



# Department of Defense **DIRECTIVE**

NUMBER 5124.03

January 8, 2005

Certified Current as of April 23, 2007

*USD(P&R)*

SUBJECT: Armed Forces Tax Council

References: (a) DoD Directive 5124.3, "Armed Forces Tax Council," December 1, 1988 (hereby canceled)  
(b) DoD 5025.1-M, "Department of Defense Directives System Procedures," March 2003

## 1. REISSUANCE AND PURPOSE

1.1. This Directive reissues reference (a) and updates the membership, organization, and responsibilities of the Armed Forces Tax Council.

1.2. The Armed Forces Tax Council coordinates matters affecting Federal, State, local, and foreign tax liabilities of members of the Armed Forces and the related obligations of the Military Departments as employers. The term tax liabilities include employment tax liabilities.

## 2. APPLICABILITY

This Directive applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as the "DoD Components"). The term "Military Services," as used herein, refers to the Army, the Navy, the Air Force, and the Marine Corps.

## 3. ORGANIZATION

3.1. The Armed Forces Tax Council shall be composed of an Executive Director, three members from the OSD Staff, and one member from each Military Service.

3.2. The Executive Director shall be designated by the Principal Deputy Under Secretary of Defense (Personnel and Readiness) (PDUSD (P&R)). One Council member shall be designated by each of the following officials: the Under Secretary of Defense (Comptroller (USD(C))), the Assistant Secretary of Defense (Reserve Affairs) (ASD(RA)), and the General Counsel of the Department of Defense (GC, DoD). Council members from the Military Services shall be designated by the Secretary of the Military Department concerned.

#### 4. RESPONSIBILITIES

4.1. The Principal Deputy Under Secretary of Defense for Personnel and Readiness, under the Under Secretary of Defense for Personnel and Readiness, shall:

4.1.1. Provide policy guidance and supervision of the Armed Forces Tax Council.

4.1.2. Designate the Executive Director of the Armed Forces Tax Council.

4.2. The Assistant Secretary of Defense for Reserve Affairs shall:

4.2.1. Review Council matters for their effect on the Reserve components and other matters within the authorities and responsibilities assigned in the ASD(RA) charter.

4.2.2. Designate a member of the Armed Forces Tax Council.

4.3. The Under Secretary of Defense (Comptroller) shall:

4.3.1. Review Council matters for their effect on fund control and payroll administration and other matters within the authorities and responsibilities assigned in the USD(C) charter.

4.3.2. Designate a member of the Armed Forces Tax Council.

4.4. The General Counsel of the Department of Defense shall:

4.4.1. Review Council matters for their compliance with the law and other matters within the authorities and responsibilities assigned in the GC, DoD charter.

4.4.2. Designate a member of the Armed Forces Tax Council.

4.5. The Secretaries of the Military Departments shall:

4.5.1. Review Council matters for consistency with Military Department regulations, advise on the effects to the members of the Armed Forces and provide coordination as necessary.

4.5.2. Designate members, one for each Military Service, as members of the Armed Forces Tax Council.

4.6. The Armed Forces Tax Council shall:

4.6.1. Coordinate all tax matters affecting the military including:

4.6.1.1. Current and proposed DoD issuances authorized pursuant to DoD 5025.1-M (reference (b)) and Military Department regulations.

4.6.1.2. Requests for rulings and comments on regulations from the Department of Defense to the Treasury Department, the Internal Revenue Service, and the State taxation authorities.

4.6.1.3. Legislative proposals that affect the Federal and State tax obligations of members of the Armed Forces and related obligations of the Military Departments.

4.6.1.4. Requests for interpretations of tax laws, regulations, and rulings requested by DoD offices and Agencies.

4.6.1.5. Advice on matters related to tax policy as it affects members of the Armed Forces.

4.6.1.6. Liaison with Federal, State, and local tax authorities by DoD representatives.

4.6.2. Require concurrence from a majority of the Departments represented and a majority of representatives from the OSD for final Council action on matters identified in subparagraphs 4.5.1.1. through 4.5.1.5., above, subject to PDUSD (P&R) policy guidance and supervision.

4.6.3. Establish advisory groups, when necessary, to coordinate military tax matters in specific areas of Council responsibility. The Advisory groups shall include one member from the OSD appointed by the Executive Director of the Council and one member from each Military Service appointed by the Council member representing that Service.

4.7. The Executive Director, Armed Forces Tax Council shall execute Council actions and shall function as the principal advisor on all Council matters. In addition, the Executive Director shall:

4.7.1. Act independently on behalf of the Council on preliminary, routine, or minor Council matters not requiring concurrence from a majority, as indicated in subparagraph 4.5.2., above.

4.7.2. Ensure coordination of military tax matters with external DoD Agencies and offices.

4.7.3. Coordinate and assign responsibilities for specific Council matters among Council members.

4.7.4. Perform other functions established by a majority of the Council.

4.8. The Council Members shall:

4.8.1. Ensure coordination of Council matters within the offices they represent.

4.8.2. Recommend to the Council appropriate action in all matters pertaining to military tax matters.

4.8.3. Perform duties on behalf of the Council as may be assigned by the Executive Director.

## 5. RELATIONSHIPS

5.1. The Council shall operate under the policy guidance of the PDUSD(P&R). Questions of law shall be submitted to the GC, DoD, or other appropriate authority for resolution.


5.2. In areas of mutual interest or responsibility, representatives of the other DoD Components, Executive Departments, and governmental agencies may be invited by the Executive Director to participate in Council activities.

## 6. ADMINISTRATION

The Council shall meet at the call of the Executive Director. Secretarial and clerical assistance shall be furnished by the PDUSD (P&R). Members of the Council shall be advised promptly of all actions taken on behalf of the Council. A report of Council action shall be submitted to the PDUSD(P&R); the ASD(RA); the USD(C); the GC, DoD; and each Military Department at least annually.

## 7. EFFECTIVE DATE

This Directive is effective immediately.



Paul Wolfowitz  
Deputy Secretary of Defense