

INFORMATION PAPER

DAJA-LA
18 November 2003

Subject: New Income Tax deduction for overnight travel expenses of National Guard and Reserve Members

1. Purpose: To provide information on the above the line deduction allowed for overnight travel expenses incurred by National Guard and Reserve Members in conjunction with their military service.

2. Discussion:

a. Reservists and National Guard members who travel periodically for military duty incur significant travel expenses, some of which are not reimbursed by the military.

b. Under prior law, Internal Revenue Code § 67, allowed those “unreimbursed business expenses” to be deducted as itemized deductions to the extent the expenses exceed 2% of the taxpayers adjusted gross income. Thus those reservists who did not itemize could not deduct any portion of those expenses, and reservists who itemized could deduct only expenses exceeding 2% of their adjusted gross income.

c. The Military Family Tax Relief Act of 2003, signed by President Bush on 11 November 2003, provides an above-the-line deduction for the overnight transportation, meals, and lodging expenses of National Guard and Reserve members who must travel more than 100 miles away from home (and stay overnight) to attend National Guard and Reserve meetings.

d. This new provision means that individuals incurring these expenses can deduct them from gross income regardless of whether they itemize deductions and regardless of whether the expenses exceed 2% of the adjusted gross income. However, the amount of expenses that may be deducted may not exceed the general Federal Government per diem rate applicable to the location of the reserve duty.

e. This provision of the act is effective for expenses paid or incurred after December 31, 2002.

3. Legal Assistance attorneys should publicize this new tax benefit available to Reserve and National Guard soldiers.

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