

E-Mail ALPERSRU S/03

Subj: RECORDING ENTITLEMENT TO IMMINENT DANGER PAY, COMBAT TAX EXCLUSION, HARDSHIP DUTY LOCATION PAY, AND SAVINGS DEPOSIT PROGRAM

- Ref:** (a) [E-Mail ALPERSRU C/03](#)
(b) [E-Mail ALPERSRU H/03](#)
(c) [Coast Guard Pay Manual, COMDTINST M7220.29 \(series\)](#)
(d) [ALCOAST 203/03](#)
(e) [ALCOAST 405/03](#)
(f) [Personnel and Pay Procedures Manual, PSCINST MI000.2 \(series\)](#)
(g) [E-Mail ALPERSRU V/02](#)
(h) [Coast Guard Personnel Manual, COMDTINST M1000.6 \(series\)](#)
(i) [E-Mail ALPERSRU Y/02](#)

Purpose This E-mail ALPERSRU clarifies procedures for recording entitlement to:

- Imminent danger pay
- Combat tax exclusion
- Hardship duty location pay
- Savings deposit program

Directives Affected References (a) and (b) are cancelled.

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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 (c). 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 4-11 of reference (c).

The following areas have been designated as eligible imminent danger pay areas subsequent to the last change to reference (c):

- **Cote d’Ivoire.** Land area effective 27 Feb 03.
 - **Mediterranean Sea east of 30 degrees east longitude.** Designated only for the period 11 Apr 03 thru 31 Jul 03. (See references (d) and (e).)
 - **Syria.** Land area effective 31 Jul 03.
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Rules for Imminent Danger Pay

The following rules apply when determining entitlement to Imminent Danger Pay:

- Members assigned ashore or afloat may qualify for Imminent Danger Pay. Extreme care, however, must be taken before starting Imminent Danger Pay for members on a vessel. Most Imminent Danger Pay areas designated in figure 4-11 of reference (c) are for land area and airspace only. See note 1 of figure 4-11, reference (c), for a definition of “land area”.
 - A member must be on official duty in a designated area to qualify for 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 area.
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SECTION 1 – Imminent Danger Pay

Rules for Imminent Danger Pay (cont'd)

- A member who qualifies for imminent danger pay is not also automatically qualified for combat tax exclusion unless the designated area is specifically designated as a combat zone, as discussed in section 2 of this ALPERSRU.

Reservists

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

Amount of Imminent Danger Pay

The current monthly rate of imminent danger pay is \$225.00.

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 (f). Imminent danger pay is paid through PeopleSoft as described in reference (g).

- (a) Enter a Start Date of the actual date that a member arrives in an eligible area, and a Stop Date as the actual date a member departs an eligible area. PeopleSoft defaults Start Dates to the first day of the month and Stop Dates to the last day of the month; the Start and Stop Dates need to be edited to show the actual date of the member's arrival in/departure from the eligible area. If a member is assigned to an area newly designated as a qualifying area, the Start Date is the date the area is designated as an imminent danger pay area.
- (b) Record the location where the member performs the duty in the Detail Foreign Country field. If the member performs duty on land, enter the Country Code. If the member performs duty afloat, enter the abbreviation for the waterway; use PG for the Persian/Arabian Gulf, RD for the Red Sea (including the Gulf of Aden and Gulf of Oman).

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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 (c) designates combat zones that qualify for federal income tax exclusion. Effective 31 Jul 03, under reference (e), the designation for the Eastern Mediterranean Sea (east of 30 degrees longitude) was terminated.

As discussed in section 8-G-4.d, reference (c), there is one instance where a member not physically present in a combat zone can qualify for Combat Tax Exclusion. If a member is qualified for Imminent Danger Pay, as discussed in the section 1 above, and is performing duties in support of combat operations, then the member is eligible for Combat Tax Exclusion during the period the member is entitled to Imminent Danger Pay.

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

- Members assigned ashore or afloat may qualify for Combat Tax Exclusion
- Members who qualify for Imminent Danger Pay are not automatically qualified for Combat Tax Exclusion. There are many areas designated for Imminent Danger Pay, which are not designated as Combat Tax zones.
- A member must be on official duty in a designated combat zone to qualify for Combat Tax Exclusion. The only exception is that a member who qualifies for Imminent Danger Pay, who performs duties in support of combat operations, is eligible for Combat Tax Exclusion during the period the member is entitled to Imminent Danger Pay.

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SECTION 2 – Combat Tax Exclusion

**Rules for
Combat Tax
Exclusion
(Con't)**

- 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, a member who passes over or through the combat zone during the course of a trip between two points, both of which lie outside the zone, is entitled to combat tax exclusion only if the member is assigned to official temporary duty to the airspace of the combat zone or qualifies for Imminent Danger Pay as a result of the flight.
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**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 is 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.

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SECTION 2 – Combat Tax Exclusion

**PERSRU
Procedures**

Combat tax exclusion is entered through PeopleSoft as prescribed in reference (g). When preparing the PeopleSoft transaction, be sure to:

- (a) Enter a Start Date that a member arrives in the zone, and a Stop Date as the actual date a member departs the zone. PeopleSoft defaults Start Dates to the first day of the month and Stop Dates to the last day of the month; the Start and Stop Dates need to be edited to show the actual date of the member's arrival in/departure from the zone. If a member is assigned to an area newly designated as a combat zone, the Start Date is the date the area is designated as a combat zone.
- (b) Record the location where the member performs the duty in the Detail Foreign Country field. If the member performs duty on land, enter the Country Code. If the member performs duty afloat, enter the abbreviation for the waterway; use PG for the Persian/Arabian Gulf, RD for the Red Sea (including the Gulf of Aden and Gulf of Oman), and IO for the Ionian Sea.

**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 (c).

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.

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SECTION 2 – Combat Tax Exclusion

**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 \$5,957.70 (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 (c).

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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SECTION 2 – Combat Tax Exclusion

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.

If possible, it is usually best financially for an SRB-eligible member to reenlist or begin serving under an extension during a month when eligible for combat tax exclusion.

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 (h), MK3 Jones' Commanding Officer is authorized to affect 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%) and state income tax withholding.

Review section 3-C of reference (h) 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 – Hardship Duty Location Pay

Introduction

Hardship Duty Location Pay is an entitlement to members who meet the special conditions described in Section 4-A of reference (c). This special pay is in addition to any other pay and allowances to which a member may be entitled.

There are two types of Hardship Duty Location Pay:

1. Hardship Duty Location Pay For Designated Areas (HDP-L(DA)), which became effective 1 Jan 2001. HDP-L(DA) is payable to both officers and enlisted members.
 2. Hardship Duty Location Pay For Certain Places (HDP-L(CP)), previously known as Foreign Duty Pay. HDP-L(CP) is only payable to enlisted members who qualified for such pay prior to 1 January 2002.
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Qualified Areas for Hardship Duty Location Pay for Designated Areas

Areas that qualify for HDP-L(DA) are listed in figure 4-1 of reference (c).

The following HDP-L(DA) areas have been added, or changed, subsequent to the last change to reference (c).

- **Angola.** Luanda eligible for \$100 per month effective 1 Jul 03 (other Angola locations remain at \$0 per month).
 - **Bulgaria.** Burgas eligible for \$100 per month effective 5 Aug 03 (Sofia remains at \$100 per month, and other Bulgaria locations remain at \$50 per month).
 - **Cote d'Ivoire.** Rate decreased from \$150 to \$100 per month effective 1 Jun 03.
 - **Egypt.** Cairo West Air Base eligible for \$100 per month effective 5 Aug 03 (other Egypt locations remain at \$50 per month).
 - **Jordan.** King Faisal Air Base, Prince Hasan, and Shaheed eligible for \$100 per month effective 1 Jul 03 (other Jordan locations remain at \$50 per month).
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S E C T I O N 3 Hardship Duty Location Pay

Qualified Areas for Hardship Duty Location Pay for Designated Areas (cont)

- **Saudi Arabia.** Ar'ar Airport and Tabuk Air Base eligible for \$100 per month effective 5 Aug 03 (other Saudi Arabia locations remain at \$0 per month).
 - **Syria.** \$100 per month effective 31 Jul 03 (entire country).
 - **Turkey.** Effective 5 Aug 03:
Afyon; Batman; Corlu; Diyarbakir; Gaziantep; Iskendrun; Mardin; Mersin; Oguzeli; Sabiha Gokcen; Sanliurfa; Tasucu; Nasaybin; Konya;
Pirinclik: \$100 per month
Eskisehir: \$50 per month
Other Locations: \$0 per month
 - **Zimbabwe.** Harare eligible for \$150 per month effective 1 Aug 03 (other Zimbabwe locations remain at \$50 per month).
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Rules for Hardship Duty Location Pay for Designated Areas

The following rules apply to HDP-L(DA):

- Only land areas OUTCONUS are designated for HDP-L (DA).
 - Officers and enlisted members permanently assigned to a designated area, or temporarily assigned to a designated area for over 30 consecutive days, are entitled to HDP-L(DA).
 - HDP-L(DA) is not payable to members serving aboard career sea pay eligible vessels unless those members are TDY ashore in an HDP-L(DA) area for over 30 consecutive days.
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Amount of Hardship Duty Location Pay for Designated Areas

The monthly rate of HDP-L(DA) is \$50, \$100, or \$150 per month, as prescribed in figure 4-1, reference (c).

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**Procedure for
Payment of
Hardship Duty
Location Pay
for Designated
Areas**

HDP-L(DA) is paid through PeopleSoft as prescribed in reference (i).
When preparing the PeopleSoft transaction, be sure to record the location where the member is assigned in the Detail Foreign Country field, and the monthly HDP-L(DA) amount in the Detail Dollar Amount Field.

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SECTION 4 – 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 (c) designates qualifying areas under the Savings Deposit Program.

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 (f). Members who desire to participate in the Savings Deposit Program have two options:

1. Lump sum payment to PSC(DC) per page 7-C-4, reference (f); or
 2. Complete an allotment worksheet and forward it to PSC(MAS).
[NOTE: although page 7-C-4, reference (f), indicates PERSRUs may input Savings Deposit Program allotments, such allotments instead shall only be input by PSC(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

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S E C T I O N 4 – Savings Deposit Program
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Questions Questions regarding the content of this e-mail ALPERSRU may be directed to [PSC Customer Care](#) at (866) 772-8724 / (785) 339-2200.

Released by Internet release authorized.

/s/
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