

Summary of Tax and Supplemental Security Income Proposals Designed to Assist Military Families and Service Volunteers

The extended military deployments in Iraq and Afghanistan have created significant economic hardships for many military families. To date Congress has enacted a mix of temporary tax and Supplemental Security Income provisions to ameliorate some of the difficulties. While many of the provisions have provided some relief, additional legislation is necessary to make permanent the temporary provisions and to provide efficient economic relief to military families.

Legislative proposals currently under consideration would:

1. Make permanent the ability to include combat pay as earned income for purposes of the Earned Income Tax Credit (EITC);
2. Make permanent and modify qualified mortgage bonds used to finance residences for veterans;
3. Modify the Uniformed Services Employment and Reemployment Rights Act (USERRA) to allow the day prior to the date of death to be treated as the date the employee returned to work for purposes of triggering payment of benefits under a qualified plan;
4. Permit an employer to make certain contributions to a qualified plan on behalf of an employee who was killed or disabled in combat;
5. Include differential wages paid by an employer to an employee who becomes active duty military in the calculation of wages for retirement plan purposes;
6. Exclude from the gross income of civilian federal

employees compensation for active service in a combat zone or for periods of hospitalization for wounds, diseases, or injuries incurred while serving in a combat zone;

7. Clarify the tax treatment for certain rebates of deductible state and local taxes for volunteer firefighters;
8. Exclude from income certain reimbursable expenses incurred in the line of duty by volunteer firefighters;
9. Extend the limitations period for filing tax refund credit claims arising from Department of Veterans Affairs (DVA) disability determinations;
10. Make permanent the expiring Internal Revenue Code provision that permits active duty reservists to make penalty-free withdrawals from retirement plans;
11. Make permanent the expiring provision that authorizes the Social Security Administration (SSA) to disclose tax return information to the DVA for purposes of determining eligibility for certain veteran's programs;
12. Permit recipients of military death benefit gratuities to roll over the amounts received, tax-free, to a Roth IRA or an Education Savings Account;
13. Exclude the basic allowance for housing granted military personnel from the calculation of income for purposes of determining eligibility for Low-Income Housing Tax Credit projects;
14. Clarify the application of the "five-year requirement" to the sale of a principal residence by a Peace Corps volunteer;

15. Reclassify military cash allowances as earned income, which is included in Supplemental Security Income (SSI) eligibility and benefits for military families;
16. Disregard state annuity payments paid to blind veterans when determining SSI eligibility and benefits; and
17. Disregard benefits or allowances paid to all Americorps volunteers for purposes of determining SSI eligibility and benefits.