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*Captain's Call*

President Signs New Tax Legislation for Military Personnel

President Bush signed the Heroes Earned Retirement Opportunities (HERO) Act, which amends the Internal Revenue Code to allow service members to still exclude their military compensation from federal income tax, but also contribute to an Individual Retirement Account (IRA) while serving in a combat zone tax exclusion area.



Military compensation earned by members of the armed forces while serving in combat zone areas is excluded from federal income tax. Enlisted members and warrant officers exclude all such military compensation. Commissioned officers exclude up to the maximum enlisted pay plus imminent danger pay for the months they serve in a combat zone tax exclusion area.

The HERO Act is retroactive to tax year 2004. Therefore, members who did not make an IRA contribution during 2004 or 2005, because they were not eligible due to combat zone tax exclusion, have until May 28, 2009, (three years from the date of enactment) to make a contribution to an IRA for those years.