

Taxes for Military Members

Maximize Your Refund

Be Prepared for Tax Season

Tax time can be especially complex for military personnel due to frequent relocations, deployments, and unique tax benefits.

The following tips can help ease the process and help to make sure that you take advantage of all available tax opportunities.

1. Understand Your Military Tax Benefits

Review tax benefits available to service members, including combat pay exclusions, deductions for moving expenses, and eligibility for the Earned Income Tax Credit (EITC).

2. Utilize Military Tax Assistance Programs

Make use of the Volunteer Income Tax Assistance (VITA) program, which provides free, professional tax preparation assistance to service members and their families.

3. Organize Required Documentation

Begin gathering documents such as W-2s, 1099s, and other relevant tax forms.

4. Evaluate Filing Status Options

If you are married, determine whether filing jointly may result in a lower tax rate or access to additional credits.

5. Review State Tax Laws

Your state tax obligations may change depending on where you are stationed. Some states offer tax benefits or exemptions for active-duty military, while others may tax certain types of military income differently.

6. Know Your Deadlines

Military members stationed outside of the U.S. or deployed to combat zones may qualify for filing extensions. Make sure you understand the timelines and submit any required extension requests.



7. Track Relocation and Moving Expenses

If you moved due to military orders, keep detailed records of your moving expenses. Certain costs may be deductible.

8. Seek Guidance from Professionals

If your tax situation involves multiple states or other complexities, consult with professionals. Their expertise can help reduce errors and maximize your return.

9. Use Tax Software Designed for Military

Many tax software services offer features tailored to military needs. These tools can ensure you do not overlook any benefits.

10. File Electronically

Electronic filing typically results in faster refunds and provides immediate confirmation that your return was submitted.

Members of the U.S. Armed Forces, their spouses, and veterans are eligible for special tax provisions. Understanding these benefits can help simplify tax season and increase the likelihood of a return.

Understand What Income is Taxable

Military pay can be complicated, as certain types of pay are taxable while others are exempt. In general, most forms of military pay are considered taxable.

This includes:

- Base pay
- Special pay
- Reserve training pay
- Bonuses
- Armed Services Academy Pay
- Accrued leave
- Mustering-out payments
- Incentive pay

However, military allowances are not taxable. For example, the Basic Allowance for Housing (BAH) is tax-exempt. It is important to not accidentally report BAH as taxable income on your return. If you do, the IRS typically will not correct it for you, meaning you may end up overpaying in taxes. If you itemize your deductions, instead of taking the standard deduction, and you own your house while collecting BAH, your mortgage interest and real estate taxes remain deductible, even if you pay these expenses with your BAH.

For service members stationed overseas, several additional allowances are tax-exempt. This includes:

- Overseas Housing Allowance (OHA)
- Cost-of-Living Adjustment (COLA)
- Family separation pay
- Most moving allowances

Frequently Asked Questions

How can I maintain good tax records?

Keep detailed records relating to your income, prior tax returns, receipts, canceled checks, health insurance documents, and proof of deductions or credits. It is best practice to maintain tax records for at least seven years in case of an IRS audit.

Are military retirement contributions deductible?

Yes. Contributions to qualifying military retirement plans are generally tax-deductible.

Can I deduct my military uniform?

Active-duty service members generally cannot deduct uniform expenses. However, reservists may deduct unreimbursed uniform costs.

What is the military mileage rate?

The Monetary Allowances in Lieu of Transportation (MALT) applies only when relocating due to Permanent Change of Station (PSC) orders. It covers mileage for up to two personal vehicles used during a PSC move.

Routine travel, such as commuting to and from your duty station, is not deductible. However, reservists traveling more than 100 miles from home and staying overnight for reserve duty may deduct work-related travel, lodging, and up to 50% of meal expenses.

Are education expenses tax-deductible?

Not as an expense for employment. However, you may qualify for education tax credits such as the American Opportunity Tax Credit (AOTC) or Lifetime Learning Tax Credit.

Do I pay taxes even if I am stationed overseas?

Yes. Even when stationed abroad, you must file a federal tax return and pay taxes in your home state. Failure to file and pay taxes can result in IRS penalties and interest, including failure-to-file and the failure-to-pay penalties.

What if I am serving overseas in a combat zone?

If you are an active-duty service member stationed in an officially designated combat zone, additional tax benefits apply.

Combat pay is generally tax-exempt. If you spend at least one day in a combat zone during a month, your combat pay for that entire month is typically excluded from taxable income. You will also receive an automatic 180-day extension to file your tax return and pay any taxes owed. Although you have extra time, you can still file as soon as you have all the required documentation.

For more information, you can visit <https://www.irs.gov/individuals/military>.