# Military Worksheet

DIAMOND FINANCIAL CORPORATION

| | |
|---|---|
| Name: | Social Security Number: |
| Branch of Military and rank: | Post of Duty: |

| | |
|---|---|
| Are you Active, Full Time Military? | Yes No |
| Are you a Reservist? | Yes No |
| Is you home more than 100 miles away from your assigned post of duty? | Yes No |

## Active Duty

*YourW-2 "Should" reflect the non-taxable income earned during the months you were in a combat zone.*

| | |
|---|---|
| Do you have any income which is non-taxed due to the above extension? | Yes or No |
| Has this income been excluded from your W-2? | Yes or No |
| What is the total dollar amount of the combat zone excluded income? | $ |

This income may or may not be used to calculate certain tax credits. The IRS gives you the option of including this income to qualify for income based deductions and credits. We will calculate the most beneficial way to utilize this income.

## Reservist

*If you travel over 100 miles to your post of duty for your reserve or National Guard activities, your unreimbursed expenses are deductible. This covers persons traveling to drills, meetings, training exercises, and summer camps. This deduction includes meals, lodging and transportation expenses, and is based on the rates applied to federal employees. Further, military personnel are no longer required to itemize deductions in order to receive this benefit, as these expenses are now considered "over the line" deductions.*

| | | | |
|---|---|---|---|
| Number of nights spent at Post | | Number of miles from home to post | |
| Did the Military Provide Housing | Yes or No | Three Letter City Code Location of Post | |
| Hotel/Housing Expense paid by you | $ | Were you paid a per diem | Yes or No |
| Local Transportation during Guard/Reserve | $ | What was the total per diem paid | $ |
| | | Local miles driven while at post | mi. |

**Reservists called to active duty between 9/11/01**
**Did you incur a 10% early withdrawal penalty on any Retirement Account distribution taken while on active duty? Yes or No**
**Legislation enacted in 2006 eliminates this penalty if you qualify. If you have paid this penalty on a prior year return, you should amend that return to receive a refund. Contact us for details.**

## General Military Deductions

| | | | |
|---|---|---|---|
| Uniform Purchase | $ | Uniform Maintenance | |
| Uniform Shoes | $ | Home Laundering Expense | $ |
| Uniform Accompaniments | $ | Professional Laundering Expense | $ |
| Subscriptions to Military related publications | $ | Dry Cleaning Expense | $ |
| Professional Dues | $ | Shoe Shine/Supplies | $ |
| Job-Related Training | $ | Military Business Cards | $ |
| Personal Organizer | $ | Military Copy/Fax Expense | $ |
| Log Book | $ | Military Mailing Expense | $ |
| Foreign Visa | $ | Military Phone Expense | $ |
| Passport Fee | $ | Offices Supplies | $ |
| Passport Photo | $ | Misc. (specify) | $ |

## Phone Usage

*If you are on active duty – your phone calls home are deductible if you are on assignment away from your normal post of duty. If you are a reservist, your phone calls home are deductible if your home is over 100 miles from your reserve post of duty. Please complete the section below using only amounts that apply to either of these conditions.*

| | | |
|---|---|---|
| **Cell Phone** | | |
| Your cell phone base plus any additional usage is deductible to the extent that it is used under the above conditions. | $ | |
| **Calling Card** | | |
| Amount used on a calling card to call your home, home area or for military related calls? | $ | |
| **International/Domestic Pre Paid Calling Card** | | |
| Amount used on a pre paid calling card for calling your home, home area or for military related calls? | $ | Per Mo. |
| **Internet Access Fees** | | |
| Amount for internet access to communicate with home or for military related communications? | $ | Per Mo. |

## Questions / Comments

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# Military Specific Tax Exceptions

**On Nov. 11, 2003, President Bush signed into law the Military Family Tax Relief Act of 2003. Among its provisions are these tax breaks related to military personnel:**

### 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 5-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. Retroactive for home sales after May 6, 1997.

### Combat zone extensions expanded to contingency operations:

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. Effective for any acts whose deadline has not expired before Nov. 11, 2003.

### Dependent care assistance programs:

Clarifies that dependent care assistance programs for military personnel are excludable benefits. Effective for tax years after 2002.

# Questions and Answers - Military Pay Exclusion

### My husband and I are both enlisted personnel serving in the U.S. Armed Forces in the combat zone. Are we each entitled to the income tax exclusion for military pay?

Yes, each of you qualifies for the income tax exclusion for your respective military pay.

### I am a member of the U.S. Armed Forces stationed on a ship outside any combat zone. I fly missions over a combat zone as part of the military operations in that combat zone. Is any part of my military pay excluded from gross income?

Yes. The combat zone includes the airspace over it, so you are serving in the combat zone. See Q&A-2 above for a discussion of the amount of your military pay that is excluded.

### If I am injured and hospitalized while serving in the U.S. Armed Forces in a combat zone, is any of my military pay excluded from gross income?

Yes. Military pay received by enlisted personnel who are hospitalized as a result of injuries sustained while serving in a combat zone is excluded from gross income for the period of hospitalization, subject to the 2-year limitation provided below. Commissioned officers have a similar exclusion, limited to the maximum enlisted pay amount per month. (See Q&A-2 above.) These exclusions from gross income for hospitalized enlisted personnel and commissioned officers end 2 years after the date of termination of the combat zone.

### My wife is currently serving in the U.S. Armed Forces in a combat zone and will be eligible for discharge when she returns home. If she is discharged upon her return, will the payment for the annual leave that she accrued during her service in the combat zone be excluded from gross income?

Yes. Annual leave payments to enlisted members of the U.S. Armed Forces upon discharge from service are excluded from gross income to the extent the annual leave was accrued during any month in any part of which the member served in a combat zone. If your wife is a commissioned officer, a portion of the annual leave payment she receives for leave accrued during any month in any part of which she served in a combat zone may be excluded. The annual leave payment is not excludable to the extent it exceeds the maximum enlisted pay amount (see Q&A-2 above) for the month of service to which it relates less the amount of military pay already excluded for that month.

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**I am an enlisted person serving in a combat zone. If I reenlist early while I am in the combat zone and receive my reenlistment bonus several months later when I am stationed outside the combat zone, is any part of my reenlistment bonus excluded from gross income?**

Yes. The reenlistment bonus is excluded from gross income although received in a month that you were outside the combat zone, because you completed the necessary action for entitlement to the reenlistment bonus in a month during which you served in the combat zone.

**My brother, who is a civilian in the merchant marine, is on a ship that transports military supplies between the United States and the combat zone. Is he entitled to the combat zone military pay exclusion?**

No. Those serving in the merchant marine are not members of the U.S. Armed Forces. The combat zone military pay exclusion applies only to members of the U.S. Armed Forces. Neither federal civilian employees nor civilian defense contractors deployed with U.S. forces qualify for an exclusion of income earned while working in a combat zone or qualified hazardous duty area. They may, however, qualify for an extension of deadlines to file and pay taxes.

The U.S. Armed Forces include all regular and reserve components of the uniformed services that are under the control of the Secretaries of Defense, Army, Navy, and Air Force, and the Secretary of Homeland Security with respect to the Coast Guard.

**My husband is a member of the U.S. Armed Forces performing services related to a combat operation but he is not in the combat zone and he is not receiving hostile fire/imminent danger pay. Is he entitled to the military pay exclusion?**

No. U.S. Armed Forces personnel serving outside the combat zone are not entitled to the military pay exclusion unless they are serving in direct support of military operations in the combat zone for which they receive hostile fire/imminent danger pay. The Department of Defense certifies areas that meet these requirements.

**How do I certify my entitlement to the military pay exclusion?**

Your service branch must certify your entitlement on the Form W-2 it provides you. If you believe you are entitled to the exclusion, but it is not reflected on your Form W-2, ask your service branch to issue a corrected Form W-2.

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