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How Can Military Veterans Maximize Their Tax Benefits?

ESPAÑOL

Filing taxes once you're retired from the military may seem less complicated than it was when you were still in the service, yet military veterans can still get important benefits from the tax code. You don't want to miss out on them.

To help with your tax filings, we spoke with CPA and tax expert Lisa Greene-Lewis of TurboTax, who provided helpful information specifically for military veterans. Remember to file your taxes before this year's April 18 deadline. And don't forget: [Tax advice that applies to civilians](#) can benefit you too.

Federal Taxes

You'll owe federal income taxes on military retirement pay. But if you participate in the [Survivor Benefit Plan](#), which supports beneficiaries after a veteran dies, premiums are excluded from taxable income. Additionally, your military retirement pay is not considered earned income for Social Security tax calculations, and no Social Security payroll tax should be withheld from that pay.

[Veterans education benefit payments](#) received through the Department of Veterans Affairs (VA) for education and training are tax-free.

Disability benefit payments from the VA aren't taxable. This includes disability compensation and pension payments, disability grants for home or vehicle modifications (such as wheelchair ramps), and benefits under dependent-care assistance programs.

Note: If you recently had an increase in your disability rating or were granted [Combat-Related Special Compensation](#), you may be eligible for a tax refund. However, this can be applied only to the year that the VA reassessed your disability level, and you may have to file an amended return.

Other money from the VA that is not taxed:

- Interest from VA life insurance policies
- Benefits under a dependent-care assistance program
- Money paid to a survivor of a member of the armed forces who died after Sept. 10, 2001
- Payments made under the compensated work therapy program

State Taxes

Fast facts on state taxes:

- States typically offer tax benefits only to veterans who were honorably discharged or released from active duty under honorable circumstances.
- State benefits usually include exemptions on property taxes, according to value.
- Benefits are often transferred to a spouse or surviving spouse of honorably discharged veterans.
- Many states include additional benefits for veterans who are disabled.
- Every state's revenue website outlines state benefits for veterans and how to apply for them.

Disabled veterans can qualify for property tax exemptions at the state level.

These breaks, which are usually tied to a [specific disability rating](#), can help a veteran save thousands of dollars. You can view a list of all property tax exemptions by state and disability percentage [here](#). However, since tax laws often change, it is best to verify the tax structure with your [taxpayer assistance center](#), state tax office or tax professional.

Military retirement pay may be untaxed or have other special provisions in some states. Review a list of states that do and don't tax military retirement pay [here](#). If you are eligible, verify the tax law with your local [taxpayer assistance center](#), state tax office or tax professional.

AARP Tax-Aide

AARP Foundation's [Tax-Aide](#) program, the largest free, volunteer-based tax assistance and preparation program in the U.S., provides in-person and virtual tax help.

The nationwide program is aimed at people 50 and older or those who have low to moderate incomes, but Tax-Aide is open to anyone, free of charge. You don't need to be an AARP member to take advantage of Tax-Aide's knowledgeable volunteers, nor will there be any sales pitch for other services. Tax assistance is available by appointment only.

A variety of other resources are also available to [provide free tax prep help](#) for eligible military families and older adults.

-----Written by Aaron Kassraie, AARP, January 26, 2023

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