

Smith: Battlefield pay cuts hurt military families

by Bend_Weekly_News_Sources

As 250 members of the Oregon National Guard are on alert they may be deployed to Iraq this summer, U.S. Senator Gordon H. Smith (R-OR) is proposing new tax credits to bolster small businesses and their employees who are called to military service.

“One in three reservists and guardsmen take a pay cut to serve on the battlefield. These men and women leave their homes, their families and well-paying jobs to serve our country,” Smith said. “It is unfair to military families whose loved ones are risking their lives to suffer financially in their absence. Encouraging employers to make up the difference ensures bills are paid.”

The tax credit created by this legislation will help small businesses compensate service members for the loss in wages they may face when called into service. It also provides tax credits for businesses to help offset the cost of paying temporary employees hired to fill vacancies left by active soldiers.

Nearly 25 percent of the active U.S. troop force is composed of reservists and over 400,000 reservists have served in Iraq or Afghanistan since 2001. The Active Duty Military Tax Relief Act of 2007 creates the following new tax provisions:

- Creates a tax credit for small businesses of \$10,000 or 40 percent, whichever is less, to make up the difference paid between the employees military and civilian pay check

- Creates a tax credit for small businesses that hire a temporary replacement worker of up to 40 percent of wages paid, up to a maximum of \$15,000

- Allows survivors to invest their \$100,000 death gratuity payment into a tax favored savings account, such as Roth IRAs, Coverdell Education Savings Accounts or Health Savings Accounts

- Increases the standard income tax deduction to \$6,350 for individuals and \$11,700 for married couples for 2007

- Makes permanent provisions treating combat pay as earned income for purposes of computing earned income tax credit. This provision is set to expire at the end of 2007

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