

E-Mail ALPERSRU C/03

Subj: ENTITLEMENT TO IMMEDIATE DANGER PAY, COMBAT TAX EXCLUSION AND SAVINGS DEPOSIT PROGRAM

- Ref:**
- (a) E-Mail ALPERSRU A/02
 - (b) [Coast Guard Pay Manual, COMDTINST M7220.29 \(series\)](#)
 - (c) [ALCOAST 543/01](#)
 - (d) [Personnel and Pay Procedures Manual, HRSICINST MI000.2 \(series\)](#)
 - (e) [E-Mail ALPERSRU V/02](#)
 - (f) [Coast Guard Personnel Manual, COMDTINST M1000.6 \(series\)](#)

Purpose This E-mail ALPERSRU clarifies entitlement to:

- Imminent danger pay
- Combat tax exclusion
- Savings deposit program

Directives Affected Reference (a) is cancelled.

The procedure for Savings Deposit Program Allotments on page 7-C-4 of reference (d) will be corrected in the next change.

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SECTION 1 – Imminent Danger Pay

Introduction Imminent Danger Pay is an entitlement to members who meet the special conditions described in Section 4-H of reference (b). This special pay is in addition to any other pay and allowances to which a member may be entitled.

Qualified Areas for Imminent Danger Pay Areas that qualify for imminent danger pay are listed in figure 4-8 of reference (b).

The following areas have recently been added as imminent danger pay areas. The next change to reference (b) will reflect the following:

- **Djibouti.** Land area effective 31 Jul 02.
 - **Eritrea.** Land area effective 31 Jul 02.
 - **Kenya.** Land area effective 31 Jul 02.
 - **Ivory Coast.** Land area effective 27 Feb 03
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Rules for Imminent Danger Pay The following rules apply when determining entitlement to Imminent Danger Pay:

- A member who serves on official duty in one of the designated areas for any part of a month is entitled to imminent danger pay for the entire month.
- In those areas where airspace is designated, personnel who fly through the area are eligible for payment if the member is assigned to official temporary duty to the airspace of the combat zone.

Reservists Reservists performing extended active duty, or mobilized on active duty, are entitled to imminent danger pay. Reference (c) prohibits reservists from performing inactive duty for training (IDT) or active duty for training (ADT-AT) in an imminent danger pay area.

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**Amount of
Imminent
Danger Pay**

The current monthly rate of imminent danger pay is \$150.00.

**Procedure for
Payment of
Imminent
Danger Pay**

The procedures for certifying entitlement to imminent danger pay are provided on page 7-A-7 of reference (d). Imminent danger pay is paid through CGHRMS as described in reference (e).

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SECTION 2 – Combat Tax Exclusion

Introduction Certain pay earned by members of the Armed Forces while in a combat zone designated by the President is considered nontaxable income.

Qualified Areas for Combat Tax Exclusion Section 8-G-2 of reference (b) designates combat zones that qualify for federal income tax exclusion.

The following areas have recently been designated as Combat Zones. The next change to reference (b) will reflect the following:

- Djibouti (including the airspace above) has been designated a Combat Zone effective 1 July 2002.
- The Philippines (including the airspace above) has been designated a Combat Zone effective 9 January 2002. Only members under orders in support of Operation Enduring Freedom qualify.
- Turkey (including the airspace above) has been designated a Combat Zone effective 21 September 2001. Only members supporting Operation Enduring Freedom or the Persian Gulf combat area qualify.
- Yemen (including the airspace above) has been designated a Combat Zone effective 10 April 2002.

IT IS IMPORTANT TO NOTE THAT THERE ARE ONLY A FEW AREAS ELIGIBLE FOR COMBAT TAX EXCLUSION. MANY AREAS DESIGNATED AS IMMINENT DANGER PAY QUALIFYING AREAS ARE NOT ELIGIBLE FOR COMBAT TAX EXCLUSION.

Rules for Combat Tax Exclusion The following rules apply when determining income tax exclusion for duty in a combat zone.

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**Rules for
Combat Tax
Exclusion
(cont'd)**

- A member who is present on official duty in a combat zone, no matter how brief, qualifies for combat tax exclusion for that month.
- When the airspace over a combat zone is included as part of the zone, members who pass over or through the combat zone during the course of a trip between two points, both of which lie outside the zone, are entitled to an exclusion only if the members are assigned to official temporary duty to the airspace of the combat zone or qualify for hostile fire/imminent danger pay as a result of the flight.
- Members performing military duties in areas outside a designated combat zone in support of military operations in a combat zone, who qualify for imminent danger pay, also qualify for combat tax exclusion.

**Amount of
Combat Tax
Exclusion**

For enlisted members and warrant officers, all taxable military pay items earned by a member during a month while serving in a combat zone are excluded from federal and state taxation.

For officers O-1 and above, the first \$5,732.70 per month of taxable military pay items are excluded from federal taxation.

Note 1: The \$5,732.70 figure increases annually to match the current base pay rate for an E-10.

Note 2: Imminent danger pay (if entitled) is not included in the \$5,732.70 ceiling.

Members entitled to combat tax exclusion will not have any federal/state income tax withheld from the exempted amount of their pay. Voluntary withholding of this amount is not permitted.

**PERSRU
Procedures**

Combat tax exclusion is entered through CGHRMS as prescribed in reference (e).

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Extension of Filing Date for Tax Returns

Members serving in a combat zone are allowed an extension of up to 180 days to file their federal income tax return, as described in Section 8-G-7 of reference (b).

The due date for filing state tax returns is regulated by each state. Members serving in a combat zone should contact their state tax office regarding the postponement of filing state tax returns.

Wages Associated With Leave Earned While In A Combat Zone

Leave earned by a member in a combat tax exclusion zone is not taxed when that leave is used.

Example: If a member serves in a combat tax exclusion zone from 10 March to 20 April 2003, the member earns two months of tax exclusion benefits and 5 days of tax-free leave (provided the member was on active duty the entire month). When the member uses those 5 days leave, the compensation paid the member while on leave is excludable from taxable gross income.

The following rules apply to tax-free leave:

- For officers O-1 and above, the TOTAL of combat-free wages plus combat-free leave earned during a given month may not exceed \$5,732.70 (without IDP) or \$5,882.70 (with IDP).
- Leave earned in a combat tax exclusion zone is the FIRST leave used after departing the combat tax exclusion zone.

Example: If an individual is in a combat zone from 10 March to 20 April 2003, and takes five days leave during May 2003, the compensation paid the member while on leave is tax-free. However, if this member takes five days leave during April 2003, the member receives no additional tax advantage for the five days of leave.

Members who have combat leave who do not use such leave prior to separation are entitled to receive the tax benefit when selling leave, as detailed in Chapter 10 of reference (b).

Reminder: *Leave earned in a combat tax exclusion zone is the **FIRST** leave used after departing the combat tax exclusion zone.*

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**SRB and CSB
Benefit**

Combat tax exclusion applies to the initial payment, and future installment payments, of a Selective Reenlistment Bonus (SRB) or Career Status Bonus (CSB) if a member executes a reenlistment or extension, or completes 15 years active service while serving in a combat zone.

Example: MK3 Jones enlisted in the CG on 8 August 1992. Due to an extension, his/her current expiration of enlistment is 7 October 1998. The MK rating has a Zone A SRB multiple of 2. Since MK3 Jones was aboard his unit while it was underway in the Persian Gulf from 5 April 1998 to 4 June 1998, MK3 Jones is eligible for both Imminent Danger Pay and Combat Tax Exclusion for the months of April, May, and June 1998. Per reference (f), MK3 Jones' Commanding Officer is authorized to effect early discharge and reenlist MK3 Jones 3 months prior to his 6th anniversary date (8 August 1998) for the purpose of qualifying for a Zone A SRB. If a date selected to effect the early discharge and reenlistment is in June 1998, MK3 Jones' SRB payments will be reduced by the portion of unserved service obligation (up through 7 October 1998), but it is not subject to Federal (27.5%) and state income tax withholding.

Review section 3-C of reference (f) carefully to ensure all criteria are being met.

**Thrift Savings
Plan (TSP) &
Combat Tax
Exclusion**

TSP contributions made by a member while serving in a combat zone are considered tax-exempt contributions, and are subject to special rules. See pages 11 and 40 of the booklet entitled "Summary of the Thrift Savings Plan for the Uniformed Services", available at <http://www.tsp.gov>.

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SECTION 3 – Savings Deposit Program

Introduction Members assigned to certain qualifying areas are authorized to make deposits of up to \$10,000 in a Savings Deposit Program and earn 10 percent interest on their deposit(s).

Qualified Areas For Savings Deposit Program Section 6-F-2 of reference (b) designates qualifying areas under the Savings Deposit Program.
Effective 1 February 2003, the following additional members are eligible for the Savings Deposit Program:

Members serving in an assignment outside the United States or its possessions in support of Operation Enduring Freedom in an area:

1. That has been designated a combat zone, or as an area in direct support of a combat zone (see section 2 above).
 2. At which the member has served in the assignment for at least 30 consecutive days, or at least one day for each of three consecutive months.
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Procedure for Savings Deposit Program The procedures for the Savings Deposit Program are contained on pages 7-C-2 thru 7-C-5 of reference (d). Members who desire to participate in the Savings Deposit Program have two options:

1. Lump sum payment to HRSIC (DC) per page 7-C-4, reference (d); or
2. Complete an allotment worksheet and forward it to HRSIC (MAS).

[NOTE: Although page 7-C-4, reference (d), indicates PERSRUs may input Savings Deposit Program allotments, such allotments instead shall only be input by HRSIC (MAS).]

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Period of Savings Deposit Program Entitlement	A member is entitled to participate in the Savings Deposit Program only while assigned to a qualifying area. Members who leave a qualifying area must withdraw funds from the Program within 90 days after the member's departure from the qualifying area.
Questions	Questions may be directed to HRSIC Customer Service at (785) 339-3540.
Released by	Internet release authorized.

/s/
M. P. SULLIVAN
Deputy Director