



Military Finishing and Filing the Return



Introduction

This lesson will help you address special filing concerns of United States service members. To do this you need to determine where and when to file a federal tax return, who qualifies for a deadline extension, and who qualifies for special tax benefits.

Objectives

At the end of this lesson, using your resource materials, you will be able to:

- Identify the special tax filing concerns of members of the Armed Forces
- Describe the extensions to file that are available for members of the Armed Forces
- Determine the effect on taxes of being in a combat zone
- Identify the tax forgiveness provisions related to military or terrorist actions

What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Publication 3
- Publication 17
- Publication 4491-W
- Form 1040
- Form 2848
- Form 4868
- Form 8822

Optional:

- Form 1040 Instructions

Where and when should members of the Armed Forces file their returns?

Where should the taxpayer file the return?

Members of the Armed Forces should send their federal returns to the service center for where they currently live. Refer to the Form 1040 Instructions for the appropriate address.

The address may be different depending on if the taxpayer encloses a payment or if the military member is stationed overseas with an APO or FPO address.



Many military facilities have a Volunteer Income Tax Assistance center that will e-file tax returns.

example

Sergeant Kane, who is stationed in Maine but whose permanent home address is in California, should send her federal return to the service center for Maine.

When should the taxpayer file the return?

Most individual tax returns cover a calendar year, January through December.

Calendar-year taxpayers who live in the United States or Puerto Rico should file their individual tax returns by the April due date of the following year.

Taxpayers who have a balance due can pay by check, money order, electronic funds withdrawal, or credit card.



If April 15 falls on a weekend or holiday, then the due date is the next business day.

What action should be taken when a member of the Armed Forces moves?

Taxpayers who changed their mailing address during the year should notify the IRS of the change on Form 8822, Change of Address.

Taxpayers who move after filing a tax return should fill out and mail Form 8822 to the IRS service center for the state where their returns were previously filed. The service centers' addresses are listed on page 2 of the form.

TIP

If the postal service does not deliver to the taxpayer's street address and the taxpayer has a post office box, enter the post office box number on the line for the present home address.



EXERCISE

Answers are after the lesson summary.

Question 1: Tony, who is due a refund, filed his tax return from his home address in Florida on March 12. On March 30 he was transferred to Puerto Rico. Where should Tony submit his Form 8822, Change of Address?

- A. To the IRS service center for Florida
- B. To the IRS service center for Puerto Rico
- C. Either of the above

What do members of the Armed Forces need to know about getting a refund or having an amount of tax owed on their returns?

Members of the Armed Forces who you assist may be entitled to a refund or owe tax. In either case they have several choices on how to get their refund or pay the amount they owe. It is important that volunteers are familiar with those choices to better help taxpayers understand their refund and payment options. This information was covered in the Refund and Amount of Tax Owed lesson. Refer to this lesson to review these options.

What are the extension requirements for taxpayers within the U. S.?

Taxpayers can receive extensions of time to file their returns. Different rules apply to taxpayers who live in the U.S. and those who live outside the U.S.

The IRS will charge interest on taxes not paid by the due date, even if an extension of time to file is granted. The only exception is when the combat zone extension applies.

TIP

See Publication 3, Armed Forces Tax Guide which is a helpful resource for those assisting members of the Armed Forces.

How does a taxpayer get an automatic extension?

Taxpayers living in the United States can receive an automatic six-month extension of time to file their federal tax returns.

To get the automatic extension, taxpayers must file Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, by the due date for their tax return (usually April 15). Calendar-year taxpayers who take the extension will have until October 15 to file their tax return.

Taxpayers *cannot* use the automatic six-month extension if they:

- Choose to have the IRS figure their tax or
- Are under a court order to file their returns by the regular due date

 **TIP**

There are three ways to request an automatic extension of time to file a U.S. individual income tax return:

- e-File Form 4868.
- Pay all or part of the estimated income tax due using a credit or debit card. See “How to Make a Payment” on page 3 of Form 4868.
- File a paper Form 4868.

See Form 4868 for details.

Will the taxpayer owe interest and/or penalties?

Although taxpayers are not required to pay the amount they estimate as due, Form 4868 does not extend the time to pay their taxes. *If taxpayers do not pay the amount due by the regular due date, they will owe interest.*

In addition, taxpayers may be charged a late-payment penalty if the amount of tax paid before the due date (from withheld taxes or estimated tax payments) is less than 90% of the actual tax owed.

If Form 4868 is filed late, the IRS will inform the taxpayer that the request was denied.

 **TIP**

For more details on penalties, refer to filing information in Publication 17.



EXERCISES (continued)

Question 2: True or False? Interest is charged on the balance remaining after the due date of the return. True False

Question 3: Which of the following calendar-year taxpayers can receive an automatic six-month extension?

- A. Avery, who filed Form 4868 in February and chose to have the IRS figure his taxes
- B. Benton, who filed Form 4868 on April 15 and did not include any tax payments
- C. Calvin, who filed Form 4868 on April 20 and included a tax payment that was over 90% of what he owed
- D. None of the above

How does the taxpayer file the return after obtaining a filing extension?

When the tax return is actually filed, any payment that was submitted with Form 4868 should be entered on the applicable line for amounts paid with extension on Form 1040. This line is located on Form 1040, Payments section.



Tax Software Hint: For instructions on filing an extension using the tax software, go to the Volunteer Resource Guide, Other Returns tab.

What are the extension requirements for taxpayers outside the U.S. and Puerto Rico?

Extension requirements for taxpayers who live outside the United States and Puerto Rico differ from those who live inside the U.S.

Who qualifies for an automatic two-month extension?

U.S. citizens and resident aliens are allowed an automatic two-month extension to file their return if they are:

- Living outside the U.S. and Puerto Rico on the due date of the return, and their main place of business or assigned post of duty is outside the U.S. and Puerto Rico
- Members of the Armed Forces on duty outside of the U.S. and Puerto Rico on the due date of the tax return

Although calendar-year taxpayers in this situation don't have to file or pay until June 15, they will owe interest charged from the April due date to the date the tax is paid. Form 4868 is not required to obtain this automatic two-month extension to file.

What must taxpayers attach to their return?

Taxpayers using the automatic two-month extension must attach a statement to their return stating that they meet the requirements previously discussed in the section "Who qualifies for an automatic two-month extension" above.

TIP

Traveling outside the United States and Puerto Rico on the due date does not qualify the taxpayer for an automatic two-month extension.

What is the extension rule for married taxpayers?

For married taxpayers who file jointly, only one spouse needs to meet the requirements to take advantage of the automatic extension to June 15.

For married taxpayers who file separately, only the spouse who meets the requirements qualifies for the automatic extension. If both spouses meet the requirements, each may take advantage of the extension.

How can a taxpayer request an additional extension?

Taxpayers who live outside the U.S. and Puerto Rico and whose main place of business or assigned tour of duty is outside the U.S. and Puerto Rico can also request an additional extension by filing Form 4868 by the automatic extension date of June 15 and checking the "out of the country" and a U.S. citizen or resident box.

The due date will then be extended to **October 15**.



EXERCISES (continued)

Question 4: Which of the following calendar-year taxpayers has until June 15 to file a tax return? (Select all that apply.)

- A. Weston, who files a joint return with his wife, Sheila. She was stationed in the Philippines from January through May, and they paid their taxes by credit card on April 2.
- B. Lilly, who lives in Mexico from January through April working for a company, returning to her main business in Texas on May 1.
- C. Dwayne, who was stationed in South Korea from July 1 through January 31.
- D. None of the above.



EXERCISES (continued)

Question 5: Pvt. Franklin, a U.S. citizen, is a calendar-year taxpayer. What would the due date be for him to file a return if his assigned tour is in Puerto Rico?

- A. April 15
- B. June 15
- C. June 16

How should the IRS be notified about combat zone service?

The IRS works with the Department of Defense to identify taxpayers who are serving in a combat zone, so the IRS may suspend compliance actions, such as audits or enforced collections, until 180 days after the taxpayer has left the zone.

Taxpayers qualifying for such combat zone relief may also notify the IRS directly of their status through a special e-mail address: combatzone@irs.gov. They should provide name, stateside address, date of birth, and date of deployment to the combat zone. They should not include any Social Security numbers in an e-mail. This notification may be made by the taxpayer, spouse, or authorized agent or representative.

The IRS cannot provide tax account information by e-mail. The IRS will send responses to any questions about the taxpayer's account by regular mail to the address on record for the person, within two business days. The IRS may provide general answers to questions regarding the status of individual combat zone updates via e-mail.

What are the tax options for combat zone participants?

For members of the Armed Forces serving in a combat zone or qualified hazardous duty area, the deadline for filing tax returns, paying taxes, filing claims for refunds, and taking other actions with the IRS is automatically extended.

The deadline for taking action with the IRS is extended 180 days after the later of:

- The last day in a combat zone/qualified hazardous duty area
- The last day of any continuous hospitalization for injury from service in a combat zone or qualified hazardous duty area

In addition to the 180-day extension, the deadline is also extended by the number of days that were left to take the action with the IRS when the taxpayer entered a combat zone (or began performing qualifying service outside the combat zone). If a taxpayer entered the combat zone or qualified hazardous duty area before the period of time to take action began, the deadline is extended by the entire period of the time to take action.

Generally, spouses of individuals who served in a combat zone are entitled to the same deadline extension. There are two exceptions:

- Any tax year beginning more than two years after the date the area ceases to be a combat zone
- Any period the qualifying individual is hospitalized in the U.S. for injuries incurred in a combat zone

In these instances, the extension does not apply to a spouse.

example

Captain Kristina Jones entered a combat zone on December 1, 2012. She remained there through March 31, 2014, when she departed for the U.S. She was not injured and did not return to the combat zone. Her deadlines for filing 2012, 2013, and 2014 returns are:

- 2012 tax return deadline is January 10, 2015. This deadline is extended by 285 days (180 plus 105) after the Captain's last day in the combat zone. The 105 additional days are the number of days in the 3½ month filing period that were left when she entered the combat zone (January 1–April 15, 2013).
- 2013 tax return deadline is January 10, 2015; the deadline is extended by 285 days (180 plus 105).
- 2014 tax return deadline is not extended because the 180-day extension period after March 31, 2014, ends on September 27, 2014 (which is before the start of the next filing period, January 1–April 15, 2015).

Publication 3 will provide additional information for combat zone extension of deadlines.



EXERCISES (continued)

Question 6: If a member of the Armed Forces served in a combat zone from December 30, 2012 through May 31, 2014 and was not injured, the deadline for filing a 2012 tax return would be extended by how many days?



Request Publication 3 if you prepare returns at a military site. There are many special provisions that apply to service personnel and this publication is a valuable reference.

What are other tax options for combat zone participants?

Other situations that count as time served in a combat zone or qualified hazardous duty area are:

- Missing status such as missing in action or prisoner of war time counts as time served
- Support personnel including Red Cross, accredited correspondents, and civilian personnel acting under the direction of the Armed Forces
- Hospitalization outside the U.S. and up to five years of hospitalization in the U.S. as a result of an injury while serving in a combat zone or a contingency operation

When can taxes be deferred?

Reservists called to active duty and enlistees in the Armed Forces might qualify for a deferral of taxes owed if they can show that their ability to pay taxes was affected by their military service. The Service Members Civil Relief Act provides this benefit. The act covers active duty members of the military services and commissioned officers of the uniformed services.

What are rules for deferment?

The deferral is not automatic; a taxpayer must apply for it. A taxpayer must have received a notice of tax due, or have an installment agreement with the IRS, before applying for the deferral. When applying, the taxpayer must:

- Be performing military service, and
- Show how the member's ability to pay the income tax has been materially affected by military service

The IRS will review each request and advise the taxpayer in writing of its decision. The service member will then be allowed up to 180 days after termination or release from military service to pay the tax. If the tax is paid in full by the end of the deferral period, no interest or penalty will be charged for that period.

Can other parties assist with a tax return?

If a taxpayer wants a third party designee to discuss a tax return with the IRS, the "Yes" box in the Third Party Designee area of the return must be checked. Also, the taxpayer must provide the designee's name, phone number, and any five numbers the designee chooses as a personal identification number.

Volunteers may not be named as a "Third Party Designee."

The image shows a portion of a tax return form. At the top, it says "You Owe 77 Estimated tax penalty (see instructions) 77". Below that, there is a section titled "Third Party Designee". The question is "Do you want to allow another person to discuss this return with the IRS (see instructions)?" with a checked "Yes. Complete below." box and an unchecked "No" box. Below the question, there are three fields: "Designee's name", "Phone no.", and "Personal identification number (PIN)". The "Personal identification number (PIN)" field is a five-digit grid.

Form 2848, Power of Attorney and Declaration of Representative, may also be used to grant authority to an individual to represent the taxpayer before the IRS and to receive tax information. If the return is e-filed, a copy of Form 2848 must be attached to Form 8453, U.S. Individual Income Tax Transmittal Form for an IRS e-file Return, and mailed to the IRS.

Use caution when allowing a representative to sign for someone. See Signatures in the Filing Information chapter in Publication 17 for more information.

If it is not possible to obtain a signature for a joint return from a spouse serving in a combat zone, a signed authorization to act on the taxpayer's behalf can be accepted. The IRS also accepts a written statement explaining that the spouse is serving in a combat zone. The statement must be signed by the spouse who is not serving in a combat zone and attached to the return.

What are the tax forgiveness provisions for decedents?

Special tax-forgiveness provisions apply to individuals who die:

- While serving in a combat zone, or from wounds, disease, or other injury incurred while serving in a combat zone
- As a result of wounds or injuries incurred in a terrorist or military action while working for the U.S. government

The forgiveness applies to:

- The tax year death occurred and
- Any earlier tax year in the period beginning with the year before the year in which the wounds or injury occurred

TIP

Only the decedent's part of the joint income tax liability is eligible for the refund or tax forgiveness.

Any forgiven tax liability that has already been paid, will be refunded.

In addition, any unpaid taxes for years ending before the member began service in a combat zone will be forgiven, and any of those taxes that are paid after the date of death will be refunded.

The tax forgiveness provision also applies to those taxpayers serving outside the combat zone if the service:

- Was in direct support of military operations in the zone and
- Qualified the member for special military pay for duty subject to hostile fire, imminent danger, and/or terrorist actions



EXERCISES (continued)

Question 7: Mr. Morris, a civilian employee of the United States, died in 2013 as a result of injuries he suffered during a terrorist attack in 2011. What years are Mr. Morris' income liabilities forgiven?

- A. 2012 through 2013
- B. 2012 through 2014
- C. 2011 through 2014

What are the rules for filing a return for decedents?

The personal representative must file the final income tax return for the year of death and any returns not filed for preceding years. A surviving spouse may have to file the returns for the decedent.

To make a claim, the decedent's representative must file:

- A tax return for each year a tax return has not yet been filed
- Form 1040X for each year an income tax return has already been filed

If an individual died after the tax year, but before the return for that year was filed, the return for the tax year is not the final return; it is a regular return. The return for the year the taxpayer died will be the final tax return.

example

Bob died in February 2014. His 2013 tax return – due on April 15, 2014 – is not the final tax return. The final tax return would be the 2014 Form 1040, filed in 2015.

The final tax return is due at the same time the decedent's return would have been due had the death not occurred.



Tax Software Hint: For software entries related to filing a decedent's return, go to the Volunteer Resource Guide, Preparing the Return tab.

For information on signing a joint return if one spouse has died or cannot sign the return, see Publication 17 Index, keyword: Signatures.

Summary

This lesson will help you determine special filing concerns for members of the U.S. Armed Forces.

- Members of the Armed Forces should send their federal returns to the service center for where they currently live.
- Most taxpayers who live in the U.S. or Puerto Rico should file their individual tax returns by April 15, unless that date falls on a weekend or holiday.
- Taxpayers who changed their mailing address should notify the IRS of the change on Form 8822, Change of Address.
- Taxpayers have options for receiving their refund or for paying a balance due. Be sure to review the Refund or Amount of Tax Owed lesson.
- The extension rules vary depending on whether the taxpayer lives in the U.S. or outside the U.S.
- The taxpayer, spouse, authorized agent, or representative can notify the IRS about combat zone service by sending an email to combatzone@irs.gov. Social security numbers should not be included in the email.
- For members of the Armed Forces serving in a combat zone or Qualified Hazardous Duty Area, deadlines for taking action with the IRS are automatically extended until 180 days (plus any time remaining to take action) from the time the member leaves the combat zone/qualified hazardous duty area.
- The income tax liability of a member of the Armed Forces is forgiven if a member dies as a result of service in a combat zone or from a terrorist or military action outside the U.S.
- The terrorist or military action forgiveness also applies to an individual who is a U.S. employee at death and dies from wounds or injuries incurred in a terrorist or military action regardless of where the action occurred.



TAX LAW APPLICATION USING THE WORKBOOK

To gain a better understanding of the tax law, complete the comprehensive problem or practice exercise(s) for your course of study in Publication 4491-W.

For practice using the tax preparation software, complete the scenarios using the Practice Lab on L<.



EXERCISE ANSWERS

Answer 1: A. Because he already filed his return from his previous address, Tony should submit Form 8822 to the service center for his previous address.

Answer 2: True. If the tax is paid after the regular due date, interest is charged from the regular due date to the date the tax is paid.

Answer 3: B. To get the extension, taxpayers must file Form 4868 by the return's due date. They do not have to pay their tax when submitting Form 4868, but they will owe interest on any tax not paid by the due date.

Answer 4: A. For Weston and Sheila, who file jointly, only one spouse needs to meet the requirements to take advantage of the automatic extension. In scenario B, Lilly does not qualify for the two-month automatic extension since her main place of business is Texas. In scenario C, Dwayne does not qualify for the automatic two-month extension because he was back in the U.S. on the due date.

Answer 5: A. April 15. Taxpayers who live and/or assigned in the U.S. or Puerto Rico should file their individual tax returns by April 15, unless that date falls on a weekend or holiday.

Answer 6: The deadline for filing the 2012 tax return is 180 days plus the number of days remaining for the Armed Forces member to take action after entering the combat zone. The deadline for 2012 is extended 285 days (180 plus 105) after leaving the combat zone, to March 12, 2014. The 105 additional days are the number of days in the 3½ month filing period that were left when the taxpayer entered the combat zone on December 30 (January–April 15, 2013).

Answer 7: C. 2011, 2012, 2013, 2014.