

June 15, 2017

The Honorable Orrin Hatch  
Chairman, Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member, Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Chairman Hatch and Ranking Member Wyden:

As Congress addresses tax reform in the 115<sup>th</sup>, ROA asks your support for several changes to the tax code for the National Guard and Reserve either as part of tax reform or as a stand-alone bill.

TSP Contribution Limits

H.R. 1317 (Rep Johnson) and S.492 (Sen Cornyn), “Servicemember Retirement Improvement Act”, which allows reserve members to make the \$18,000 allowable contribution to their Thrift Savings Plan while not preventing them from making contributions to their retirement plan with their civilian employment.

Travel Expenses

H.R. 1687 (Rep Poliquin) and S. 697 (Sen Daines), “Tax Relief for Guard and Reserve Training Act,” which lowers the mileage threshold from 100 to 50 miles when determining tax deductions for Guardsmen and Reservists for any expenses incurred while performing services related to Guard or Reserve duties.

Tax Penalties

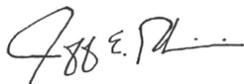
This change would update IRS Revenue Procedure 2016-47 to allow Guard and Reserve members on military deployment to qualify for a waiver of the 60-day rollover requirement.

Tax Credit for Employers

This change would establish a tax credit for employers who hire Guard and Reserve members in high-demand specialties, such as cyber, counterdrug, pilots, and security.

Additional information explaining these issues is attached. ROA has a membership of 50,000 and is the only national military association that exclusively supports all the uniformed reserve components of the United States. Thank you for your efforts on this issue, and your support of our veterans. If you have any questions please have your staff call Susan Lukas, ROA’s legislative director, at 202-646-7713 or e-mail at slukas@roa.org.

Sincerely,



Jeffrey E. Phillips  
Maj. Gen., USA (Ret.)  
Executive Director



## **Taxes: Update Tax Laws and Policies to Reflect Changes in the Military**

***ROA urges Congress to exempt Title 26 USC 401(k) Guard and Reserve employee and government contribution limits from the new “blended retirement” plan.***

### **TSP Contribution Limits**

Under the new blended retirement program some Guard and Reserve members will be forced to surrender some of their civilian retirement if they want to contribute to their military retirement because of contribution limits set by the IRS. When not performing military service, many National Guard and Reserve members are working in civilian jobs that have 401k retirement programs. While some servicemembers could split the \$18,000 (2015) limit between the two places of employment, in doing so, they would be receiving less than the full potential of both their civilian and military retirement plans. ROA met with senior leaders from the Pentagon who said that it was not their intent to reduce retirement benefits for Guard and Reserve through tax law. ROA believes this was an unintended consequence due to being unfamiliar with Title 26.

***ROA urges Congress to amend Title 26 USC §62(a)(2)(E) to decrease the distance for the above-the-line deduction for travel expenses.***

### **Travel Expenses**

It is time to amend the tax code to change the above-the-line deductions for Guard and Reserve members who travel more than 50 miles from their residence. Currently the law only allows the deduction when performing military duty at locations 100 miles from their residence. This change would bring the Guard and Reserve in line with comparable 50-mile criteria for other deductions such as for moving expenses and funeral honors. This is a change that should have occurred 10 years ago, when the 2005 Defense Base Realignment and Closure Commission recommended a total of 182 closures or realignment recommendations. History has shown that BRAC implementations result in fewer installations which increases the distance Guard and Reserve members must travel to perform duty. In the 114<sup>th</sup> Congress this bi-partisan legislation was proposed as H.R. 4658 *The Fair Treatment for our National Guard and Reservists Act*.

***ROA urges Congress to update IRS Revenue Procedure 2016-47 to allow Guard and Reserve members on military deployment to qualify for a waiver of the 60-day rollover requirement.***

### **Tax Penalties**

Of the eleven conditions specified by the IRS as acceptable reasons to request a penalty waiver for exceeding the 60-day rollover requirement, none allow for a waiver in the event of a military deployment. Some of the conditions the IRS does consider valid to justify a waiver include the taxpayer losing the check, if a taxpayer's family member died

or was seriously ill, and even if the taxpayer was incarcerated. ROA believes that a taxpayer who is a military member on deployment should be afforded at least the same consideration as a taxpayer who is in jail, who faced a postal error, or family illness.

IRS Revenue Procedure 2016-47 "... provides guidance concerning waivers of the 60-day rollover requirement contained in §§ 402(c)(3) and 408(d)(3)" in Title 26. The full list of valid conditions, can be found at (<https://www.irs.gov/pub/irs-drop/rp-16-47.pdf>)

***ROA urges Congress to establish a tax credit for employers who hire Guard and Reserve members in high-demand specialties, such as cyber, counterdrug, pilots, and security.***

### **Tax Credit for Employers**

Guard and Reserve service members continue to experience problems maintaining employment because of the demands for meeting the increased operational support provided to active duty. According to the Department of Labor in February 2017, Gulf War-era II veterans continue to have higher unemployment rates than their civilian counterparts. While employers have tried to support national security, it would be naïve to think they are not encountering their own problems during these times. Companies are absorbing the cost of replacing servicemembers with temporary employees or increasing overtime to fill the vacancy of mobilizations. Servicemembers have told ROA that they are seeing fewer and fewer Guard and Reserve members being hired because of the cost and disruption to companies. This problem is exacerbated in high-demand specialties. Because the purpose of tax credits is to promote a specific behavior, ROA believes offering tax credits to companies will encourage them to hire Guard and Reserve members.