

IRS News Release

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Combat Pay Can Count toward Economic Stimulus Payment Eligibility

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WASHINGTON — Military personnel serving in combat zones have the option of including their nontaxable combat pay on their 2007 or 2008 income tax returns if it helps their eligibility for the 2008 economic stimulus payments.

To receive the stimulus payment this year, combat zone personnel or their spouses must file a 2007 income tax return by Oct. 15. Otherwise, they can claim the economic stimulus payment on next year's income tax return.

"The last thing we want our troops in Iraq or other war zones to worry about are their tax returns. But we do want the troops, and their families stateside, to know they may qualify for the economic stimulus payment," said Linda E. Stiff, Acting Commissioner of the Internal Revenue Service.

Starting in May, the IRS will issue economic stimulus payments of up to \$600 (\$1,200 for married couples) plus a \$300 payment for each qualifying child younger than 17. The payments are based on 2007 income tax returns. The payments for individuals will begin to phase out starting at \$75,000 in adjusted gross income (\$150,000 for married couples).

Even individuals and families who normally do not file a tax return because they have no filing requirement may qualify for an economic stimulus payment. They may be eligible for the minimum payment of \$300 (\$600 for married couples) plus the \$300 for each qualifying child younger than 17.

People must have at least \$3,000 in qualifying income to get a payment. Qualifying income is defined as any combination of earned income (such as wages or taxable income from self-employment), nontaxable combat pay and certain benefits from Social Security, Veterans Affairs and Railroad Retirement.

Military personnel who normally would not file an income tax return because their 2007 income is not taxable can file a simple Form 1040A with the IRS if they want to receive the economic stimulus payment. They should report their nontaxable combat pay on Line 40b of the Form 1040A to show at least \$3,000 in qualifying income. The Department of Defense lists the amount of excluded combat pay, along with the designation, "Code Q," in Box 12 of Forms W-2.

If a military person is serving in a combat zone, his or her normal tax filing requirement is extended until at least 180 days after leaving a combat zone. However, spouses or others with a power of attorney can prepare and file a 2007 income tax return on their behalf so that the stimulus payment is received this year.

The IRS has developed [Package 1040A-3](#), an 8-page publication containing tax tips, a sample Form 1040A and a blank Form 1040A. The package, available at www.irs.gov, contains everything needed to file the return immediately.

To ensure that a stimulus payment will be received in 2008, the return must be filed by Oct. 15 to allow sufficient time for processing.

There are a number of special tax code provisions that apply to members of the military serving in combat zones. They include:

- All military pay earned by enlisted personnel or warrant officers is excluded from gross income;
- Monthly pay of up to \$6,867.60 earned by commissioned officers is excluded from 2007 gross income.
- All military pay earned by enlisted personnel hospitalized because of injuries sustained in a combat zone is excluded from gross income during the period of hospitalization. The exclusion is limited to two years after the date of the termination of combatant activities in the combat zone.
- Commissioned officers hospitalized because of injuries sustained in a combat zone have a monthly maximum exclusion of \$6,867.60 for 2007 and have the same two-year limitation.
- Military personnel who miss a tax filing deadline because they are in a combat zone have 180 days after they leave that combat zone to file a tax return, if they have taxable income.

All the provisions also apply to members of the Reserves and the National Guard.

The IRS reminds filers that they can get their stimulus payments faster by using direct deposit when they file their tax return.

In addition, the IRS urges people to file electronically. For people who normally are not required to file a tax return, the IRS and the Free File Alliance have a special program set up to allow for free electronic filing. For those with computer access, IRS [Free File – Economic Stimulus Payment](#) is available at IRS.gov.