

IRS



Fact Sheet

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INFORMATION FOR TAXPAYERS SERVING IN THE ARMED FORCES

WASHINGTON – The Internal Revenue Service reminds taxpayers serving in the military to take advantage of all tax exclusions and filing and payment extensions available to them.

Detailed information about these exclusions and extensions is available from the IRS at www.irs.gov under the Armed Forces Tax Benefits section.

Exclusions:

Members of the U.S. Armed Forces who serve in a combat zone or qualified hazardous duty area can exclude certain pay from income. Enlisted personnel, warrant officers and commissioned warrant officers can exclude:

- Active duty pay earned in any month served in a combat zone.
- Imminent danger/hostile fire pay and military pay earned while hospitalized as a result of wounds, disease or injury incurred in the combat zone.
- A reenlistment bonus if the voluntary extension or reenlistment occurs in a month served in combat zone.
- Pay for accrued leave earned in any month served in combat zone. (The Department of Defense must determine that the unused leave was earned during that period.)
- Pay received for duties as a member of the Armed Forces in clubs, messes, post and station theaters and other non-appropriated fund activities earned in a month served in a combat zone.
- Awards received for suggestions, inventions or scientific achievements because of a submission made in a month in a combat zone.

A commissioned officer (other than a commissioned warrant officer) may exclude pay according to the rules above, but the amount of the exclusion is limited to the highest rate of enlisted pay (plus imminent danger/hostile fire pay received) for each month during any part of which he or she served in a combat zone. For 2002, this limit was \$5,532.90 and for 2003, it is \$5,882.70.

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Extensions

The IRS automatically extends the deadline for filing tax returns, paying taxes, filing claims for refund and taking other actions related to federal income tax for U.S. Armed Forces personnel serving in a combat zone. The IRS also extends the deadline for those in the U.S. Armed Forces deployed overseas away from their permanent duty station in support of operations in a qualified hazardous duty area but outside the qualified hazardous duty area.

The deadline for filing returns, making payments or taking any other action with the IRS is extended for at least 180 days after:

- The last day of qualifying combat zone service, or
- The last day of any continuous qualified hospitalization for injury from service in the combat zone.

COMBAT ZONES

A combat zone is any area the President of the United States designates by Executive Order as an area in which the U.S. Armed Forces are engaging or have engaged in combat. Usually, an area becomes a combat zone and ceases to be a combat zone on the dates the President designates by Executive Order.

The following is a comprehensive list of combat zones:

- The following locations (and airspace above) in the Persian Gulf area were designated as a combat zone beginning January 17, 1991. The area includes the Persian Gulf, the Red Sea, the Gulf of Oman, the part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar and the United Arab Emirates.
- Kosovo area, beginning Mar. 24, 1999 -- Federal Republic of Yugoslavia (Serbia and Montenegro), Albania, the Adriatic Sea and the Ionian Sea north of the 39th Parallel.
- Afghanistan, beginning Sept. 19, 2001.

Public Law 104-117 designates three parts of the former Yugoslavia as a Qualified Hazardous Duty Area, to be treated as if it were a combat zone, beginning Nov. 21, 1995 -- Bosnia and Herzegovina, Croatia, and Macedonia.

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In addition, the Department of Defense has certified these locations for combat zone tax benefits due to their direct support of military operations in the Afghanistan combat zone (Operation Enduring Freedom), beginning on the listed dates:

Pakistan, Tajikistan and Jordan - Sept. 19, 2001
Incirlik Air Base, Turkey - Sept. 21, 2001
Kyrgyzstan and Uzbekistan - Oct. 1, 2001
Philippines - Jan. 9, 2002
Yemen - Apr. 10, 2002
Djibouti - July 1, 2002

Additional information is available at www.irs.gov under "Armed Forces Tax Benefits."

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