

MQFP® Study Guide 2.4: Reserve and Guard Tax Issues

Learning Objectives:

2.4 Reserve and Guard Tax Issues

- a. Identify the allowable tax deductions related to service in the Guard or Reserve

Exercise 1: Tax Deductions for Reserve and Guard Service

List and describe the allowable tax deductions that Reserve and Guard members may claim related to their service, including deductions for travel expenses, uniforms, training expenses, and other eligible items.

- b. Explain the Qualified Reservist Distribution rules

Exercise 2: Qualified Reservist Distribution Rules Explanation

Explain the rules and requirements for Qualified Reservist Distributions from retirement accounts, such as the Individual Retirement Account (IRA), that allow Reserve and Guard members to withdraw funds penalty-free for certain qualified purposes.

Quiz: (Multiple Choice)

1. True or False: Reserve and Guard members can deduct travel expenses to and from their drill locations as tax deductions.
 - a) True
 - b) False
2. What is a Qualified Reservist Distribution?
 - a) It is a distribution of funds from the Reserve or Guard member's military retirement account.
 - b) It is a distribution of funds from the Reserve or Guard member's IRA for qualified purposes.
 - c) It is a type of tax deduction available only to Reserve and Guard members.
 - d) It is a type of tax credit for Reserve and Guard members.
3. Which of the following expenses can Reserve and Guard members potentially deduct from their taxes?
 - a) Ordinary clothing expenses
 - b) Entertainment expenses during drill weekends

- c) Training expenses required for their military duties
- d) Personal vacation expenses while on active-duty orders

4. What is the purpose of the Qualified Reservist Distribution rules?

- a) To encourage Reserve and Guard members to contribute more to their retirement accounts.
- b) To allow Reserve and Guard members to withdraw retirement funds without penalty for certain qualified purposes.
- c) To provide tax credits to Reserve and Guard members who serve in combat zones.
- d) To require Reserve and Guard members to withdraw funds from their retirement accounts after a certain age.

References:

- IRS Publication 3, Armed Forces' Tax Guide: <https://www.irs.gov/pub/irs-pdf/p3.pdf>
- IRS Retirement Topics - Exceptions to Tax on Early Distributions: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-exceptions-to-tax-on-early-distributions>

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