



FACT SHEET

Tax-Related Benefits

Last Reviewed: June 15, 2018

Background

Active duty USPHS Officers are eligible for several tax-related benefits. These benefits should be taken into account when comparing total income between USPHS and private sector or civil service positions.

Eligibility

State-based benefits vary considerably and are subject to change (see below: *Selected state income tax exemptions*). An overview of state tax rules and websites may be found at <http://www.military.com/money/personal-finance/taxes/state-tax-information.html>. Check your state of residence tax website to confirm income tax rules. Also note that state tax exemptions for military personnel do not always apply to PHS officers and should be verified.

Highlights

- ▶ The principal tax-related benefits are summarized below.

Benefit	Description
Tax-exempt Basic Allowance for Housing (BAH)*	<ul style="list-style-type: none"> Paid to active duty service member (ADSM) if quarters not provided by Government Calculated by rank/grade, zip code of duty station, and dependent status Effective immediately upon Call to Active Duty (CAD) and appears on pay stubs Subject to change every January. If BAH for a duty station decreases, rate protection assures that BAH will not decline while ADSM is stationed at same site unless there is change in rank, dependent status, or other interruption in eligibility. See http://www.defensetravel.dod.mil/site/bah.cfm BAH calculator: http://www.defensetravel.dod.mil/site/bahCalc.cfm <p>*Changes to BAH computation based on FY15 National Defense Authorization Act: 1) reintroduction of member cost-sharing element (out-of-pocket amount) 2) elimination of renter’s insurance</p>
Tax-exempt Basic Allowance for Subsistence (BAS)	<ul style="list-style-type: none"> Offsets costs for an ADSM’S meals Based in historic origins of military providing room and board as part of pay Not intended to offset costs of meals for family members Adjusted annually based on price of food as measured by the USDA food cost index Effective immediately upon CAD and appears on pay stubs
Selected state income tax exemptions (for you and your spouse)	<ul style="list-style-type: none"> If you claim residency in a state that imposes no income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming) at time of CAD, you will not be subject to state income tax regardless of where you are stationed. If assigned to active duty in one of these states, you can establish residency in that state for rest of uniformed service career. Some states offer ADSMs “exempt” status when they are stationed outside of their state of residence. Income earned as military income is not taxed by that state.
Automobile licenses and fees	<ul style="list-style-type: none"> ADSMs are not subject to auto license and related fees or excises in the state where stationed assuming these are paid to the state of domicile. ADSMs may choose to register vehicles in the state where stationed.

- ▶ Most large military installations worldwide offer service members and their family's free income tax filing assistance through the Volunteer Income Tax Assistance (VITA) program which is sponsored by the IRS.
- ▶ More information about free and discounted tax preparation services: <http://www.military.com/discounts/free-tax-preparation-for-military.html>
- ▶ Note: The Tax Cuts and Jobs Act of 2017 does not address any changes specific to PHS officers.

Resources

- ▶ <https://www.usphs.gov/profession/physician/compensation.aspx> - USPHS website on Salary and Benefits
- ▶ <http://www.defensetravel.dod.mil/site/bah.cfm> - DOD website on Basic Allowance for Housing (BAH)

Note: Feedback and suggestions for this fact sheet are welcome and may be sent to PPACBenefitsSC@gmail.com.

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