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133,000 Injured Veterans Entitled to Tax Refunds

Article Highlights:

- Combat-Injured Veterans Tax Fairness Act
- Disability Severance Payments
- Department of Defense Notice
- Standard Claim Amount
- Filing a Claim
- Lack of Documentation

As a result of the 2016 Combat-Injured Veterans Tax Fairness Act, more than 133,000 injured veterans may qualify for a federal tax refund. The minimum refund is estimated at \$1,750, meaning the government will be paying out an estimated minimum of \$228 million.

These tax refunds are owed to any veterans who received one-time (lump-sum) disability severance payments after January 17, 1991, and who included those payments as income on their tax returns. According to the IRS, most veterans who received such disability severance payments after ending their military service will receive letters from the Department of Defense to explain the process for claiming their refunds.

If the normal statute for claiming a refund has expired, the veterans have one year from the date when they received the Department of Defense letter to file a 1040-X and claim their refunds. They have two options to determine the amount of their refunds:

- Amend the original return and use actual numbers from the original return.
- Claim a standard refund amount based on the calendar year of the severance payment. The standard should be entered on lines 15 and 22 of the 1040-X, and "Disability Severance Payment" should be entered on line 15. The standard amounts are as follows:
 - o \$1,750 for tax years 1991–2005
 - o \$2,400 for tax years 2006–2010
 - o \$3,200 for tax years 2011–2016

Claiming the standard tax refund amount is the simpler way to claim the refund because veterans do not need to access the original tax returns that included their lump-sum disability severance payments.

To claim this refund, veterans should write either "Veteran Disability Severance" or "St. Clair Claim" across the top of the front page of their Form 1040X and mail their returns to this address:

Internal Revenue Service
333 W. Pershing Street, Stop 6503, P5
Kansas City, MO 64108

Veterans who are eligible for refunds but who don't receive the Department of Defense letters can still file Form 1040X to claim their refunds, but they need to include both of the following to verify that they received disability severance payments:

- A copy of documentation that displays the exact amount of the disability severance payment and the reason for it; this could be a letter from Defense Finance and Accounting Services that explains the severance payment or a Form DD-214.
- A copy of either the letter in which the Veteran's Administration confirmed the veteran's disability or a determination that the injury or sickness was incurred as a direct result of armed conflict, while in

extra-hazardous service, during a simulated war exercise, or due to an instrument of war.

Veterans who don't have the necessary documentation (with the exact amount of their disability severance payment and the reason for that payment) will have to contact Defense Finance and Accounting Services to get that documentation.

If you need assistance, please give this office a call.

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