

COMBAT ZONE TAX INFORMATION

EXTENSION OF DEADLINE. Armed forces members who served in a combat zone or a **qualified hazardous duty area** are allowed additional time to take care of tax matters (called a "deadline extension" in this handout). (Note: Military service members are also eligible for this filing extension if they are deployed overseas away from their normal duty station in support of Operation Joint Forge or Desert Fox. However, those service members who are neither in a combat zone or a qualified hazardous duty area (or in direct support thereof) are not eligible to exclude their pay from their gross income.) The deadline for taking actions with the IRS is extended for at least 180 days after the later of:

1. The last day the taxpayer is in a combat zone (or the last day the area qualifies as a combat zone), or
2. The last day of any continuous qualified hospitalization for injury from service in the combat zone. (Qualified hospitalization is hospitalization which resulted from an injury received while serving in the combat zone. In the case of a Persian Gulf area injury, the injury must have occurred between 2 August 1990 and the date the President, by Executive Order, terminates the combat zone, which has not yet happened.)

Beyond the 180 days, the deadline is also extended by the number of days that were left for the member to take action with the IRS when he entered the combat zone. If the member entered the combat zone before the time to take the action began, the deadline is extended by the entire time he has to take the action.

ACTIONS EXTENDED. The deadline extension provision applies to these actions:

1. Filing any return of income, estate, or gift tax (except employment and withholding taxes).
2. Paying any income, estate, or gift tax (except employment and withholding taxes).
3. Filing a petition with the Tax Court for redetermination of a deficiency or for review of a Tax Court decision.
4. Filing a claim for credit or refund of any tax.
5. Bringing a suit for any claim for credit or refund.
6. Purchasing a replacement residence to postpone paying tax on the gain on the sale of the old residence.
7. Making a qualified IRA contribution.
8. Allowing a credit or refund of any tax by IRS.
9. Assessment of any tax by the IRS.
10. Giving or making any notice or demand by the IRS for the payment of any tax or for any liability for any tax.
11. Collection by the IRS of any tax due.
12. Bringing suit by the United States for any tax due.

Note: If the IRS takes any actions listed on the previous page or sends a notice of examination before learning that the taxpayer qualifies for a deadline extension, the taxpayer should return the notice with "COMBAT ZONE EXCLUSION" written across the top. 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 if the return is timely filed after applying the deadline extension.

SPOUSES. Spouses of individuals who served in a combat zone are entitled to the same deadline extension with two exceptions:

1. The extension does not apply to a spouse for any tax year beginning more than two years after the date that combat activities end.
2. The extension does not apply to a spouse for any period the qualifying individual is hospitalized in the United States for injuries incurred in a combat zone.

COMBAT ZONE EXCLUSION. Armed forces members who serve in a combat zone or a qualified hazardous area (or in direct support thereof) may exclude certain pay from their income. They do not have to receive the pay while in a combat zone, but it must be paid for service there or for a period during which they were hospitalized as a result of their service there. The following military pay can be excluded from income:

1. Active duty pay earned in any month they served in a combat zone. Military members (enlisted or commissioned warrant officers), who serve in a combat zone during any part of a month, can exclude all of their basic pay for that month from income. Commissioned officers may exclude up to \$4,653 of their pay each month during any part of which they served in a combat zone.
2. A dislocation allowance if the move begins or ends in a month they served in a combat zone.
3. A reenlistment bonus if the voluntary extension or reenlistment occurs in a month they served in a combat zone.
4. Pay for accrued leave earned in any month they served in a combat zone.
5. Pay received for duties as a member of the armed forces in clubs, messes, post and station theaters, and other nonappropriated fund activities. The pay must be earned in a month the member served in a combat zone.
6. Awards for suggestions, inventions, or scientific achievements members are entitled to because of a submission they made in a month they served in a combat zone.

TAXPAYERS WHO SERVE IN A COMBAT ZONE SHOULD WRITE "COMBAT ZONE" ON THEIR TAX RETURN.

COMBAT ZONE. Presently there are two combat zones.

Desert Storm: The President, by Executive Order 12744, designated the following locations (including airspace) as a combat zone beginning 17 January 1991:

- * 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.

Allied Force: The President, by Executive Order 13119, designated the following locations (including airspace) as a combat zone beginning 24 March 1999:

- * The Federal Republic of Yugoslavia (Serbia/Montenegro);
- * Albania;
- * the Adriatic Sea;
- * the Ionian Sea north of the 39th parallel.

Qualified Hazardous Area: Service in Bosnia and Herzegovina, Croatia, and Macedonia after 21 November 1995.

NOTE: As of 30 June 1997, Vietnam is no longer designated as a combat zone.

Service in a combat zone. Service is performed in the Persian Gulf combat zone only if it is performed on or after 17 January 1991.

Qualifying service outside combat zone. Military service outside of a combat zone is considered performed in a combat zone if:

1. The service is in direct support of military operations in the combat zone, **and**
2. The service qualifies the member for special military pay for duty subject to hostile fire or imminent danger.

Military pay for this service will qualify for the combat zone exclusion if the other requirements are met.

Nonqualifying service in a combat zone. The following military service does not qualify as service in a combat zone:

1. Presence in a combat zone while on leave from a duty station located outside the combat zone.
2. Passage over or through a combat zone during a trip between two points that are outside of a combat zone.
3. Presence in a combat zone solely for a member's personal convenience.

Consult IRS Publication 945, Tax Information for Those Affected by Operation Desert Storm, for more information.

FORM W-2. The wages shown on the 1998 Form W-2 should not include military pay excluded from an individual's income under the combat zone exclusion provisions. Contact your local finance office if you have questions about the exclusion.

CIVILIANS: The deadline extension provisions also apply to certain civilians serving in a qualified hazardous duty area in support of the U.S. Armed Forces, such as Red Cross personnel, accredited correspondents, and civilian personnel acting under the direction of the U.S. Armed Forces in support of those forces.