

Table of Contents

Military Pay	1
Taxable pay.....	1
Differential wage.....	3
Qualified reservist distribution (QRD).....	3
U.S. civil service disability retirement payments	4
Excluded pay	4
Combat zone pay.....	6
Basic allowance for housing.....	11
Military base realignment and closure benefits.....	11
State bonus payments and tax credits	12
Education benefits	13
Adjustments to income.....	14
Calculating credits	17
Child tax credit and additional child tax credit.....	18
Earned income credit	19
Section 121 exclusion (gain on sale of home)	21
<i>Service Member’s Civil Relief Act</i>	23
Foreclosures	24
Schedule A sales tax deduction	25
Repayments to employer.....	25
Calculating the credit.....	26
Tax forgiveness	26
Claiming tax forgiveness.....	27
Section 5517 agreements.....	29
Domicile vs. home of record	29

Extensions of time	30
Combat zone service and contingency operations	30
Non-combat zone service and contingency operations	32
Notifying the IRS about combat zone service	33
Military Retirement Accounts and Disability Benefits.....	34
Blended retirement system	34
Thrift savings accounts.....	34
Continuation Pay.....	40
Pensions	40
Lump sum option.....	46
Appendix	52
Appendix A: Tax Treatment for TSP Payments.....	52
Appendix B: Worksheet A, Publication 575.....	53
Index.....	54