



Servicemembers and Taxes

Filing tax returns can be a chore, but these tips may help you save time and money.

1. Organize your paperwork

The sooner you organize your paperwork, the easier and more efficient the filing process will be. Gather all essential documents and financial records including your W-2s, receipts for deductible expenses and charitable gifts, and prior year tax returns.

2. Review last year's changes

Remember, life changes may impact the tax you owe. Over the past year, did you get married, have or adopt a child? Maybe you saved for college, paid for significant medical expenses, bought or sold a house, or made investments. Keep in mind that these factors and others may affect the amount of tax you're required to pay.

3. Plan ahead for tax time

If you will be deployed when your taxes are due, plan ahead. Decide who will prepare your returns and make sure they have the information they'll need. Or, consider filing for an extension with the Internal Revenue Service.

By preparing a power of attorney—a legal document you can create by working with a lawyer—you can authorize a trusted individual to make legal decisions on your behalf during your deployment, including filing your taxes. As a servicemember you may be able to access free or low-cost legal assistance to prepare a power of attorney. Contact your unit or installation legal assistance office to learn more.

4. Consider a tax professional

The Volunteer Income Tax Assistance (VITA) office provides free tax preparation and filing service to military service members. VITA offices are located on most military installations and the representatives there can answer your tax questions.

Some servicemembers hire a professional to fill out their tax forms while others do the work themselves.

The possible advantages to using a professional tax preparer include:

1. Expert review and advice.
2. They may give you tax-saving suggestions.
3. Professional support in case of an audit. (This is when the taxing agency decides to carefully review your return to determine whether the information is true, the tax amount has been calculated correctly, and the positions taken on the return are permitted by law.)

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4. Consider a tax professional (continued)

Possible disadvantages to using a professional tax preparer include:

1. You may have to pay for this service.
2. During the busy tax season, you may have to wait your turn while your preparer takes care of other customers.
3. Even professionals can make mistakes, and in some states, there are no licensing laws for tax preparers. Determine whether the preparer you're considering has knowledge, experience, and a good track record in business.

Possible advantages to preparing your own tax returns include:

1. Free; you don't pay someone else.
2. You gain valuable financial experience.
3. You have total control over your tax information and paperwork. If you use tax software, it may help you reduce errors or even identify deductions, and filing electronically is instant. Check to see if you're eligible for free software from the IRS.

Possible disadvantages include:

1. You could make potentially costly mistakes.
2. You may not be aware of all the deductions (reductions in taxable income) to which you're entitled.
3. Some tax software can be confusing and may cost as much as hiring a professional tax preparer.

Consider preparing your taxes yourself and then taking them to a professional to look over, fix any errors, and finalize the forms. This approach could give you both good experience and peace of mind.

5. Ask about military relief laws

Several federal laws including the Servicemembers Civil Relief Act (SCRA) and Heroes Earnings Assistance and Relief Tax Act (HEART) reduce the tax-related financial burden on military families in a variety of ways. For example, many servicemembers may qualify for a filing extension, especially if serving in a combat zone, overseas, or in a temporary location. Whether you decide to hire a professional tax preparer or do the work yourself, find out how the provisions of these laws may benefit you.

6. Learn more and get tax help

There are a variety of resources to help servicemembers with tax preparation. These include:

- The Volunteer Income Tax Assistance (VITA) office provides free tax preparation and filing service to military service members. VITA offices are located on most military installations and the representatives there can answer your tax questions.
- The Tax Center at www.military.com.
- IRS Publication 3, the Armed Forces Tax Guide, is available at www.irs.gov. This guide outlines tax rules that apply specifically to military personnel.

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6. Learn more and get tax help (continued)

- You can order free publications and forms, ask tax questions, and get help with unresolved tax issues by contacting the Internal Revenue Service (IRS). You can contact the IRS in a variety of ways, including:

Online at www.irs.gov

- E-file your return
- Check the status of your refund
- Download forms, instructions, and publications
- Order IRS products

Telephone

- To order forms, instructions, and publications, call 1-800-829-3676. You should receive your order within 10 days.
- Call the IRS with your tax questions at 1-800-829-1040.
- Call 1-800-829-44477 for *Teletax*, pre-recorded messages covering various tax topics.

Walk-in

- In addition to IRS offices, many post offices and libraries offer certain IRS forms, instructions, and publications.
- Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs.
- You can walk in to your local Taxpayer Assistance Center for personal, face-to-face tax help. To find out the location of your local office, go to www.irs.gov/localcontacts, or look in the phone book under United States Government, Internal Revenue Service.

For more information

Visit the Personal Financial Management section of Military Homefront (www.militaryhomefront.dod.mil), the official DoD Web site for reliable quality-of-life information to help servicemembers and their families.

Military One Source offers free, confidential financial planners and counselors available toll-free 24/7 at #800-342-9647.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at www.wellsfargo.com or any Wells Fargo store.