

Tips provided for Army community tax benefits

DANIEL P. MCKERNAN

Legal Assistance Office

Nov. 11, 2003, President Bush signed into law the Military Family Tax Relief Act of 2003. Among the act's provisions are tax breaks related to military personnel. This article will explain the act regarding possible tax benefits that may be due to military personnel. This article provides a very simplified overview of the act. For greater details, you are advised to talk to a tax attorney, tax accountant or a commercial tax preparer.

Sale of principal residence

A taxpayer on qualified official extended duty in the U.S. Armed Services or the Foreign Service may suspend for up to 10 years of such duty time the running of the five-year ownership-and-use period before the sale of a residence. This applies when the duty station is at least 50 miles from the residence – or while the person is residing under orders in government housing – for a period of more

than 90 days or for an indefinite period. This election, which is an option for the taxpayer, applies to only one property at a time and is retroactive for home sales after May 6, 1997.

Although taxpayers normally have only three years to file an amended return, qualifying taxpayers who sold a residence before 2001 had until Nov. 10, 2004, to amend their returns for this purpose. Military personnel and individuals in support of the U.S. Armed Forces serving in a combat zone during the period Nov. 11, 2003, through Nov. 10, 2004, may be entitled to additional time to amend their returns.

Taxpayers amending a return to use this provision should put "Military Family Tax Relief Act" in red in the top margin of Form 1040X.

Death gratuity

The death gratuity paid to survivors of deceased servicemembers increases to \$12,000 and is not taxable (was \$6,000 with \$3,000 tax-free). This

change is effective for deaths occurring after Sept. 10, 2001. Taxpayers amending a return to use this provision should put "Military Family Tax Relief Act" in red in the top margin of Form 1040X.

Deduction for overnight travel

Reservists who stay overnight more than 100 miles away from home while attending drills or meetings may deduct unreimbursed transportation, meals and lodging expenses. The deduction is limited to the rates for such expenses authorized for federal employees, including per diem in lieu of subsistence. This change is effective for tax years after 2002.

Taxpayers use Form 2106 or 2106-EZ to figure the deduction amount and enter it as an adjustment to income on Form 1040, line 24. For 2003, they carried it as a "write-in" to Form 1040, line 33, and you should put the letters "RC" and the amount on the dotted line and include this subtraction in the entry for line 33.

Homeowners assistance program

Payments made after Nov. 11, 2003, under this program, to offset the adverse effects on housing values of military base realignments or closures, will be excludable from income as a fringe benefit.

Combat zone extensions

The various extensions granted to combat zone participants to file returns or pay taxes will also apply to those serving in contingency operations, as designated by the Secretary of Defense. This change is effective for any acts whose deadline has not expired before Nov. 11, 2003.

Dependant care assistance

The act clarifies that benefits received by military personnel through dependent care assistance programs are excludable. This change is effective for tax years after 2002.

Military academy attendees

This change eliminates the 10 percent tax on payments from a qualified tuition program or Coverdell Education Savings Account that are not used for educational expenses and does not apply to attendees of the U.S. Military, Naval, Air Force, Coast Guard or Merchant Marine Academies, provided the payments do not exceed the costs of advanced education. This change is effective for tax years after 2002.



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