

Minnesota Department of Human Services

Military Income Guide

Tool for assessing military income for Minnesota's cash programs and
child care assistance

11-19-2020

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Introduction

This guide provides information to help eligibility workers understand and better assess some of the unique circumstances that can affect military clients' income.

This guide will:

- Define terms used with military income
- Describe combat zones and determine if military income is combat related
- Interpret the military Leave & Earning Statement (LES)
- Break down the list of abbreviations and acronyms for types of military pay and determine if the pay is counted or not counted.

Military Income

Military members receive many different types of pay and allowances. Some are included in gross income while others are excluded. Count military pay and allowances unless excluded from income taxes according to federal or state law.

While most pays are taxable, most allowances are tax-exempt. The primary allowances for most individuals are Basic Allowance for Subsistence (BAS) and Basic Allowance for Housing (BAH), which are tax-exempt. CONUS COLA is one allowance that is taxable. A law change mandated that every allowance created after 1986 would be taxable. CONUS COLA was authorized in 1995 and, thus became, the first taxable allowance.

Definitions

Here are some terms used when evaluating military income:

Allowances: Allowances are the second most important element of military pay. Allowances are moneys provided for specific needs, such as food or housing. Monetary allowances are provided when the government does not provide for that specific need. For example, the quantity of government housing is not sufficient to house all military members and their families. Those who live in government housing do not receive full housing allowances. Those who do not live in government housing receive allowances to assist them in obtaining commercial housing.

The most common allowances are Basic Allowance for Subsistence (BAS) and Basic Allowance for Housing (BAH). A majority of the armed forces receive both of these allowances.

Most allowances are not taxable

Basic Pay: Basic Pay (Base Pay) is the fundamental component of military pay. All members receive it

Deferential wage payments: Deferential wage payments are any payments made by an employer to an individual for a period during which the individual is performing service in the uniformed services while on active duty for a period of time of more than 30 days and that represent all or a portion of the wages the individual would have received from the employer if the individual were performing services for the employer. These amounts are taxable and cannot be excluded as combat pay.

Entitlements: The Military Leave and Earning Statement (LES) lists types of pay and allowances in the "Entitlements" area. Use this information and the Military Pay Codes table on page 8 of this guide to determine whether the type of pay counts as income.

Special and Incentive Pay: Special and Incentive (S&I) pays provide the armed forces with flexible additional pays that can be used to address specific needs and other force management issues that cannot be efficiently addressed through basic pay increases.

Currently, there are over 60 S&I pays authorized in law. Common special pays include:

- **Hardship Duty Pay (HDP)** – additional compensation paid to service members assigned to locations where living conditions are substantially below those conditions in the continental U.S.

- *Assignment Incentive Pay* (AIP) – often paid to service members for unusual assignment circumstances.
- *Hazardous Duty Incentive Pay* (HDIP) - hazardous duty is duty performed under circumstances in which an accident could result in serious injury or death.

Taxed or Not Taxed?

Military income is only counted if it is not excluded from state or federal income taxes.

On pages 8-10 of this guide you will find a table listing military income codes and definitions and whether or not the income is counted (taxed). If income type has an asterisk (*) in the "Counted?" column, please contact your CCAP policy liaison or submit a PolicyQuest.

Because the only income counted is income that is taxed, you can also use the Leave and Earnings Statement to determine whether it is counted. Do this by comparing the income in the "Entitlements" box to income in the "FICA Taxes" box. Let's take a look at an example:

On the LES below, the monthly income is \$4266.73. This includes Base Pay, Basic Allowance for Subsistence (BAS), and Basic Housing Allowance for Housing (BAH). On page 6 you will find that the Base Pay is counted and BAS and BAH are not counted. Another way to determine this is to subtract the BAS and BAH from the total monthly income and compare it to the FICA Taxes amount:

$$\$4266.73 - \$294.43 - \$1725.00 = \$2247.43 \text{ (FICA Taxes amount)}$$

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																						
ID	NAME (Last, First, MI)		SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED												
				E5	040211	04	100210	AF		1-31 JUL 08												
ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY													
Type	Amount		Type	Amount		Type	Amount															
A	BASE PAY	2247.30	FEDERAL TAXES	68.48		DISCRETIONARY ALT	1521.00		+Amt Fed .00													
B	BAS	294.43	ICA-SOC SECURITY	139.33		TRICARE DENTAL	11.58		+Tot Ent 4266.73													
C	BAH	1725.00	ICA-MEDICARE	32.59				-Tot Ded 1570.22														
D			SGI	27.00				-Tot Alt 1532.58														
E			FRH	.50				+Net Amt 1163.93														
F			FAMILY SGLI	5.60				-Cr Fed .00														
G			SP	112.37				+EOM Pay 1163.93														
H			10-MONTH-PAY	1154.47																		
I																						
J																						
K																						
L																						
M																						
N																						
O																						
TOTAL		4266.73			1570.22			1532.58														
LEAVE		33.5	33.5	11	33.5	ETS Bal	85.5	Lv Lost	0	Lv Paid	0	Use/Lose	0	FED TAXES	2134.93	Wage YTD	13682.36	M/S	Ex	Add'l Tax	Tax YTD	
FICA TAXES		2247.30	Soc Wage YTD	14682.50	Soc Tax YTD	892.94	Med Wage YTD	14682.50	Med Tax YTD	208.83	STATE TAXES	0.00	St	0.00	Wage YTD	0.00	M/S	Ex	Tax YTD	0.00		
PAY DATA		BAQ Type	BAQ Deph	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2D JFTR	BAS Type	Charity YTD	TPC	PACIDN								
THRIFT SAVINGS PLAN (TSP)		Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Current	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current													
		5	.00	0	.00	0	.00	0	.00													
		TSP YTD Deductions			Deferred			Exempt														
		770.14			720.14			.00														
REMARKS:		YTD ENTITLE				YTD DEDUCT																
		27768.11				2557.92																
		IF TSP ELECTION AMT EXCEEDS NET AMT DUE, TSP WILL NOT BE DEDUCTED. -LEAVE CARRYOVER INCREASED TO 75 DAYS FOR FY08. NO ACTION REQUIRED BY MEMBERS. DFAS WILL BEGIN RESTORING AFTER 1 OCT 08. -MYPAY HAS ALLOWED MBR'S TO ELECT A HARD-COPY LES VIA US MAIL. AF POLICY IS TO PROVIDE AN ELECTRONIC LES. EFF 1 OCT (SEP LES) AF WILL NO LONGER PRINT LES STATEMENTS IF AVAILABLE ON MYPAY. THANK YOU FOR YOUR SUPPORT. -IF YOUR SPOUSE WANTS INFO ABOUT THE MILITARY LIFESTYLE WE INVITE HIM/HER TO JOIN US FOR THE NEXT HEART LINK SPOUSES ORIENTATION. LUNCH AND CHILD CARE ARE PROVIDED. CALL YOUR																				
		BASE AIRMAN & FAMILY READINESS CTR FOR DETAILS. -IF YOU GAMBLE WITH SAFETY...YOU BET YOUR LIFE. -ELECTIONS ARE COMING! UPDATE YOUR ADDRESS TO GET AN ABSENTEE BALLOT. REQUEST YOUR BALLOT FOR THE PRESIDENTIAL AND STATE ELECTIONS. SEE YOUR VOTING ASST. OFFICER OR WWW.FVAP.GOV. TSP 080701(183) RATE CHG SGLI 080701(183) CHANGE GRADE 080701(184) BAH BASED ON WDEP, ZIP 08041 BANK [REDACTED] ACCT # [REDACTED]																				
		WWW.DFAS.MIL																				

MEC² Entry of Military Income

New income types on the Earned and Unearned Income windows were added to record military income. Using these income types will:

- Ensure income is correctly included
- Help DHS accurately report the number of military families served.

Most military income is reported on a Leave and Earning Statement (LES) in the box labeled "Entitlements". See page 11 for a sample LES.

Earned Income Window

Enter military pays on the Earned Income window in one of two income types:

- Military Pay/Wages, non-combat
- Military Pay/Wages, combat

Unearned Income Window

Enter military allowances on the Unearned Income window in one of two income types:

- Military Entitlements, Counted
- Military Entitlements, Not Counted

Designated Combat Zones

Earnings received while in a combat zone are excluded from taxable income. This exclusion is unlimited for enlisted members and warrant officers but limited for officers. If a military member spends a single qualifying day in the combat zone, their pay for the entire month is excluded from taxable income. This includes earnings, bonuses, and special pays earned while in a combat zone. A combat zone is any area the President of the United States designates by Executive Order as an area in which the U.S. Armed Forces are engaging or have engaged in combat. An area usually becomes a combat zone and ceases to be a combat zone on the dates the President designates by Executive Order.

Find a current list of designated combat zones here: <https://www.irs.gov/uac/combat-zones>.

You may need to question the client to determine if their pay is combat related. One question is whether the pay is the result of deployment to a designated combat zone. If the client reports the pay is the result of deployment to a designated combat zone, request verification, such as deployment papers, before disregarding the income.

Military Pay Codes

This table lists military pay codes and the type of pay it represents.

* Submit a PolicyQuest or contact your Policy Liaison.

Code	Type of Pay	Counted?
AB	Accession Bonus	Yes
ACIP	Aviation Career Incentive Pay	Yes
ACP	Aviation Continuation Pay	*
AIP	Assignment Incentive Pay	Yes
ASP	Additional Special Pay	Yes
BAH	Basic Housing Allowance for Housing	No
BAS	Basic Allowance for Subsistence	No
BAQ	Basic Allowance for Quarters	No
Base Pay	Base Pay	Yes
BCP	Board Certified Pay Special Pay	Yes
CCA	Civilian Clothing Allowance	*
BRA	Basic Replacement Allowance	*
Continuation Pay	Continuation Pay	*
CCCA	Continuing Civilian Clothing Allowance	*
CCRA	Cash Clothing Replacement Allowance	*
CEFIP	Career Enlisted Flyer Incentive Pay	Yes
CIP	Combat-related Injury & Rehabilitation	*
CMA	Clothing Maintenance Allowance or Clothing Allowance	*
CONUS COLA	Continental U.S. Cost of Living Allowance	Yes
Combat Duty or Combat Zone Pay	Combat Duty or Combat Zone Pay	No
CRA	Clothing Replacement Allowance	*
CSP	Career Sea Pay	Yes
CSP-P	Career Sea Pay – Premium	Yes
CSRB	Critical Skills Retention Bonus	*
CVI	Conditional Voluntary Indefinite Status	*
DLA	Dislocation Allowance	No
Dive Pay	Dive Pay	Yes
DSCT Meal	Discount Meal	*
FDP	Foreign Duty Pay	Yes
FLPP	Foreign Language Proficiency Pay	Yes
Flight or Fly Pay	Flight or Fly Pay	Yes
FSA	Family Separation Allowance	No
FSH	Family Separation Housing	No
FSSA	Family Subsistence Supplemental Allowance	No
HALO	High Altitude/Low Altitude	*
HDIP	Hazardous Duty Incentive Pay	Yes
HDP – Involuntary Extension	Hardship Duty Pay – Involuntary Extension	Yes
HDP-L	Hardship Duty Pay - Location	Yes
HDP-M	Hardship Duty Pay – Mission	Yes

Code	Type of Pay	Counted?
HFP/IDP	Hostile Fire/Imminent Danger Pay	Yes
HZD	Hazardous Duty Pay	Yes
ICCA	Initial Civilian Clothing Allowance	*
IDP	Imminent Danger Pay Note: Can also mean Independent Duty Corpsman	*
ISP	Incentive Special Pay	Yes
Jump Pay	Jump Pay	Yes
LQA	Living Quarters Allowance	*
Maternity Clothing Allowance	Maternity Clothing Allowance	*
MIHA – Miscellaneous	Moving Housing Allowance - Miscellaneous	No
MIHA – Rent	Moving Housing Allowance – Rent	No
MIHA – Security	Moving Housing Allowance - Security	No
MRB	Multiyear Retention Bonus	Yes
MSP	Multiyear Special Pay	Yes
NIB	Nuclear Career Annual Incentive Bonus	Yes
NPAB	Nuclear Power Accession Bonus	*
Nuclear – Continuation Pay	Nuclear – Continuation Pay	*
OEP	Overseas Extension Pay	*
OHA	Overseas Housing Allowance	No
OCONUS COLA	Overseas Continental United States Cost of Living Allowance	No
OTEIP	Army Overseas Tour Extension Incentive Pay	Yes
OVERSEAS COLA	Overseas Cost of Living Allowance	*
PCCA	Partial Civilian Clothing Allowance	*
RBMA	Reserve Basic Maintenance Allowance	*
SBP	Military Survivor Benefits Plan	*
SAVE PAY	Save pay Note: This can represent many types of pay. Ask questions to determine what the pay is for to see if it counts.	*
SDAP	Special Duty Assignment Pay	Yes
SDIP	Submarine Duty Incentive Pay	Yes
Sea Pay	Sea Pay	Yes
SEA	Subsistence Expense Allowance	*
SEB	Selective Enlistment Bonus	Yes
SepRats	Separation Rations	No
SMA	Standard or Separate Maintenance Allowance	*
Special Duty Pay	Special Duty Pay	Yes
Specialty Pay	Specialty Pay	Yes
SPO	Split Payment Option Note: This option allows the person to take an amount from the base pay and put it into the ship ATM for personal use while on board. Don't count the amount sent to the ship account twice.	*
SR	Separation Rations	No
SRA	Standard Replacement Allowance	*

Code	Type of Pay	Counted?
SRB	Selective Reenlistment Bonus	Yes
Standard Initial Clothing Allowance	Standard Initial Clothing Allowance	*
Submarine Pay	Submarine Pay	Yes
SUPP CMA	Enlisted Supplemental Clothing Allowance	*
TDYCCA	Temporary Duty Civilian Clothing Allowance	*
TLE CONUS	Temporary Lodging Expense in US	*
TLA	Temporary Living Allowance	No
TLE	Temporary Housing Entitlement	No
TQSA	Temporary Quarters Subsistence Allowance	*
VI	Voluntary Indefinite Status	*
VBSS Duty	Maritime Visit, Board, Search & Seizure Duty	*
VSP	Variable Special Pay	Yes

Military Leave & Earnings Statement (LES)

4

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ID	NAME (Last, First, MI)		SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED									
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ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY										
Type	Amount		Type	Amount		Type	Amount												
A	BASE PAY	2247.30	FEDERAL TAXES	88.40		DISCRETIONARY ALT	1621.00		+Amt Fed .00										
B	BAS	204.43	FICA-SOC SECURITY	139.33		TRICARE DENTAL	11.58		+Tot Ent 4266.73										
C	BAH	1725.00	FICA-MEDICARE	32.59					-Tot Ded 1570.22										
D			SGLI	27.00					-Tot Allt 1532.58										
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H			MID-MONTH-PAY	1154.47															
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FICA TAXES		Wage Period	Soc Wage YTD	Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE TAXES	St AK	Wage Period	Wage YTD	M/S	00	Ex	N	00	Tax YTD	00		
PAY DATA		BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2D JFTR	BAS Type	Charity YTD	TPC	PACION					
THRIFT SAVINGS PLAN (TSP)		Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Current	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current										
		5	.00	.00	.00	.00	.00	.00	.00										
		TSP YTD Deductions			Deferred			Exempt											
		720.14			720.14			.00											
REMARKS:		YTD ENTITLE 27768.11			YTD DEDUCT 2557.92														
<p>IF TSP ELECTION AMT EXCEEDS NET AMT DUE, TSP WILL NOT BE DEDUCTED.</p> <p>-LEAVE CARRYOVER INCREASED TO 75 DAYS FOR FY08. NO ACTION REQUIRED BY MEMBERS. DFAS WILL BEGIN RESTORING AFTER 1 OCT 08.</p> <p>-MYPAY HAS ALLOWED MBRs TO ELECT A HARD-COPY LES VIA US MAIL. AF POLICY IS TO PROVIDE AN ELECTRONIC LES. EFF 1 OCT (SEP LES). AF WILL NO LONGER PRINT LES STATEMENTS IF AVAILABLE ON MYPAY. THANK YOU FOR YOUR SUPPORT.</p> <p>-IF YOUR SPOUSE WANTS INFO ABOUT THE MILITARY LIFESTYLE WE INVITE HIM/HER TO JOIN US FOR THE NEXT HEART LINK SPOUSES ORIENTATION. LUNCH AND CHILD CARE ARE PROVIDED. CALL YOUR</p> <p>BASE A/RMAN & FAMILY READINESS CTR FOR DETAILS.</p> <p>-IF YOU GAMBLE WITH SAFETY...YOU BET YOUR LIFE.</p> <p>-ELECTIONS ARE COMING! UPDATE YOUR ADDRESS TO GET AN ABSENTEE BALLOT. REQUEST YOUR BALLOT FOR THE PRESIDENTIAL AND STATE ELECTIONS. SEE YOUR VOTING ASST. OFFICER OR WWW.FVAP.GOV.</p> <p>TSP 080701(183)</p> <p>RATE CHG SGLI 080701(183)</p> <p>CHANGE GRADE 080701(184)</p> <p>BAH BASED ON WDEP, ZIP 08641</p> <p>BANK _____</p> <p>ACCT # _____</p>																			

DFAS Form 702, Jan 02

WWW.DFAS.MIL

1	Entitlements: types of pay and allowances are listed here. Use this information and the Military Code table in this guide to determine whether the type of pay counts as income.
2	Deductions: includes insurance, taxes, mid-month pay.
3	Allotments: includes savings and checking accounts, etc.
4	Pay Period covered by LES. Normally one month.
REMARKS	Here there may be general notices from command and explanations of starts, stops and changes to the items listed in the Entitlements, Deductions and Allotments fields. In addition, if there are more than 15 Entitlements, Deductions or Allotments, the rest are listed here.

References:

<http://militarypay.defense.gov/>

[IRS - Publication 3 - Armed Forces' Tax Guide 2015](#)

<https://www.irs.gov/uac/combat-zones>

<http://paycheck-chronicles.military.com/2010/03/14/taxable-and-non-taxable-allowances/>