

Veterans' ★ Expo & Job Fair

Tax Planning Tips for Armed Forces Personnel

More than 1.3 million American men and women are in the U.S. armed forces, according to recent statistics from the Defense Manpower Data Center. Those who serve our country should be aware that there are special tax benefits available to them. The Pennsylvania Institute of Certified Public Accountants offers these tips on how to make the most of them.

More Time to File

Normal tax deadlines and other tax-related actions are postponed for armed forces members who are actively serving in combat zones (and those serving in support of them). The deadline for taking actions with the IRS is extended for 180 days after the later of the last day you are in a combat zone or the last day of any continuous qualified hospitalization for injury from service in a combat zone. In addition to the 180 days, the deadline is extended by the number of days that were left to take the action with the IRS when the service member entered a combat zone. In an example cited by the IRS, a service person who began serving in a combat zone on March 1 would be given a 226-day extension after his or her last day in the combat zone for performing certain actions applicable to his or her taxes, including filing and paying taxes for that year. The extension period includes the 46 days that were left before the April 15 deadline when he or she entered the combat zone (March 1 through April 15), plus 180 days. Extensions, which also generally apply to the service person's spouse and dependent children, encompass other areas, including qualified retirement contributions to an IRA and estimated tax payments.

Exclusions from Income

Military personnel who receive combat pay for serving in a combat zone—or for a month in which he or she was hospitalized with injury or illness received in a combat zone—will generally be able to exclude that pay from the wages reported on the W-2, which means it is not taxable. A CPA can provide more details on income exclusions for service members and on combat zones, which are designated by an executive order from the president.

Deductions for Service Personnel

As a general rule, taxpayers can deduct moving expenses only if they have a new job that is at least 50 miles farther from their old home than their previous job was, and if they work full-time for at least 39 weeks during the first 12 months immediately following their arrival in the general area of the new job location. Armed forces members on active duty can deduct unreimbursed moving expenses without meeting either of these tests if they are relocating because of a permanent change of station. Related travel expenses are also deductible. When moving to a foreign country or between foreign countries, service members can also generally deduct the costs of storing their possessions.

Breaks for Reservists

Armed forces reservists may be able to deduct expenses for overnight travel that takes them more than 100 miles from home while performing their service. They may also be exempted from the 10 percent IRA early withdrawal penalty if they tap into these retirement accounts to cover hardship costs when they are called up.

Savings and Retirement Options

Members of the armed forces are eligible to participate in the Thrift Savings Plan (TSP), a federal savings and retirement program. Those who contribute amounts from their combat pay into a Roth TSP or Roth IRA are able to maximize their retirement nest eggs, since the combat pay and qualified Roth distributions are both tax free.

Your CPA Can Help

Your local CPA can offer members of the armed forces, and their families, reliable answers to questions relating to taxes and any other financial issues. Turn to him or her for help with all your financial concerns.

Visit PICPA's [consumer page](http://www.picpa.org/consumers) (www.picpa.org/consumers) for more resources or to find a CPA by location or area of expertise.

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