

TAX CONSIDERATIONS AFTER TRANSITION

The following are additional changes that you need to prepare for post-transition:

- **Taxable Income:** As previously discussed, not all military pay is taxable. When working in the civilian sector, ALL your civilian salary is taxable at the federal level and possibly at the state levels depending on the state tax laws. In addition, some areas will add county and city taxes based on your income. Also, you may also need to account for income tax payments on benefits, like stock options if included in your compensation package.
- **Federal Taxes:** Federal taxes are progressive, meaning as your income increases so does the percentage of taxes you owe. Current tax brackets, also known as Marginal tax rates, range from 10% to 37%. This becomes important when the BAH is now considered income and the increase income may increase your tax rate.
- **State Income Tax:** You may not have been paying state income tax while in the military depending on the state you listed as your home of record (such as Florida or Texas). As a civilian, you may start paying state income tax depending on your location and change in military status. Location also matters for income taxes, as some states do not have state income tax while others do not tax retiree pay.
- **County and City Tax:** Some counties, as well as cities, collect taxes to fund local government services on top of federal and state. Examples of this type of tax are the sales tax on goods and services and personal property tax for car or home. As military, you may have been exempt for some of these or as a retiree, the state may waive these in certain circumstances.
- **No Automatic Extensions:** You will no longer receive an automatic extension on the April 15 tax filing deadline unless you specifically request it directly from the IRS.
- **Property Taxes:** You may have been exempt from certain property taxes or received a discounted rate for vehicle registration while you were serving. Tax breaks, exemptions, and discounts offered to Veterans vary from state to state.