

# Tax relief law aids military, families

WASHINGTON - Guardsmen who travel more than 100 miles to attend drills or meetings no longer have to itemize to claim a tax deduction for overnight travel expenses. This change and other benefits for military members and their families are the result of the Military Family Tax Relief Act of 2003, signed into law by President George W. Bush Nov. 11. The "above-the-line" deduction for overnight travel is retroactive to Jan. 1.

"(Guardsmen will) be able to deduct unreimbursed travel expenses such as lodging, 50 percent of meals and any transportation costs," said Lt. Col. Janet Fenton, director of the Armed Forces Tax Council.

Another major change increases the death gratuity payment to \$12,000 and provides that the full payment is tax-free. That portion of the act is retroactive to Sept. 10, 2001, to provide for servicemembers who died in the terrorist attacks the following day and in the ongoing global war on terror.

"If you are killed on active duty, regardless of whether you're in theater, or in a training accident or die from disease, your family receives \$12,000 death gratuity that is not taxed," Fenton said. "And that's a big change. In addition, any future increases to the death gratuity will remain tax-free."

The 150th Military Personnel Flight has more information on the new death gratuity payment.

Since 1991, the death gratuity had been \$6,000, with half of it being taxed, Fenton said.

"It just didn't seem to be fair for the military family who was left grieving for their servicemember to get hit with a tax bill," she said.

When the tax code changed in 1986, it allowed any military benefit existing in September 1986 to remain tax-free, Fenton said. However, it was always unclear whether military child care was included in that, she added.

"This act merely makes it clear that those provisions of child care were intended to be tax-free to military members," she said.

The tax act also provides for extra tax-filing time for servicemembers serving in contingency operations. The internal revenue code allows servicemembers who are

serving in combat zones or hazardous-duty areas to have an extension of time – usually 180 days from the time the person leaves the combat zone – to file taxes.

"A lot of military operations don't rise to the level of being declared by the president as 'combat,'" Fenton said. "But there are several contingency operations where servicemembers are outside the continental United States." The act also includes modifying eligibility criteria of tax-

exempt veterans organizations; tax-free treatment of homeowners' assistance program payments; suspension of tax-exempt status for designated terrorist organizations; and extension of victims' tax relief to astronauts who die on space missions.

Capital-gain exclusion for home sales is another area people are looking for tax relief in, Fenton said.

"This act will allow members to suspend the period of time which they have to sell their home and take the tax exclusion so they won't have to pay that capital gains," she said. "It's retroactive to 1997 so military

members who have sold their homes since 1997 have one year from Nov. 11, 2003, to request a refund for any tax they did pay."

Since 1997, when the law was previously changed, if servicemembers who owned a home got reassigned more than 50 miles from that home or was ordered to move on post, they were no longer able

to roll over the gain from that sale to the next home they purchased.

Also since 1997, individuals could

exclude up to \$250,000 (\$500,000 for married couples) of gain from the sale of a home if they resided in it for two of the five years preceding the sale. Under this act, military and foreign service people can suspend (for up to 10 years) the time transferred away from home on official extended duty for purposes of applying the five-year portion of the two-out-of-five-year rule.

