Q-1: What geographic areas are considered combat zones?

A-1: Combat zones are designated by an Executive Order from the President as areas in which the U.S. Armed Forces are engaging or have engaged in combat. There are currently three such combat zones (including the airspace above each):

- **Arabian Peninsula Areas**, beginning Jan. 17, 1991 -- the Persian Gulf, Red Sea, Gulf of Oman, the part of the Arabian Sea north of 10° North latitude and west of 68° East longitude, the Gulf of Aden, and the countries of Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

- **Kosovo area**, beginning Mar. 24, 1999 -- Federal Republic of Yugoslavia (Serbia and Montenegro), Albania, the Adriatic Sea and the Ionian Sea north of the 39th Parallel.


Public Law 104-117 designates three parts of the former Yugoslavia as a Qualified Hazardous Duty Area, to be treated as if it were a combat zone, beginning Nov. 21, 1995 -- Bosnia and Herzegovina, Croatia, and Macedonia.

In addition, the Department of Defense has certified these locations for combat zone tax benefits due to their direct support of military operations, beginning on the listed dates:

In support of **Operation Enduring Freedom** (Afghanistan combat zone):

- Pakistan, Tajikistan and Jordan - Sept. 19, 2001
- Incirlik Air Base, Turkey - Sept. 21, 2001 through Dec. 31, 2005
- Kyrgyzstan and Uzbekistan - Oct. 1, 2001
- Philippines (only troops with orders referencing Operation Enduring Freedom) - Jan. 9, 2002
- Yemen - Apr. 10, 2002
- Djibouti - July 1, 2002
- Somalia - Jan. 1, 2004

In support of **Operation Iraqi Freedom** (Arabian Peninsula Areas combat zone):

- Turkey - Jan. 1, 2003 through Dec. 31, 2005
- Israel - Jan. 1 through July 31, 2003
- the Mediterranean Sea east of 30° East longitude - Mar. 19 through July 31, 2003
- Jordan - Mar. 19, 2003
- Egypt - Mar. 19 through Apr. 20, 2003
Military Pay Exclusion — Combat Zone Service

Q-2: I am a member of the U.S. Armed Forces performing services in a combat zone. Is any part of my military pay for serving in this area excluded from gross income?

A-2: Yes, if you serve in a combat zone as an enlisted person or as a warrant officer (including commissioned warrant officers) for any part of a month, all your military pay received for military service that month is excluded from gross income. For commissioned officers, the monthly exclusion is capped at the highest enlisted pay, plus any hostile fire or imminent danger pay received.

For 2002, the most an officer could earn tax-free each month was $5,532.90 ($5,382.90, the highest monthly enlisted pay, plus $150 hostile fire or imminent danger pay). The Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-11) raised the imminent danger pay to $225 per month through September 2003. The 2004 National Defense Authorization Act extended this higher rate through December 2004. For 2003, the monthly combat pay exclusion for officers totals $5,957.70. For 2004, it totals $6,315.90. Amounts excluded from gross income are not subject to federal income tax.

Q-3: My husband and I are both enlisted personnel serving in the U.S. Armed Forces in the combat zone. Are we each entitled to the income tax exclusion for military pay?

A-3: Yes, each of you qualifies for the income tax exclusion for your respective military pay.

Q-4: I am a member of the U.S. Armed Forces stationed on a ship outside any combat zone. I fly missions over a combat zone as part of the military operations in that combat zone. Is any part of my military pay excluded from gross income?

A-4: Yes. The combat zone includes the airspace over it, so you are serving in the combat zone. See Q&A-2 above for a discussion of the amount of your military pay that is excluded.

Q-5: If I am injured and hospitalized while serving in the U.S. Armed Forces in a combat zone, is any of my military pay excluded from gross income?

A-5: Yes. Military pay received by enlisted personnel who are hospitalized as a result of injuries sustained while serving in a combat zone is excluded from gross income for the period of hospitalization, subject to the 2-year limitation provided below. Commissioned officers have a similar exclusion, limited to the maximum enlisted pay amount per month. (See Q&A-2 above.) These exclusions from gross income for hospitalized enlisted personnel and commissioned officers end 2 years after the date of termination of the combat zone.

Q-6: My wife is currently serving in the U.S. Armed Forces in a combat zone and will be eligible for discharge when she returns home. If she is discharged upon her return, will the payment for the annual leave that she accrued during her service in the combat zone be excluded from gross income?

A-6: Yes. Annual leave payments to enlisted members of the U.S. Armed Forces upon discharge from service are excluded from gross income to the extent the annual leave was accrued during any month in any part of which the member served in a combat zone. If your wife is a commissioned officer, a portion of the annual leave payment she receives for leave accrued during any month in any part of which she served in a combat zone may be excluded. The annual leave payment is not excludable to the extent it exceeds the maximum enlisted pay amount (see Q&A-2 above) for the month of service to which it relates less the amount of military pay already excluded for that month.

Q-7: I am an enlisted person serving in a combat zone. If I reenlist early while I am in the combat zone and receive my reenlistment bonus several months later when I am stationed outside the combat zone, is any part of my reenlistment bonus excluded from gross income?

A-7: Yes. The reenlistment bonus is excluded from gross income although received in a month that you
were outside the combat zone, because you completed the necessary action for entitlement to the reenlistment bonus in a month during which you served in the combat zone.

Q-8: My brother, who is a civilian in the merchant marine, is on a ship that transports military supplies between the United States and the combat zone. Is he entitled to the combat zone military pay exclusion?

A-8: No. Those serving in the merchant marine are not members of the U.S. Armed Forces. The combat zone military pay exclusion applies only to members of the U.S. Armed Forces. Neither federal civilian employees nor civilian defense contractors deployed with U.S. forces qualify for an exclusion of income earned while working in a combat zone or qualified hazardous duty area. They may, however, qualify for an extension of deadlines to file and pay taxes.

The U.S. Armed Forces include all regular and reserve components of the uniformed services that are under the control of the Secretaries of Defense, Army, Navy, and Air Force, and the Secretary of Homeland Security with respect to the Coast Guard.

Q-9: My husband is serving in the Armed Forces outside a combat zone. Is any part of his military pay excluded from gross income?

A-9: Payment for service outside a designated combat zone is not excluded from income unless the pay is hostile fire/imminent danger pay for serving an area in direct support of military operations in the combat zone. The Department of Defense certifies areas that meet these requirements.

Hostile fire/imminent danger pay received for service in a non-certified area is taxable. Generally, hostile fire/imminent danger pay is included on Forms W-2 for persons who do not qualify for the exclusion and not included on Forms W-2 for persons who do qualify for the exclusion.

Q-10: How do I certify my entitlement to the military pay exclusion?

A-10: Your service branch must certify your entitlement on the Form W-2 it provides you. If you believe you are entitled to the exclusion, but it is not reflected on your Form W-2, ask your service branch to issue a corrected Form W-2.

For more details on the exclusion of military pay, see Publication 3, Armed Forces' Tax Guide.