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Among the many challenges faced by military families are tax complications arising from the unique demands of military service. Frequent moves, serving in combat zones and service-related disabilities are just a few aspects of military service that make tax compliance an even harder task than it is for civilians. In observance of **Veterans Day**, the **National Association of Enrolled Agents** offers the following tax tips to members of the armed forces, veterans and their families.

Report Travel Related Expenses for Reserves or National Guard Duty

If you travel more than 100 miles away from home for duty in a Reserve or National Guard unit, remember to deduct your travel expenses on **IRS Form 2106**. Include mileage and other unreimbursed expenses from the time you leave home until the time you return. Caution: if your unit provides lodging and food, you cannot write off those expenses on your taxes.

Declare State of Residence with Lower or No State Income Taxes

Frequent moves are a fact of life for military families. When you move across state lines, consider claiming your legal residence in whichever of the two states has lower or no state income tax. You will be required to complete Form 2058, State of Legal Residence Certificate, and submit the form to your legal or finance office. The Military Spouse Residency Relief Act, passed in 2009, allows spouses of active duty members to be taxed by the member's state of residence rather than the state in which they reside. Residency rules can be tricky and vary from state to state. It's best to seek advice from a federally-licensed tax expert on these issues before you file. Note that additional income, from a second job for example, will likely be taxed by the state in which that income was earned.

Understand How the IRS and Colleges Treat GI Bill Payments

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Tax Free War Zone Income can be Included or Excluded when Figuring EITC

Most military families are aware that income received while serving in a combat zone is not taxable. However, the way you choose to treat that income will have an impact on your ability to take advantage of the Earned Income Tax Credit (EITC), a refundable tax credit for those with low or moderate income. We recommend using the EITC worksheets with and without your combat pay to determine the best tax credit you are entitled to.

Take Advantage of Exceptions to the Ownership and Use Test When Selling Your Home

The military member, just like all taxpayers, may exclude from their taxes the gain on the sale of their “main” home. To be eligible for the exclusion, the taxpayer must have owned and lived in the home, as their main home, for at least two years out of the prior five. There is an **exception** to the ownership and use test if the member is unable to meet the test due to a move to a new permanent duty station. In this case, the member would have a proration of the maximum exclusion amounts.

Additionally, there can be a **suspension** of the five-year period. If the member is on Qualified Official Extended Duty, this period can extend to 10 years.

Learn the Difference Between Military Retirement Benefits and VA Disability Payments

Some military personnel experience service-related disabilities that only manifest themselves after retirement. For example, if you worked on a flight crew you may have been exposed to potentially harmful sound levels but it could be years until you begin to experience hearing loss as a result.

When this happens and the Veterans Administration determines that the disability

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Talk to a Tax Expert

[This page](#) on the IRS website offers a wealth of information to help military members and their families understand their rights and responsibilities as taxpayers. Another valuable resource is eatax.org, a free online resource where you can learn more about enrolled agents and search a directory to find one in your area. Enrolled agents, (EAs) are federally-licensed tax experts who specialize in tax planning and preparation. EAs also have unlimited rights to represent taxpayers before the Internal Revenue Service should a dispute arise.

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