those who claim the standard deduction may claim unreimbursed moving expenses as an adjustment to income. Unreimbursed moving expenses include the cost of transportation, storage and travel costs of moving the taxpayer, possessions (including pets) and the taxpayer's family. The cost of meals during the move does not qualify. Other adjustments itemizers and non-itemizers may claim include contributions to pre-tax IRAs, alimony payments, bad debt, student loan interest, tuition and fees and educator expenses. Each may be subject to its own limits.

Deductible Taxes:

There are only four kinds of deductible non-business taxes: (1) State, local and foreign income taxes; (2) State and local general sales taxes; (3) State, local and foreign real estate taxes; and (4) State and local personal property taxes. The taxpayer must itemize (using 1040 Schedule A) and must have been charged and actually paid the taxes to be entitled to these deductions.

Charitable Contributions:

Only contributions to "qualified organizations" may be deducted, and then only to the extent the tax code permits. For example, the AFSA Fund for American Diplomacy qualifies as a public charity. Contributions to it, and any public charity, can be deducted; but a taxpayer's deduction for charitable contributions is limited to 50 percent of AGI. The IRS provides an "Exempt Organizations" online check tool to determine whether a charity qualifies. Payments to individuals are never deductible. A taxpayer must itemize to claim this deduction.

Interest Expenses:

Itemizers may deduct interest (Schedule A) on investments (to the extent of income from those investments) and qualified mortgage interest (discussed below). Business loan interest and interest incurred to produce rents or royalties are other forms of deductible interest (limits may apply). Interest on loans that do not fall into the above categories, even money borrowed to buy tax-exempt securities, is not deductible. However, non-deductible debts can be consolidated and paid with deductible home equity loan interest (discussed below). Passive investment interest on investments in which the taxpayer is an inactive participant can be deducted only from the income produced by passive activities.

Home Leave and Unreimbursed Representational Expenses:

These generally qualify as unreimbursed employee business expenses. They may be deducted as miscellaneous itemized deductions and claimed on Form 2106, subject to a 2 percent floor and a 50-percent limit for meals and entertainment. All unreimbursed travel and lodging exceeding 2-percent of AGI may be deducted here. However, 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, because 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 actual bill is. Lodging is deductible as long as it is not with friends, relatives or in one's home.

The IRS will deny per diem and expenses claimed for family members. If a hotel bill indicates double rates, the single room rate should be claimed. Taxpayers should save the hotel's rate sheet, if possible. Car rental, mileage and other unreimbursed travel expenses, including parking fees and tolls, may be deducted. The 2016 rate for business miles driven has dropped to 54 cents. Those who use this optional mileage method need not keep detailed 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 also applies to leased vehicles.

Official Residence Expenses:

ORE reimbursements defray the "unusual" expenses from the operation of an official residence while extending official hospitality, receiving foreign dignitaries and holding official ceremonies. Conversely, a principal representative is expected to bear

FOREIGN EARNED INCOME EXEMPTION DENIALS

Some AFSA members report having difficulty claiming the foreign earned income exemption (FEIE). To receive this 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.

the burden of "usual" household expenses of 3.5 percent of their salary (see 3 FAM 3253.1). None of the 3.5 percent of "usual" household expenses is deductible because it is "payment for ordinary, everyday living expenses, and is not excludable from gross income" (see Revenue Ruling 90-64). These expenses cannot be deducted as miscellaneous business expenses because they are personal expenses. Official expenses for which any State Department employee is not reimbursed are deductible as unreimbursed employee expenses.

Home Ownership:

Home ownership may trigger many tax benefits including: (1) The mortgage interest deduction; (2) Deduction of points to obtain a home mortgage; (3) Business use of a home; and (4) Selling a home.

(1) Mortgage Interest Deduction: The interest expense of up to $1 million of acquisition debt ($500,000 for individual filers) and up to $100,000 home equity debt ($50,000 individually) for loans secured by a primary or secondary residence may qualify for a deduction. The properties for which a taxpayer would like to take this deduction must qualify as a home or a secondary residence. "Home" is the place where a taxpayer ordinarily lives most of the time. A secondary residence is a property the taxpayer does not rent out (or attempt to sell) during the year. Note that the structure claimed as a home or secondary residence may be a house, condominium, cooperative, mobile home, house trailer, boat or similar property that has sleeping, cooking and toilet facilities.

(**2) Points on a Mortgage:** Taxpayers who claim the above deduction may also qualify to currently deduct all the points paid to obtain that mortgage. Nine requirements must be met to deduct those points. Taxpayers should contact a tax professional to see if they qualify and explore the possibility of partially deducting these points. Save the settlement sheet (HUD-1 Form) for documentation in case of an audit.

(3) Business Use of Home, Including as a Rental: Taxpayers may be entitled to deductions for the business use of part of a home.

(3)(a) Rental: When income is earned by renting out the home, deductions the taxpayer claims for mortgage interest remain deductible; however, they become an expense for the production of rental income instead of a personal deduction under the mortgage interest expense provisions (Schedule E rather than Schedule A). Depreciation, repair costs and operating expenses such as fees charged by independent contractors (e.g., groundskeepers, accountants, attorneys) are deductible. Limits apply to these deductions when the taxpayer uses their property for the greater of 14 days or 10 percent of the total days it is rented to others at a fair rental price.

(3)(b) The 1031 Exchange: Taxpayers who convert their homes to investment property (perhaps because they have inadvertently used it exclusively for business purposes for too long) may no longer qualify for the exclusion of up to $500,000 of capital gain on the sale of a principal residence (discussed below). However, the property may become eligible for an IRC Section 1031 exchange. This tax provision is normally invoked by businesses exchanging like-kind, income-producing property. The IRS rules for these exchanges are complex and specific, with a number of pitfalls that can nullify the transaction. A 1031 exchange should never be attempted without assistance from a tax professional specializing in this field.

(4) Selling a Principal Residence:

(4)(a) A taxpayer may exclude up to $250,000 ($500,000 for married filing jointly) of long-term capital gain from the sale of a principal residence. To qualify for the full exclusion amount, the taxpayer: (i) must have owned the home and lived there for at least two of the last five years before the date of the sale (but

IMPORTANT NOTE: FOREIGN EARNED INCOME

The Foreign Earned Income Exclusion allows U.S. citizens who are not United States government employees and are living outside the United States to exclude up to $101,300 of their 2016 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.

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."

see Military Families Relief Act below); (ii) cannot have acquired the home in a 1031 exchange within the five years before the date of the sale; and (iii) cannot have claimed this exclusion during the two years before the date of the sale. An exclusion of gain for a fraction of these upper limits may be possible if one or more of the above requirements are not met. A taxpayer who sells their principal residence for a profit of more than $250,000 ($500,000 married filing jointly), or a reduced amount, will owe capital gains tax on the excess.

(4)(b) Military Families Tax Relief Act of 2003: The five-year period described above may be suspended for members of the Foreign Service by any 10-year period during which the taxpayer has been away from the area on a Foreign Service assignment, up to a maximum of 15 total years. Failure to meet all of the requirements for this tax benefit (points (i) through (iii) in the Selling a Principal Residence section above) does not necessarily disqualify the taxpayer from claiming the exclusion. However, the services of a tax professional will probably be necessary if one of these requirements is not met.

(4)(c) Adjustments to the Basis of a Home:

(i) *Buying or Building a Home:* Some investments in the construction of a home, purchase of a home, improvements during ownership and improvements in preparation to sell must be added to the basis of the home. The starting point is the amount paid to acquire the property: cost basis. Some settlement fees and closing costs may be added to the cost basis (yielding the adjusted basis). These include abstract of title fees, charges for installing utility services, legal fees for the title search and preparing the sales contract and deed, recording fees, survey fees, transfer or stamp taxes and title insurance. A taxpayer who builds a home may add the cost of the land and the cost to complete the house to arrive at an initial cost basis. Construction includes the cost of labor and materials, amounts paid to a contractor, architect's fees, building permit charges, utility meter charges and legal fees directly connected with building the house.

(ii) *Improving a Home During Ownership:* During the ownership period, improvements to the home including additions (bedrooms, bathrooms, decks), lawn and grounds improvements (landscaping, paving a driveway), improvements to the exterior (storm windows, new roof, siding), insulation, plumbing, interior improvements (built-in appliances, kitchen modifications, flooring) and investments in the home systems (heating, central air, furnace) may all be added to adjust the basis of the home upward.

(iii) *Preparing to Sell:* "Fixing-up costs" no longer exist insofar as they refer to what was once recognized as a 1034 exchange of a residence. Capital expenditures continue to operate as described above when a taxpayer is preparing to sell a home. Any capital improvements when preparing to sell should simply be added to the adjusted basis and subtracted from the sales price to reduce net capital gain when the home is sold.

(iv) *Selling:* Selling expenses can be subtracted from the sales price, further reducing the taxable gain. These include fees for sales commissions, any service that helped the taxpayer sell the home without a broker, advertising, legal help, and mortgage points or other loan charges the seller pays that would normally have been the buyer's responsibility.

Circular 230 Notice:

Pursuant to U.S. Treasury Department Regulations, all state and federal tax advice herein is not intended or written to be used, and may not be used, for the purposes of avoiding tax-related penalties under the Internal Revenue Code or promoting, marketing or recommending advice on any tax-related matters addressed herein.

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 and the other foreign affairs agencies, 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.
Further, 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 Tax Withholding When Assigned Domestically.)

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 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 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 are encouraged to review the Overseas Briefing Center's Guide to Residence and Domicile, available on AFSA's website at www.afsa.org/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 because, in some cases, the D.C. and Virginia tax authorities have sought back taxes from those who have used this address.

See box on page 66 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 10 states that, under certain conditions, do not tax income earned while the taxpayer is outside the state: California, Connecticut, Idaho, Minnesota, Missouri, New Jersey, New York, Oregon, Pennsylvania (but see entry for Pennsylvania below) and West Virginia. The requirements for all except California, Idaho and Oregon are that the individual should not have a permanent "place of abode" in the state, should 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 10 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.

In "State Overviews" you will find 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. 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 email customer service.

We also recommend the Tax Foundation website at www.taxfoundation.org, which also provides a table showing 2016 tax rates for all states.

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) 242-1170.
Website: www.ador.state.al.us
Email: Link through the website: "About Us" then "Contacts," then "Income Tax."

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 $304,868 married filing jointly or $152,434 for single filers.
Write: Arizona Department of Revenue, Customer Care, P.O. Box 29086, Phoenix AZ 85038-9086.
Phone: (602) 255-3381.
Website: www.azdor.gov
Email: For general questions, taxpayerassistance@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 6.9 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.
Website: www.arkansas.gov/dfa
Email: Use Contact Form on "Contact Us" page of the website.

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 who is domiciled in state but 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 2016 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.).
Website: www.ftb.ca.gov
Email: Link through the website's "Contact Us" tab.

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.
Website: www.colorado.gov/revenue
Email: Link through the website's "Contact Us" tab on the "Taxation" page.

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 Connecti-

cut 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 6.9 percent of the excess over $500,000, and 6.99 percent over $1,000,000. For singles it is 3 percent on the first $10,000, rising in six steps to 6.9 percent of the excess over $250,000 and 6.99 per cent over $500,000.
Write: Department of Revenue Services, 450 Columbus Blvd, Suite 1, Hartford CT 06103.
Phone: (860) 297-5962.
Website: www.ct.gov/drs
Email: Contact through the "Contact us" page on the website.

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.
Website: www.revenue.delaware.gov
Email: personaltax@state.de.us

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 6.5 percent of excess over $40,000; $3,500 plus 8.5 percent of the excess over $60,000; $28,150 plus 8.75 percent of any excess above $350,000; and 8.95 percent over $1,000,000.
Write: Office of Tax and Revenue, Customer Service Center, 1101 4th St. SW, Suite 270 West, Washington DC 20024.
Phone: (202) 727-4829.
Website: www.otr.cfo.dc.gov/
Email: taxhelp@dc.gov

FLORIDA

Florida does not impose personal income, inheritance, gift or intangible personal property taxes. Property tax (homestead) 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.
Website: http://dor.myflorida.com/dor/taxes/
Email: Link through the website, go to "Taxes," then "Tax Information," then "Questions?"

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, or contact through Georgia Tax Center (log in required).
Website: http://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 8.25 percent for taxable income above $48,000 for single filers and $96,000 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.
Website: http://tax.hawaii.gov/
Email: Taxpayer.Services@hawaii.gov

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 2016 Idaho's tax rate rises in six steps from a minimum of 1.6 percent to a maximum of 7.4 percent on the amount of Idaho taxable income over $10,905 for singles and $21,810 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: Toll-free 1 (800) 972-7660 or (208) 334-7660.
Website: www.tax.idaho.gov
Email: taxrep@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 percent of net income.
Write: Illinois Department of Revenue, PO Box 19001, Springfield IL 62794-9001.
Phone: toll-free (800) 732-8866, or (217) 782-3336.
Website: www.revenue.state.il.us
Email: Link through the website, "Contact Us," then "Taxpayer Answer Center."

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 40, Indianapolis IN 46206-0040.
Phone: (317) 232-2240.
Website: www.in.gov/dor
Email: Link through the website's "Contact Us" tab.

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 2016 tax rate rises in eight steps from 0.36 percent to a maximum 8.98 percent of taxable income over $69,930, depending on income and filing status.
Write: Taxpayer Services, Iowa Department of Revenue, PO Box 10457, Des Moines IA 50306-0457.
Phone: 1-(800) 367-3388 or (515) 281-3114
Website: https://tax.iowa.gov/
Email: Use email form on "Contact Us" page of the website.

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 2016 the Kansas tax rate is 2.7 percent on Kansas taxable income under $15,000 for single filers and 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.
Website: www.ksrevenue.org
Email: kdor_tac@ks.gov

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 for both single and joint filers.
Write: Kentucky Department of Revenue, 501 High Street, Frankfort KY 40601
Phone: (502) 564-4581.
Website: www.revenue.ky.gov
Email: Link through the website's "Contact Us" tab.

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; 4 percent over $12,500 for singles and over $25,000 for joint filers, and 6 percent 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.
Website: www.revenue.louisiana.gov
Email: Link through the website's "Contact LDR Online tab" on the "Contact Us" page.

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 also 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 2016 tax rate is 5.8 percent on Maine taxable income below $21,050 for singles and $42,100 for joint filers, 6.75 percent up to $37,500 for singles and $75,000 for married filing jointly, and 7.15 percent over those amounts.
Write: Maine Revenue Services, Income Tax Assistance, P.O. Box 9107, Augusta ME 04332-9107.
Phone: (207) 626-8475.
Website: www.maine.gov/revenue
Email: income.tax@maine.gov

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 singly 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 1.75 percent in Worcester County (and for non-residents) to 3.2 percent in Baltimore City, and in Montgomery, Prince George's, Queen Anne's, Wicomico and Howard counties (see website for details for all counties).
Write: Comptroller of Maryland, Revenue Administration Center, Taxpayer Service Section, 110 Carroll Street, Annapolis MD 21411-0001.
Phone: Toll-free 1 (800) 638-2937, or (410) 260-7980.
Website: www.marylandtaxes.com
Email: taxhelp@comp.state.md.us

MASSACHUSETTS

Individuals domiciled in Massachusetts are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Salaries and most interest and dividend income are taxed at a flat rate of 5.10 per cent for 2016. Some income (e.g., short-term capital gains) remains taxed at 12 percent.
Write: Massachusetts Department of Revenue, Taxpayer Services Division, P.O. Box 7010, Boston MA 02204.
Phone: (617) 887-6367.
Website: http://www.mass.gov/dor/
Email: Link through the website's "Contact Us" tab.

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. Michigan's tax is 4.25 percent. Some Michigan cities impose an additional 1- or 2-percent income tax. Detroit imposes an additional 2.4-percent income tax.
Write: Michigan Department of Treasury, Lansing MI 48922.
Phone: (517) 636.4486 for income tax questions.
Website: www.michigan.gov/treasury
Email: treasIndTax@michigan.gov

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 2016 is 5.35 percent on taxable income up to $25,180 for singles or $36,820 for married joint filers, rising in three steps to a maximum of 9.85 percent on taxable income over $155,650 for single filers or $259,420 for married filing jointly.
Write: Minnesota Department of Revenue, 600 North Robert St., St. Paul MN 55146-5510.
Phone: (651) 296-3781.
Website: www.taxes.state.mn.us
Email: individual.incometax@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) 923-7700.
Website: www.dor.ms.gov
Email: Link through the website's "Contact Us" tab.

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.
Website: www.dor.mo.gov
Email: income@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 2016 rises in six steps from 1 percent of taxable income under $2,900 to a maximum of 6.9 percent of taxable income over $17,400. See the website for various deductions and exemptions.
Write: Montana Department of Revenue, P.O. Box 5805, Helena MT 59604-5805.
Phone: 1 (866) 859-2254 or (406) 444-6900.
Website: www.revenue.mt.gov/home
Email: Link through the website's "Contact Us" tab.

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 2016 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 $29,590 for singles and $59,180 for joint filers. If AGI 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.
Website: www.revenue.state.ne.us
Email: Link through the website's "Contact Us" tab.

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: 1 (866) 962-3707 or (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: New Jersey Division of Taxation, Technical Services Branch, P.O. Box 281, Trenton NJ 08695-0281.
Phone: (609) 292-6400.
Website: www.state.nj.us/treasury/taxation
Email: Link through the website's "Contact Us" tab.

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 in four steps from a minimum of 1.7 percent 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.
Website: www.tax.newmexico.gov/
Email: Link through the website's "Email Us" tab.

NEW YORK

There is no tax liability for out-of-state income if you have no permanent residence in New York, have a permanent residence elsewhere and are not present in the state more than 30 days during the tax year OR you were in a foreign country for at least 450 days during any period of 548 consecutive days; and you, your spouse and minor children spent 90 days or less in New York State during this 548-day period. 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 $21,300 for single filers and $42,750 for married filing jointly; 6.65 percent on taxable income over $80,150 for single filers and $160,500 for joint filers; 6.85 percent on taxable income over $214,000 for single filers or $321.050 for joint filers; and 8.82 percent over $1,070,350 for single filers and over $2,140,900 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 USUN for a normal tour of duty are considered to be resident in NY State for tax purposes. See TSB-M-09(2)I of Jan. 16, 2009, 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.
Website: www.tax.ny.gov
Email: Link through the website's "Answer Center" tab.

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. 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 (919) 814-9701.
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 2016 tax year, the tax rate ranges in four steps from 1.1 percent on North Dakota taxable income up to $37,650 for singles and $62,900 for joint filers to a maximum of 2.90 percent on taxable income over $413,350 for singles 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.
Website: www.nd.gov/tax
Email: individualtax@nd.gov

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 0.495 percent on taxable income under $5,200, rising in seven steps to a maximum of 4.997 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.
Website: www.tax.ohio.gov
Email: Link through the website's "Contact Us" tab.

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 for 2016 rises in eight stages to a maximum of 5 percent on taxable income over $7,200 for single filers and $12,200 for married filing jointly.
Write: Oklahoma Tax Commission, Income Tax, P.O. Box 26800, Oklahoma City OK 73126-0800.
Phone: (405) 521-3160.
Website: www.tax.ok.gov
Email: otcmaster@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 2016, Oregon's tax rate rises from 5 percent on taxable income over $3,350 for single filers and $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: 1 (800) 356-4222, or (503) 378-4988.
Website: www.oregon.gov/DOR
Email: questions.dor@state.or.us

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.
Website: www.revenue.pa.gov
Email: Link through the website's "Contact Us" tab.

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 any income from sources outside Puerto Rico. Taxes range from 7 percent of taxable income up to $25,000 to 33 percent of taxable income over $61,500 for all taxpayers.
Write: Departamento de Hacienda, P.O. Box 9024140, San Juan PR 00902-4140.
Phone: (787) 622-0123.
Website: www.hacienda.gobierno.pr
Email: infoserv@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 2016 Rhode Island tax rate is 3.75 percent of taxable income up to $60,850 for all filers, 4.75 percent of income over $60,850 and 5.99 percent of taxable income over $138,300 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.
Website: www.tax.state.ri.us
Email: Tax.Assist@tax.ri.gov

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 2016 tax rates rise in six steps from 3 percent on the first $5,840 of South Carolina taxable income to a maximum of 7 percent of taxable income over $14,600.
Write: South Carolina Tax Commission, P.O. Box 125, Columbia SC 29214.
Phone: 1 (844) 898-8542 Option 3, or (803) 898-5000.
Website: www.sctax.org
Email: iitax@dor.sctax.gov or through the "Contact Us" tab on the website.

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 East Capitol Ave., Pierre SD 57501-3185.
Phone: (605) 773-3311.
Website: http://dor.sd.gov
Email: Link through the website's "Contact Us" tab.

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 (single filers) or $2,500 (joint filers) in the tax year.
Write: Tennessee Department of Revenue (Attention: Taxpayer Services), 500 Deaderick St., Nashville TN 37242.
Phone: (615) 253-6000.
Website: www.tn.gov/revenue/
Email: TN.Revenue@tn.gov

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: 1 (800) 252-5555.
Website: www.comptroller.texas.gov/
Email: Use email options on "Contact Us" page of the website.

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 website for explanation).
Write: Utah State Tax Commission, Taxpayer Services Division, 210 North 1950 West, Salt Lake City UT 84134.
Phone: toll-free (800) 662-4335, Option 0, or (801) 297-2200, Option 0.
Website: www.tax.utah.gov
Email: Link through the website's "Contact Us" tab.

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 2016 tax rate ranges from 3.55 percent on taxable income under $37,650 for singles and $62,850 for joint filers to a maximum of 8.95 percent on taxable income over $413,350 for singles and joint filers.
Write: Vermont Department of Taxes, Taxpayer Services Division, 133 State St., Montpelier VT 05633-1401.
Phone: (802) 828-2865.
Website: www.tax.vermont.gov/
Email: tax.individualincome@vermont.gov or through the website's "Contact Us" tab.

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.
Website: www.tax.virginia.gov
Email: Link through the website's "Contact Us" tab.

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

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.
Website: www.wvtax.gov
Email: TaxHelp@WV.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 2016 tax rate rises in four steps from 4 percent on income up to $11,150 for single filers or $14,820 for joint filers to a maximum of 7.65 percent on income over $244,750 for single filers or $326,330 for joint filers.
Write: Wisconsin Department of Revenue, Individual Income Tax Assistance, P.O. Box 59, Madison WI 53708-0001.
Phone: (608) 266-2486.
Website: www.revenue.wi.gov
Email: Through the "Contact Us" link on the website.

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.
Website: http://revenue.wyo.gov/
Email: dor@wyo.gov

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 8.65 percent. See also www.revenue.alabama.gov/taxpayerassist/retire.pdf.

ALASKA

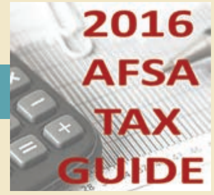
No personal income tax. Most municipalities levy sales and/or use taxes of between 2 and 7 percent and/or a property tax. If over 65, you may be able to claim an exemption.

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. Social Security is excluded from taxable income. 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 IRA is exempt (to a maximum of $6,000 overall). Social Security is excluded from taxable income. 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 excluded from taxable income. The sales and use tax rate varies from 7.5 percent (the statewide rate) to 11 percent in some areas. CA Pub 71 lists all rates statewide.

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 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. Social Security is excluded from taxable income. 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

Up to $35,000 of retirement income may be excluded for those aged 62 or older or totally disabled. Up to $65,000 of retirement income may be excludable for taxpayers who are 65 or older. Social Security is excluded from taxable income. 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 excluded from taxable income. Hawaii charges a general excise tax of 4 percent instead of sales tax.

IDAHO

If the individual is age 65 or older, or age 62 and disabled, Civil Service Retirement System and Foreign Service Retirement and Disability System pensions qualify for a deduction in 2016 of a maximum of $27,876 for a single return and up to $41,814 for a joint return. 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 8.45 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 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 excluded from taxable income. Sales tax and use tax is 7 percent.

IOWA
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, and single persons who are 65 years or older on Dec. 31 may file for an exemption if their income is $24,000 or less. Social Security is excluded from taxable income. 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 over 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 retired before Jan. 1, 1998. If retired after Dec. 31, 1997, pension/annuity income up to $41,110 remains fully excludable for 2016. Social Security is excluded from taxable income. Sales and use tax is 6 percent statewide, with no local sales or use taxes.

LOUISIANA
Federal retirement benefits are exempt from 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. Social Security is excluded from taxable income. 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.

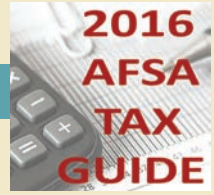
MAINE
Recipients of a government-sponsored pension or annuity who are filing singly may deduct up to $10,000 ($20,000 for married filing jointly) on income that is included in their Federal Adjusted Gross Income, reduced by all Social Security and railroad benefits. For those aged 65 and over, there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

MARYLAND
Those over 65 or permanently disabled, or whose spouse is permanently disabled, may under certain conditions be eligible for Maryland's maximum pension exclusion of $29,200. 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 excluded from taxable income. 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
Pension benefits included in Adjusted Gross Income from a private pension system or an IRA 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. If born after 1952, not eligible for any exemption until reaching age 67. Social Security is excluded from taxable income. 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 would not be required



to file an income tax return. All federal pensions are taxable, but single taxpayers who are over 65 or disabled may exclude some income if Federal Adjusted Gross Income is under $33,700 and nontaxable 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 IRAs 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 $33,190. Those over 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 aged 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 excluded from taxable income. 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 increase the total to 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 N.Y. Tax 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 http://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. In Tax Year 2014 and later, the $4,000 deduction is no longer available. For those over 65, an extra $750 (single) or $1,200 (couple) may be deducted. Social Security is excluded from taxable income. 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 excluded from taxable income. 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 excluded from taxable income. 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 FERS/FSPS 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., CSRS and FSRDS—"old system"—including the CSRS/FSRDS portion of an annuity paid under both systems) is exempt. Social Security included in FAGI 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. For those 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. Social Security is excluded from taxable income. Oregon has no sales tax.

PENNSYLVANIA

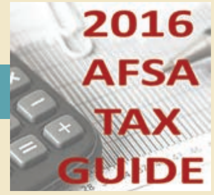
Government pensions and Social Security are not subject to personal income tax. Pennsylvania sales tax is 6 percent. Other taxing entities may add up to 2 percent.

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 excluded from taxable income.

RHODE ISLAND

U.S. government pensions and annuities are fully taxable. Social Security is taxed to the



extent it is federally taxed. Sales tax is 7 percent; meals and beverages 8 percent.

SOUTH CAROLINA

Individuals under age 65 can claim a $3,000 deduction on qualified retirement income; those age 65 or over may claim a $15,000 deduction on qualified retirement income ($30,000 if both spouses are over 65), but must reduce this figure by any other retirement deduction claimed. Social Security is excluded from taxable income. 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 IRAs and TSP 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 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 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. Social Security is taxed to the extent it is federally taxed. 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 65 receive an additional personal exemption of $800. Social Security is excluded from taxable income. 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

$2,000 of any civil or state pension is exempt. Social Security income is taxable only to the extent that the income is includable in Federal Adjusted Gross Income. Taxpayers 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. Social Security is excluded from taxable income. 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. Those over 65 and with a FAGI of less than $15,000 (single filers) or $30,000 (joint filers) may exclude $5,000 of income from federal retirement systems or IRAs. Those over 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. ■