

MQFP® Study Guide 1.5: Active Duty Deployment Considerations

Learning Objectives:

1.5 Active Duty Deployment Considerations

a. Explain the benefits and limitations of combat zone tax-exempt pay (CZTE)

Combat Zone Tax-Exempt (CZTE) pay is earned in a combat zone by a military servicemember. CZTE applies to the entire month of base pay, and some other types of pay, if the servicemember spends one day of the month in a combat zone.

CZTE cannot be paid retroactively.

Exercise 1: CZTE Benefits

List three benefits of combat zone tax-exempt pay (CZTE) for deployed service members.

b. Explain the benefits and limitations of deployment-related special pays and allowances

There are several types of deployment related special pays and allowances including hardship duty pay (HDP), hostile fire pay/ imminent danger pay; assignment incentive pay; and hazardous duty incentive pay.

Each type of pay has certain eligibility requirements.

Exercise 2: Deployment-Related Special Pays and Allowances

Describe two deployment-related special pays and allowances available to deployed service members and their respective limitations.

c. Identify changes to TSP limits and timelines that may happen when deployed.

Service members have the option to contribute up to the designated annual limit to their Thrift Savings Plan (TSP), with the maximum limit set at \$69,000 for the year 2024. Individuals who are 50 years or older can make an additional contribution of \$7,500. It's important to note that those receiving a 5% match under the Blended Retirement System must factor in the match when determining their maximum personal contributions. The combined total of the match and personal contributions should not surpass the specified limits mentioned earlier.

Exercise 3: TSP Limits and Timelines

Discuss potential changes to Thrift Savings Plan (TSP) contribution limits and timelines for deployed service members.

d. Describe the benefits for deployed members contained in the Servicemembers Civil Relief Act (SCRA).

Here are the key points of the SCRA:

Legal Protections: The SCRA offers legal protections to servicemembers to prevent civil legal actions, such as lawsuits, foreclosures, and evictions, while they are on active duty. It aims to ease the legal and financial burdens that military service may impose.

Interest Rate Cap: One significant provision of the SCRA is the interest rate cap of 6% on financial obligations incurred before entering active duty. This applies to credit cards, mortgages, and other loans, providing financial relief by limiting the interest rate on pre-service obligations.

Lease Termination: The SCRA allows servicemembers to terminate residential leases, such as rental agreements, if they receive orders for a permanent change of station (PCS) or deployment for at least 90 days. This helps prevent servicemembers from being bound to a lease while on military duty elsewhere.

Stay of Court Proceedings: The SCRA allows servicemembers to request a stay (postponement) of certain civil proceedings, including divorce and bankruptcy proceedings, during their military service.

SCRA Notification: Creditors and landlords must be informed of the servicemember's military status before they can take certain legal actions. Servicemembers are responsible for notifying creditors and landlords of their military service to receive the protections afforded by the SCRA.

Exercise 4: SCRA Benefits

Outline two benefits provided to deployed service members under the Servicemembers Civil Relief Act (SCRA).

e. Explain the benefits and limitations of the Savings Deposit Program (SDP)

The Savings Deposit Program (SDP) offers deployed military members serving in designated combat zones a secure and high-interest savings option with rates set by the Department of Defense, providing an opportunity to earn significant returns on their savings during deployment. The current rate is set at 10%. Servicemembers may deposit up to \$10,000.

Exercise 5: SDP Benefits and Limitations

Summarize the benefits and limitations of the Savings Deposit Program (SDP) for deployed service members.

f. Explain how a servicemember can accrue tax-free leave while deployed

Leave accrued during deployment to a combat zone is considered tax free. If the servicemember separates from service, this leave is considered tax exempt.

Exercise 6: Accruing Tax-Free Leave

Describe the process and conditions under which a service member can accrue tax-free leave during deployment.

g. Discuss the benefits and limitations of having a power of attorney while deployed

A power of attorney allows another person to act on behalf of the servicemember to handle certain financial, contractual, and legal matters. However, there are certain cases where a POA is not able to act for the individual. The servicemember should carefully select an individual they trust to make decisions on their behalf.

Exercise 7: Power of Attorney (POA) Benefits and Limitations

Explain the benefits and limitations of granting a power of attorney (POA) to someone while being deployed.

h. Discuss the importance of updating estate planning documents prior to deployment

It is critical to ensure estate planning documents, including last will and testament, advance directive, and power of attorney are up to date prior to deployment in order to ensure the servicemembers wishes are clearly documented and are able to be carried out in the event of death or incapacitation.

Exercise 8: Importance of Updating Estate Planning Documents

Discuss the reasons why service members should update their estate planning documents before deployment.

Quiz: (Multiple Choice)

1. Which of the following is a benefit of combat zone tax-exempt pay (CZTE)?

- a) Higher tax rates for deployed service members
- b) Tax exemption on all income earned during deployment
- c) Ability to claim additional tax credits while deployed
- d) Exemption from federal income tax only

2. What is one limitation of the Savings Deposit Program (SDP) for deployed service members?

- a) Contributions are not tax-deductible
- b) Withdrawals are subject to taxes

- c) SDP is not available for deployed service members
- d) There is a maximum contribution limit

3. True or False: The Servicemembers Civil Relief Act (SCRA) provides legal protections for deployed service members, including a cap on interest rates for pre-existing debts.

- a) True
- b) False

4. When deployed, service members can designate someone with a power of attorney (POA) to:

- a) Assume command of their unit
- b) Make financial and legal decisions on their behalf
- c) Receive combat zone tax-exempt pay (CZTE)
- d) Make changes to their official military records

5. Why is it important for service members to update their estate planning documents before deployment?

- a) To increase their life insurance coverage
- b) To designate beneficiaries for their retirement accounts
- c) To ensure their wishes are followed in case of incapacity or death
- d) To receive additional benefits while deployed

References:

- Combat Zone Tax Exclusion, Internal Revenue Service (IRS): <https://www.irs.gov/newsroom/combat-zone-tax-exclusion>

- Defense Finance and Accounting Service (DFAS) - Savings Deposit Program (SDP): <https://www.dfas.mil/dam/jcr:4985b89c-94d9-47eb-84b6-d87d4b1e04e1/SDPBooklet.pdf>

- Servicemembers Civil Relief Act (SCRA), Legal Services Corporation: https://www.lsc.gov/sites/default/files/images/LSC_pubs/SCRA.pdf

- Thrift Savings Plan (TSP): <https://www.tsp.gov/>

*Answer Key can be found at: <https://mqfp.org/study-guides/8> *

