

Basically the rule is that refit & dry dock time can't be considered off-crew time for purposes of the deduction because the sub is in the same geographical area as the sailor. Apparently there has been some confusion in the past which may have resulted in errors computing taxes and refunds for sailors.

Attached is a release from the VITA program which goes into much more depth. If anyone has any questions regarding the FBM deduction or any other tax related questions please contact LT Rob McDonough the RLSO Legal Assistance Attorney at 3935 (912-573-3935). LT McDonough is running the VITA office in Kings Bay this year (2007) and he is a great source of information.

V/r

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FOR IMMEDIATE RELEASE

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Tax Help: The Boomer Deduction – Truth and the Urban Legend

The “BOOMER” deduction is a business expense deduction that is somewhat unique to the submarine community. Let’s start with the basics. Section 162(a)(2) of the Internal Revenue Code allows the deduction of amounts expended for meals and lodging as a business expense only while the taxpayer is traveling “away from home in the pursuit of a trade or business.” The general rule is that a taxpayer's “home” for business expense purposes is located at his principal place of business or regular post of duty. The IRS and Tax Court have concluded that for Naval personnel assigned to a ship or submarine, their tax home is that ship or submarine, and not where their family resides. This tax home determination is the basis for the “BOOMER” deduction.

Since the submarine has been determined to be the taxpayer’s tax home by IRS, when the other crew takes the boat out the Sailor is in the unique situation of having his tax home leave him behind rather than the usual TAD scenario. The Sailor is away from his tax home by virtue of the other crew’s deployment. Using Form 2106, the Sailor can pro-rate certain expenses incurred during off-crew periods including commuting expenses to the “temporary” duty station, 50% of the standard meal allowance (\$30-31 per day depending on when incurred – see Form 2106 instructions), and their portion of household living expenses. These deductions are only applicable during off-crew, non-leave periods. However, according to a memorandum issued by the IRS Chief Counsel, a naval vessel in dry dock is not the home of its crew (officer or enlisted) for these purposes. Therefore a service member can not use days the submarine was in dry dock or refit for the purposes of calculating off crew days.

Form 2106 deductions are carried over to Schedule A of Form 1040 and are incorporated into miscellaneous deductions on Line 20 of Schedule A. For those who cannot otherwise itemize their deduction there is no benefit to the BOOMER expense deduction. For those who can itemize, only the total miscellaneous expense amount that exceeds 2% of their adjusted gross income will be deductible. For example, let's assume total 2106 and other expenses of \$2400 and an adjusted gross income of \$40,000. Only the expenses that exceed \$800 (2% of \$40,000) will be deductible, leaving the taxpayer with, in this case, \$1600 of miscellaneous deductions. Not bad

The BOOMER deduction can easily be submitted with numbers that give the submariners significant returns. The problem is, when these numbers are put in incorrectly the submariners could be asked for an excess of up to \$1,000 or more to be paid back to the IRS including penalties and interest," Dill said. "LT McDonough has worked extensively with the IRS to properly define the BOOMER deduction and to ensure that the members that qualify for it do not get audited. Alternatively, if a service member is audited our office has worked with the IRS Office of the Taxpayer Advocate to ensure that service members are not forced to pay back any more money than necessary under the current interpretations of the Internal Revenue Code. Misunderstanding of this deduction can effect your financial situation drastically and when you have someone calculating the deduction with no experience then you are taking a huge chance."

The VITA program began operations Jan. 23 at Building 1052S onboard Naval Submarine Support Base, Kings Bay and can be reached at 912-573-3935