



T H E M I L I T A R Y C O A L I T I O N

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February 26, 2010

The Honorable Charles B. Rangel
Chairman, House Ways & Means Committee
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Military Coalition (TMC), a consortium of nationally prominent military and veterans organizations, representing more than 5.5 million members plus their families and survivors wishes to advise you of the TMC tax goals for 2010 and urge your consideration of these initiatives in the process of crafting tax-related legislation this year.

We thank you for outstanding leadership in championing the Worker, Homeownership, and Business Assistance Act of 2009 (PL 111-92), which provides significant tax relief for active duty personnel and reservists serving overseas. We are truly appreciative of Congressional efforts to aid service members and their families and wish to build upon those improvements. Some of the measures we seek include:

- Authorizing a permanent tax credit for employers who continue to pay activated personnel
- Authorizing tax deductions for health care premiums paid for by active duty, retirees and reserve personnel
- Increasing the Alternative Minimum Tax (AMT) exemption for children who receive a Survivor Benefit Plan annuity to alleviate a punitive burden adversely affecting surviving military families
- Extending combat zone tax credit to USPHS and NOAA officers, recognizing that these members of the uniformed services are equally placed in harm's way

We have enclosed a complete copy of the 2010 TMC tax goals for the Committee's consideration. The Coalition looks forward to working with you and your staff, and would

appreciate an opportunity to offer our views on these needed initiatives at an appropriate Committee hearing.

TMC very much appreciates your and the Committee's continuing sensitivity to the extraordinary and extended wartime sacrifices being borne by members of the uniformed services and their families, and hopes the Committee can see its way clear to address at least some of the attached initiatives.

Thank you for your continued support of those who serve.

Sincerely,

The Military Coalition

(Signatures enclosed)

(Goals enclosed)

cc: Ranking Member, Committee on Ways & Means

Air Force Association

Air Force Sergeants Association

Air Force Women Officers Associated

American Logistics Association

AMVETS (American Veterans)

Army Aviation Association of America

Association of Military Surgeons of the United States

Association of the United States Army

Association of the United States Navy

Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard

Commissioned Officers Association of the U.S. Public Health Service, Inc.

Enlisted Association of the National Guard of the United States

Fleet Reserve Association

Gold Star Wives of America, Inc.

Iraq & Afghanistan Veterans of America

Jewish War Veterans of the United States of America

Marine Corps League

Marine Corps Reserve Association

Military Chaplains Association of the United States of America

Military Officers Association of America

Military Order of the Purple Heart

National Association for Uniformed Services

National Guard Association of the United States

National Military Family Association

National Order of Battlefield Commissions

Naval Enlisted Reserve Association

Non Commissioned Officers Association

Reserve Enlisted Association of the United States

Reserve Officers Association

Society of Medical Consultants to the Armed Forces

The Retired Enlisted Association

United States Army Warrant Officers Association
United States Coast Guard Chief Petty Officers Association
Veterans of Foreign Wars of the United States

**Taxes/Social Security Committee
Legislative Goals for 2010**

Authorize Tax Credits for Employers of Reservist/Employees - Support by employers of members in the Reserve Component enables the Total Force to accomplish today's missions. Employers of Guardsman and Reservists are often burdened with extra costs to support National Defense through the participation of their employees in the military. Today's increased utilization of Reserve Components and OPTEMPO makes employer support more important than ever. Employer pressure is listed as one of the top reasons why Reservists quit. The following tax credits will help offset employer costs associated with employees' Reserve activities and reinforce employer support.

A permanent tax credit for employers continuing to pay activated Guard and Reserve employees up to 2 years

- A tax credit for businesses owners who hire temporary workers to fill-in for activated employees
- A tax credit to help small business owners to continue an employee's healthcare, providing an option to TRICARE in areas not covered by the military health network

Authorize Tax Deductions for Premiums Paid on Health Insurance - Seek legislation allowing service members, retirees and survivors to pay health insurance premiums for TRICARE supplements and the DoD sponsored TRICARE dental plans, on a pre-tax basis as is already permitted for Federal civilian and those who participate in a "cafeteria plan" offered by a civilian employer. Also, seek authorization for TRICARE Prime enrollment fees for retired beneficiaries to be paid on a pre-tax basis.

Implement Uniformed Service Member Flexible Spending Accounts – Seek legislation directing DoD to implement Flexible Spending Accounts for service members enabling military families to pay health care (insurance deductibles, pharmacy co pays, glasses and contacts, dental deductibles/co pays, over-the-counter medications, etc.) and childcare expenses with pre-tax dollars. Federal civilians are authorized to have these accounts (joint Goal with the Health Care and Personnel, Compensation and Commissaries Committees). Authorize "Flexible Spending Account" claims filing for a prior reporting year after return from active duty for mobilized Guard and Reserve members.

Increase the Alternative Minimum Tax Exemption (AMT) for Children Who Receive a Survivor Benefit Plan (SBP) Annuity. An SBP annuity received by a child is unearned income and is often taxed at a higher AMT rate. AMT tax rules apply to a child's income to discourage parents from transferring income producing assets to a child in order to achieve tax savings. Specifically, 26 USC § 59(j) (1) reduces the exemption amount allowed to a child in computing the AMT. This often results in a child's unearned income being taxed at the AMT marginal rate of 26%. We support eliminating the punitive burden imposed by the AMT by increasing the exemption by adding the SBP amount received by the child, i.e., raising the exemption. The annuity would remain taxable but subject to the normal tax rates for a child's income. (This is a joint initiative with the Survivor Committee.)

Improve Above-The-Line Deduction for Overnight Travel Expenses of Guard and Reserve Members - Restoration of full tax-deductibility of non-reimbursable expenses related to military training was accomplished in the FY04 NDAA using a distance of 100 miles. As other government agencies use a 50 mile provision for travel compensation, Internal Revenue Code Section 62(a)(2)(A) should be changed so that "the deductions allowed...for any period during which such individual is more than 50 miles away from home in connection with such services."

Authorize Tax Deductions for Long Term Care (LTC) Premiums - Group long term care insurance has been approved for federal employees and uniformed services members - active, reserve, and retired. Their family members also need protection against the unforeseen cost of custodial care services that might be needed as a result of a disabling condition. LTC is a self-funded program. In order to promote enrollment in a commercial or the new government LTC insurance plan, it has been suggested that the cost of premiums be allowed as a deductible on personal federal income tax for qualified long-term care insurance plans.

Provide Combat Zone Tax Credit to USPHS and NOAA Officers - Officers of the USPHS and NOAA Commissioned Corps serve alongside their armed service peers in combat zones around the world. The Department of State is currently seeking additional USPHS physicians for service in Iraq and Afghanistan. Yet USPHS and NOAA officers were inadvertently omitted from legislation years ago establishing a tax credit for armed services members serving in combat zones - a rare exception to the compensation and benefits parity among the seven uniformed services normally the intent of the Congress.

Authorize Tax Incentives for Employers Hiring Demobilized Service Members and AC/RC Military Spouses - Service men and women need a smooth transition from military duty to civilian life, or when transferred between bases. The service man or woman's family is an integral part of that transition and their financial stability is key. Employment of military spouses as well as re-employment of the serving member is considered a critical element in recruiting and retaining a high quality all volunteer force. TMC supports:

- Expanding the Workforce Opportunity Tax Credit to giving employers tax credits who:
 - Hire military spouses of both Active and Reserve components
 - Hire demobilized service members
- Providing tax credit to offset expenses by military spouses who must obtain professional or trade license or certification when the Active or Reserve service member is relocated to a state where the spouse is no longer qualified to work in that profession or trade.

Reform Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) - Repeal or reform the WEP and GPO Social Security penalties for federal employees and spouses (many of whom are military retirees and spouses) under the Civil Service Retirement System and certain state retirement systems. WEP reduces Social Security benefits earned by these members and spouses from military service or other employment. The GPO reduces or in some cases eliminates Social Security survivor benefits for spouses who are also federal/state retirees.

