

MILITARY TAX TIPS

Moving Expenses: If you are a member of the Armed Forces on active duty and you move because of a permanent change of station, you can deduct the reasonable unreimbursed expenses of moving you and members of your household.

Combat Pay: If you serve in a combat zone as an enlisted person or as a warrant officer for any part of a month, all your military pay received for military service that month is not taxable. For officers, the monthly exclusion is capped at the highest enlisted pay, plus any hostile fire or imminent danger pay received. You do not actually need to show the exclusion on your tax return because income that qualifies for the combat zone exclusion is not included in the wages reported on your Form W-2.

Extension of Deadlines: The time for taking care of certain tax matters can be postponed. The deadline for filing tax returns, paying taxes, filing claims for refund, and taking other actions with the IRS is automatically extended for qualifying members of the military.

Uniform Cost and Upkeep: If military regulations prohibit you from wearing certain uniforms when off duty, you can deduct the cost and upkeep of those uniforms, but you must reduce your expenses by any allowance or reimbursement you receive.

Joint Returns: Generally, joint returns must be signed by both spouses. However, when one spouse may not be available due to military duty, a power of attorney may be used to file a joint return.

Travel to Reserve Duty: If you are a member of the US Armed Forces Reserves, you can deduct unreimbursed travel expenses for traveling more than 100 miles away from home to perform your reserve duties.

ROTC Students: Subsistence allowances paid to ROTC students participating in advanced training are not taxable. However, active duty pay - such as pay received during summer advanced camp - is taxable.

Transitioning Back to Civilian Life: You may be able to deduct some costs you incur while looking for a new job. Expenses may include travel, resume preparation fees, and outplacement agency fees. Moving expenses may be deductible if your move is closely related to the start of work at a new job location, and you meet certain tests.

Sale of Home: You may not have to pay tax on all or part of the gain from the sale of your main home. You normally have to pass the ownership test (owned home for at least 2 years) and the use test (lived in the home for at least 2 years of the last 5-year period). You can choose to have the 5-year test period for ownership and use suspended during any period you or your spouse serve on qualified official extended duty as a member of the Armed Forces.

Forgiveness of Decedent's Tax Liability: Tax liability can be forgiven, or if already paid, refunded, if a member of the U.S. Armed Forces dies while in active service in a combat zone, from wounds, disease, or other injury received in a combat zone, or from wounds or injury incurred in a terrorist or military action.