



# Anneken, Huey & Moser<sup>PLLC</sup>

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Here's the Tax Beat broadcast for April 15

Subject Line: Houston, We Have a Deduction

Four astronauts left Florida on April 1st. Ten days and 694,000 miles later, they splashed down in the Pacific off California. That makes Artemis II the most expensive coast-to-coast trip in American history—roughly \$4 billion, or about \$5,700 a mile. You could fly first class from Orlando to San Diego about 6,600 times for that price. But you wouldn't get to see an eclipse from behind the moon, so there's that.

The crew named their Orion capsule "Integrity." (Which is exactly what you'd want your tax and financial advisors to name their firm.) They traveled farther from Earth than any human in history, beating Apollo 13's record by over 4,000 miles. They photographed the moon's far side and endured a malfunctioning toilet for nine days. They hit Mach 33 on reentry. And the whole thing launched on April Fools' Day, which is either poetic or something someone in Houston should answer for.

Speaking of Apollo 13, that mission produced the greatest tax moment in spaceflight history. Astronaut Jack Swigert, a last-minute crew addition, radioed Mission Control 24 hours after launch to confess he'd forgotten to file his taxes. "It ain't too funny," he told a laughing ground crew. "Things kind of happened real fast down there, and I do need an extension." The IRS granted one, classifying him as a citizen abroad. Fifty-six years later, though, the IRS still doesn't care how far away you are. Their gravitational pull is stronger than the moon's.

But here's where Artemis II gets interesting from a tax perspective. The crew launched from Florida, with no income tax. They landed in California, with a 13.3% top rate, the highest in the galaxy. (Okay, the country. But it feels galactic.) That's like leaving a party through the front door and accidentally walking into an audit. So does California get to tax them? Probably not. The American astronauts are federal employees domiciled at Johnson Space Center in Houston, Texas—another no-income-tax state. Domicile drives state tax obligations for W-2 earners. And California's Franchise Tax Board—famously aggressive about taxing anyone physically present in the state—can't override that for federal employees on temporary duty. Splashing down off San Diego isn't "working in California." The FTB may have a long arm, but it doesn't reach orbit.

Then there's the really far-out question: where exactly were they "working" for the other nine days? The Outer Space Treaty of 1967 says outer space—including the moon—is "not subject to national appropriation by claim of sovereignty." So for state tax purposes, those workdays happened . . . nowhere. The ultimate tax-free work zone. The tax code says nothing about lunar income. The IRS hasn't issued guidance on sourcing wages earned 252,000 miles above Earth. And no state can claim jurisdiction over a workplace that's under no nation's flag.

Of course, federal taxes don't care about geography at all. Uncle Sam taxes U.S. citizens on worldwide income, whether you earn it in Topeka, Tokyo, or the Sea of Tranquility. There's a "foreign earned income exclusion" for wages earned outside the U.S. that are taxed in the host country. But government employees are generally ineligible, and the IRS doesn't consider space a "foreign country." (Though at 252,000 miles, it's hard to get more foreign.)

Then there's Jeremy Hansen, the Canadian astronaut. Canada taxes their citizens on worldwide income too. Hansen was on an American rocket, paid by the Canadian Space Agency, orbiting the moon. His tax return probably needs its own mission control.

We can't launch you to the moon to escape your state tax bill. But we can plan your reentry so the landing doesn't cost more than the trip. Give us a call! Unlike NASA, we won't put you in orbit to prove it.

Kevin

