

Some Tax Facts for Military Reservists

Article Highlights:

- Travel expenses
- Uniforms
- Early pension plan withdrawals

Members of the U.S. Armed Forces reserve component often have questions about the tax deductibility of expenses they incur as part of their service in a reserve unit.

A member of a reserve component of the Armed Forces is an individual who is in the:

- Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve;
- Army National Guard of the United States;
- Air National Guard of the United States; or
- Reserve Corps of the Public Health Service.

Travel Expenses – Travel related to service as a reservist is limited. Generally anyone traveling to and from a work location within the general area in which they live is unable to deduct the travel expense. That would include the travel costs of reservists going between home and their local reserve unit.

However, Armed Forces reservists who travel more than 100 miles away from home and stay overnight in connection with service as a member of a reserve component can deduct travel expenses as an adjustment to gross income. Deductible expenses include unreimbursed expenses for transportation, meals (subject to a 50% limit) and lodging, but the deduction is limited to the amount the federal government pays its employees for travel expenses; i.e., the general federal government per diem rate for lodging, meals and incidental expenses applicable to the locale, as well as the standard mileage rate for car expenses plus parking and ferry fees and tolls.

This is in lieu of deducting those expenses as a miscellaneous itemized deduction (subject to a reduction equal to 2% of adjusted gross income). Thus, this deduction can be taken even if the taxpayer does not itemize his/her deductions.

Military Uniforms - Taxpayers generally cannot deduct the cost of uniforms if they are on full-time active duty in the Armed Forces. However, Armed Forces reservists can deduct the unreimbursed cost of uniforms if military regulations restrict them from wearing their uniforms except while on duty as a reservist. If the taxpayer is a student at an Armed Forces academy, they cannot deduct the cost of the uniforms if they replace regular clothing. However, the cost of insignia, shoulder boards, and related items are deductible. Civilian faculty and staff members of a military school can deduct the cost of uniforms.

Early Withdrawal Exception - Qualified reservists are permitted penalty-free withdrawal from IRAs, 401(k)s, and other retirement arrangements if ordered or called to active duty. A "qualified reservist distribution" is any distribution to an individual if distribution is made during the period beginning with the reservist's call to active duty through the close of the active duty period **and** provided the active duty period is in excess of 179 days or is for an indefinite period. Even though the penalty is waived, the distributions would still be taxable.

If you have questions related to these tax benefits, please give this office a call.