

## Useful Items

You may want to see:

### Publication

- 54 Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 503 Child and Dependent Care Expenses
- 505 Tax Withholding and Estimated Tax
- 516 U.S. Government Civilian Employees Stationed Abroad
- 519 U.S. Tax Guide for Aliens
- 521 Moving Expenses
- 523 Selling Your Home
- 525 Taxable and Nontaxable Income
- 527 Residential Rental Property
- 529 Miscellaneous Deductions
- 553 Highlights of 2008 Tax Changes
- 559 Survivors, Executors, and Administrators
- 590 Individual Retirement Arrangements (IRAs)
- 596 Earned Income Credit (EIC)
- 970 Tax Benefits for Education
- 3920 Tax Relief for Victims of Terrorist Attacks

## Form (and Instructions)

- 1040X Amended U.S. Individual Income Tax Return
- 1310 Statement of Person Claiming Refund Due a Deceased Taxpayer
- 2848 Power of Attorney and Declaration of Representative
- 3903 Moving Expenses
- 4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- 8822 Change of Address
- 9465 Installment Agreement Request

See [How To Get Tax Help](#), near the end of this publication, for information about getting IRS publications and forms.

## Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. Included items (*Table 1*) are subject to tax and must be reported on your tax return. Excluded items (*Table 2*) are not subject to tax, but may have to be shown on your tax return.

For information on the exclusion of pay for service in a combat zone and other tax benefits for combat zone participants, see [Combat Zone Exclusion](#) and [Extension of Deadlines](#), later.

## Table 1. Included Items

These items are included in gross income, unless the pay is for service in a combat zone.

<p><b>Basic pay</b></p> <ul style="list-style-type: none"> <li>• Active duty</li> <li>• Attendance at a designated service school</li> <li>• Back wages</li> <li>• CONUS COLA</li> <li>• Drills</li> <li>• Reserve training</li> <li>• Training duty</li> </ul>	<p><b>Bonuses</b></p> <ul style="list-style-type: none"> <li>• Career status</li> <li>• Enlistment</li> <li>• Officer</li> <li>• Overseas extension</li> <li>• Reenlistment</li> </ul>
<p><b>Special pay</b></p> <ul style="list-style-type: none"> <li>• Aviation career incentives</li> <li>• Career sea</li> <li>• Diving duty</li> <li>• Foreign duty (outside the 48 contiguous states and the District of Columbia)</li> <li>• Foreign language proficiency</li> <li>• Hardship duty</li> <li>• Hostile fire or imminent danger</li> <li>• Medical and dental officers</li> <li>• Nuclear-qualified officers</li> <li>• Optometry</li> <li>• Pharmacy</li> <li>• Special duty assignment pay</li> <li>• Veterinarian</li> </ul>	<p><b>Other payments</b></p> <ul style="list-style-type: none"> <li>• Accrued leave</li> <li>• High deployment per diem</li> <li>• Personal money allowances paid to high-ranking officers</li> <li>• Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year's service (requirement) is not attributable to a combat zone</li> </ul> <p><b>Incentive pay</b></p> <ul style="list-style-type: none"> <li>• Submarine</li> <li>• Flight</li> <li>• Hazardous duty</li> <li>• High altitude/Low altitude (HALO)</li> </ul>

**Death gratuity.** Any death gratuity paid to a survivor of a member of the Armed Forces is nontaxable.

**Military base realignment and closure benefit.** Payments made under the Homeowners Assistance Program (HAP) generally are excluded from income. However, the excludable amount cannot be more than the following limit:

- 95% of the fair market value of the property for which the payments were made, as determined by the Secretary of Defense before public announcement of intent to close all or part of the military base or installation, minus
- The fair market value of the property as determined by the Secretary of Defense at the time of sale.

Any part of the payment that is more than this limit is included in income.

**State bonus payments.** Bonus payments made by a state (or a political subdivision thereof) to a member or former member of the uniformed services of the United States or to a dependent of such member are considered

combat pay (and therefore may not be taxable) if the payments are made only because of the member's service in a combat zone. See [Combat Zone](#), later, for a list of designated combat zones.



*If you received nontaxable bonus payments in an earlier year and reported them as taxable income, you may be able to amend your return for that year to claim a refund of the tax you paid on the bonus payment. Use Form 1040X to claim the refund. Generally, you can file an amended return within 3 years after you filed your original return or 2 years from the time you paid the tax, whichever is later.*

**Qualified reservist distribution (QRD).** A QRD is a distribution to an individual of all or part of the individual's balance in a cafeteria plan or health flexible spending arrangement if:

- The individual was a reservist who was ordered or called to active duty for more than 179 days or for an indefinite period, and

## Table 2. Excluded Items

The exclusion for certain items applies whether the item is furnished in kind or is a reimbursement or allowance. There is no exclusion for the personal use of a government-provided vehicle.

<p><b>Living allowances</b></p>	<ul style="list-style-type: none"> <li>• BAH (Basic Allowance for Housing). You can deduct mortgage interest and real estate taxes on your home even if you pay these expenses with your BAH</li> <li>• BAS (Basic Allowance for Subsistence)</li> <li>• Housing and cost-of-living allowances abroad whether paid by the U.S. Government or by a foreign government</li> <li>• OHA (Overseas Housing Allowance)</li> </ul>	<p><b>Combat zone pay</b></p> <ul style="list-style-type: none"> <li>• Compensation for active service while in a combat zone or a qualified hazardous duty area. Note: Limited amount for officers</li> </ul>
<p><b>Moving allowances</b></p>	<ul style="list-style-type: none"> <li>• Dislocation</li> <li>• Military base realignment and closure benefit (the exclusion is limited as described beginning on page 3)</li> <li>• Move-in housing</li> <li>• Moving household and personal items</li> <li>• Moving trailers or mobile homes</li> <li>• Storage</li> <li>• Temporary lodging and temporary lodging expenses</li> </ul>	<p><b>Family allowances</b></p> <ul style="list-style-type: none"> <li>• Certain educational expenses for dependents</li> <li>• Emergencies</li> <li>• Evacuation to a place of safety</li> <li>• Separation</li> </ul> <p><b>Death allowances</b></p> <ul style="list-style-type: none"> <li>• Burial services</li> <li>• Death gratuity payments to eligible survivors</li> <li>• Travel of dependents to burial site</li> </ul> <p><b>Other payments</b></p> <ul style="list-style-type: none"> <li>• Defense counseling</li> <li>• Disability, including payments received for injuries incurred as a direct result of a terrorist or military action</li> <li>• Group-term life insurance</li> <li>• Professional education</li> <li>• ROTC educational and subsistence allowances</li> <li>• Survivor and retirement protection plan premiums</li> <li>• Uniform allowances</li> <li>• Uniforms furnished to enlisted personnel</li> </ul>
<p><b>Travel allowances</b></p>	<ul style="list-style-type: none"> <li>• Annual round trip for dependent students</li> <li>• Leave between consecutive overseas tours</li> <li>• Reassignment in a dependent restricted status</li> <li>• Transportation for you or your dependents during ship overhaul or inactivation</li> <li>• Per diem</li> </ul>	<p><b>In-kind military benefits</b></p> <ul style="list-style-type: none"> <li>• Dependent-care assistance program</li> <li>• Legal assistance</li> <li>• Medical/dental care</li> <li>• Commissary/exchange discounts</li> <li>• Space-available travel on government aircraft</li> </ul>