



TAX BULLETIN 05-5

Virginia Department of Taxation

April 26, 2005

IMPORTANT INFORMATION REGARDING

TAX BENEFITS FOR MEMBERS OF THE ARMED FORCES

FILING EXTENSION GRANTED WHILE SERVING IN COMBAT ZONE

Tax Commissioner Kenneth W. Thorson has announced that, for taxable year 2004 and taxable years thereafter, Virginia will provide extensions and other tax benefits to members of the Armed Forces serving in areas designated as combat zones. For purposes of the Virginia extensions and other tax benefits, the term "combat zone" includes hazardous duty areas and contingency zones that qualify for similar federal extensions and tax benefits.

Members of the Armed Forces serving in a combat zone will receive either the same individual income tax filing and payment extensions as those granted to them by the IRS, plus an additional fifteen days, OR a one-year extension, whichever date is later. For taxable year 2004, this means that members of the Armed Forces serving in a combat zone will receive a filing and payment extension to the later of the date offered by the IRS plus fifteen days, OR May 2, 2006.

While the filing and payment obligations of a member of the Armed Forces are suspended because of service in a combat zone, Virginia will also suspend the service member's obligation to make installment payments of estimated income tax. Virginia will also suspend collection activities for any delinquent taxes attributable to other taxable years during the extension period. No penalty or interest will accrue during the extension period.

All extensions also apply to spouses of military personnel. Service families may wish, however, to file their individual income tax returns before the extended deadlines to receive refunds.

Service members who claim this extension should write "Combat Zone" on the top of tax returns, as well as any notice issued by the Virginia Department of Taxation to combat zone personnel regarding tax collection or examination, and on the outside of the return envelopes used to mail the return.

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Members of the Armed Forces may be eligible for several other tax benefits in addition to those listed above. For example, combat pay will be totally excluded from Virginia taxable income for both enlisted personnel and officers, unlike federal law. Under current federal law, enlisted military personnel can exclude amounts received as compensation for active duty service in a "combat zone" pursuant to Internal Revenue Code (IRC) §112. Federal law, however, grants only a limited exclusion to commissioned officers.

For more information about these extensions or to obtain forms, individuals should contact either their local Commissioner of the Revenue, Director of Finance or Director of Tax Administration, or the Department of Taxation's Office of Customer Services at (804) 367-8031.

This Tax Bulletin, along with other reference documents, is available on-line in the Tax Policy Library section of the Department of Taxation's web site, located at www.tax.virginia.gov.