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INFORMATION PAPER

SUBJECT: Federal Income Taxes During Hostilities

1. Purpose. To explain rules regarding the filing of federal income taxes should hostilities resume in the ROK.

2. Points of major interest and facts.

a. If hostilities resume in the ROK and it becomes a combat zone, military personnel assigned to the ROK will be exempt from filing federal income taxes as indicated below until after they depart the ROK or there is a cessation of hostilities.

(1) Internal Revenue Code, Section 112 provides that enlisted soldiers are exempt from paying federal income tax for any month that such member served in a combat zone. Any part of a month exempts the entire month. This exemption also applies to any month an enlisted soldier is recovering from wounds suffered in a combat zone, up to 2 years from the time of the wounding.

(2) The same rules in (1) above apply to commissioned officers, except that commissioned officers are exempt from paying federal income tax on the first $500.00 of their income for any month served in a combat zone.

(3) A combat zone is any area designated by the President per Executive Order, or where U.S. soldiers are engaged in combat.

(4) Commissioned officers does not include commissioned warrant officers. In a combat zone, all warrant officers are considered enlisted personnel for tax exemption purposes.

(5) Prisoners of war and soldiers declared missing in action, to include civilian employees in that status, are exempt from paying federal income tax while in such status.

(6) State income taxes are governed by the laws of the individual states.

CPT Michael Kramer/732-9526