

Information on Filing Federal Income Taxes and Deployment

1. I'm being (or have been) deployed. Do I have to file my federal income taxes by 15 April?

It depends on the location to where you have deployed. If you've deployed within the United States, then no, you don't get an automatic extension to file your federal income taxes and they are due by 15 April 2003. There should be a tax assistance office at all Army installations. You can contact the installation Legal Assistance Office for details.

If you've deployed outside the United States away from your permanent duty station, but **not** to a Combat Zone (CZ) or Qualified Hazardous Duty Area (QHDA), then you are allowed an automatic 2 month extension (until 16 June 2003) to file your income tax and pay any taxes due. However, if you owe taxes and pay them after the 15 April due date, interest will be charged from 15 April until the date the tax is paid.

To qualify for this automatic 2-month (possibly 4-month) filing extension, you must meet both of the following criteria:

1. You are a U.S. citizen or resident, and
2. On the due date of your tax return (15 April 2003) you are in military or naval service on duty outside the United States and Puerto Rico.

If you cannot file your return within the automatic 2-month extension period, you may be able to get an additional 2-month extension (until 15 August). Generally, you must file a paper Form 4868 by the end of the automatic extension period (usually 15 June) to get this additional 2-month extension. Just remember that this additional 2-month extension of time to file is **not** an extension of time to pay. Interest will accrue from the date the tax is due (15 April).

You can get the IRS Form 4868 from your local tax assistance office or from the IRS website at www.irs.gov. You would select "individuals" from the first screen, then "forms and publications" under the Resources heading on the second screen, then "forms and instructions" from the third screen. Scroll down on the fourth screen and you will find a list of publications. These are printable in .pdf format.

If you deployed to a CZ or QHDA, you need not file a tax return until 180 days after your return from the CZ or QHDA. In addition to this 180 day period, your deadline is extended also by the number of days that were left for you to file your return when you entered a CZ or QHDA (or began performing qualified service outside the CZ or QHDA). For example, you deployed on 1 March 2003. You had 45 days before you were required to file your federal income tax. You would

add 45 days to the 180 day extension, which would give you 225 days from the time you return from the CZ or QHDA to file your federal income tax. This extension for filing federal income tax also applies to your spouse, regardless of whether you file a joint or separate income tax return. It also applies to any tax returns that your dependent children are required to file. No interests or penalties accrue during this extension.

2. What locations are Combat Zones or Qualified Hazardous Duty Areas?

The current areas designated as CZ or QHDA are:

- Afghanistan area, to include the air space above it.
- The Kosovo area, which includes the Federal Republic of Yugoslavia (Serbia/Montenegro); Albania; the Adriatic Sea; and the Ionian Sea—north of the 39th parallel (including the entire airspace in connection with the Kosovo operation).
- Persian Gulf area, to include the air space above it, which 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.
- The former Yugoslavia, which includes Bosnia and Herzegovina, Croatia, and Macedonia.

3. What if I'm deployed in support of an operation within a CZ or QHDA, but I'm not actually located in a CZ or QHDA?

You may have “qualified service outside a combat zone,” which will qualify you for the same benefits as serving in the CZ. However, you must meet the following criteria to obtain the CZ benefits:

Your service is in direct support of military operations in the CZ or QHDA,
and

Your service qualifies you for special military pay for duty subject to hostile fire or imminent danger.

Remember that you must meet both criteria to have “qualified service outside a combat zone.” If you are not receiving special military pay for duty subject to hostile fire or imminent danger, then you don't qualify.

4. Do I need to include my orders or any other documentation when I file my federal income tax return to prove that I was in a CZ or QHDA?

No, you don't. Simply file your income tax return as you normally would within your extension limit and write "**COMBAT ZONE**" across the top of your federal income tax return. If the IRS feels the need to check on your claimed extension, it will be able to verify the information. No penalties or interest will be imposed for failure to file a return or pay taxes during the extension period. *The IRS, however, will pay interest on a refund from the due date of the return (15 April) if the return is timely filed after applying the extension.*

5. What if my spouse or I get a notice that the IRS wants to perform an audit or that the IRS requires some other action from me?

If the IRS takes any action or sends a notice of examination (audit) before learning that you qualify for a deadline extension, you should return the notice with "**COMBAT ZONE EXTENSION**" written across the top.

6. What income is excluded from taxation while serving in a CZ or QHDA?

Service in a CZ or QHDA entitles you to an exclusion from taxation of some, or all, of your military pay earned while serving in the CZ or QHDA. This exclusion will appear on your W-2 for the year in which the income was earned.

Enlisted personnel serving in a CZ or QHDA during any part of any month may exclude from gross income all compensation received for active service for that month. This exclusion for enlisted personnel would also apply to such income as reenlistment bonuses, student loan repayment, etc., to which one became entitled while serving in the CZ or QHDA. You don't actually have to receive the money during your service in the CZ or QHDA, only that you became entitled to the money. For example, a soldier serves in a CZ or QHDA for 5 days during a month. During that 5 days, the soldier reenlists. If the soldier is entitled to a reenlistment bonus, then that soldier became entitled to that bonus at the time of reenlistment in the CZ or QHDA, even if the soldier doesn't receive the bonus until some later date. That reenlistment bonus would be excluded from federal income taxation. The key is the date on which a person becomes entitled to the money, not necessarily when the person receives the money.

Officer personnel serving in a CZ or QHDA during any part of any month may exclude from gross income an amount of pay equal to the highest rate of enlisted pay, which is equivalent to the salary of the Sergeant Major of the Army, (plus imminent danger/hostile fire pay you received). This amount is currently **\$5,882.70**. Any income in excess of this amount each month, to include special pay or bonuses, is considered taxable income for officers.