

Indiana Department of Revenue  
Nonresident Military Spouse  
Earned Income Deduction

2025

Enclose this schedule with the filing of Form IT-40PNR.

Military servicemember's spouse's name

Servicemember's Spouse's  
Social Security Number

Military servicemember's name

Servicemember's  
Social Security Number

Part 1: Figure Your Deduction

Military spouse's earned income from Indiana sources

Round all entries

1. Servicemember's spouse's wages as reported on Line 1B or 2B of Indiana's Schedule A  1  .00
2. a. Business income from line 7B of Indiana's Schedule A  2a  .00
- b. Servicemember's spouse's portion of line 2a  2b  .00
3. Add lines 1 and 2b. This is the servicemember's spouse's earned income from Indiana sources. Enter on Indiana's Schedule C under line 11. Identify by using 3-digit code 625  3  .00

Part 2: Additional Information

1. Enter 2-letter code for your state of domicile (e.g., IN for Indiana)
2. Are you including the income from line 3 on your state of domicile's tax return? Yes ☐ No ☐ N/A ☐

If you answered No or N/A, explain

**Note.** Pursuant to IC 6-8.1-7-1(b), information provided on this form may, upon request, be disclosed to the tax department in your state of domicile. Any information disclosed will remain confidential and used solely for tax collection purposes.

You must enclose a copy of the servicemember's military W-2 when claiming this deduction.



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## Instructions for the Nonresident Military Spouse Earned Income Deduction

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

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

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

\*Earned income for purposes of this deduction includes:

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

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

### Part 1 – Figure Your Deduction

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

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

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

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

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

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

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

### Part 2 – Additional Information

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

*Example.* Tom should enter KS for Kansas.

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

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

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

### Final Thoughts

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

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