

## E-Mail ALSPO K/12

### Subj: STATE TAX EXEMPTION STATUS FOR RESIDENTS OF IOWA

- Ref: (a) [Servicing Personnel Office Manual, PPCINST M5231.3](#), Part 2, Pay Entitlements, Chap 13, Tax Withholding  
(b) [Personnel and Pay Procedures Manual, PPCINST M1000.2 \(series\)](#), Chap 8-B

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**Introduction** This E-mail ALSPO message announces the implementation of exclusion from state income tax for members claiming Iowa as their state of legal residence.

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**Discussion** Per the [Iowa 2011 Expanded 1040 Instructions](#), effective for taxable years beginning on or after 1 January 2011, all military pay received by active duty or reserve members of the Armed Forces is excluded from Iowa State income tax.

The military pay exclusion applies to all military members who claim Iowa as their state of legal residence, regardless of where the member is stationed.

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**Discontinuation of Iowa state income tax withholding** Effective 1 December 2012, PPC will stop withholding state income tax for members claiming Iowa as their state of legal residence. However, PPC will continue to report earnings even though taxes will not be withheld. Members must continue to file Iowa state income tax returns to claim the exclusion of military pay. Other earnings by military personnel, such as investment income or income from other employment, are not exempt.

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**SPO procedure** To establish or change the state of legal residence to Iowa for a member who desires to claim the exclusion of military pay, enter the State Code –“IA”, in the *State Info* section of the *Employee Tax Data, State Tax Data 1* tab and select “*Exempt and do not withhold tax*” in the *Special Tax Status* field as shown below. The *Resident* and *UI Jurisdiction* checkboxes are required and are marked by default.

The screenshot shows a 'State Info' form with the following fields and values:

- \*State: IA
- Graduated Tax Tbls-Allowances
- Resident
- Non-Residency Statement Filed
- UI Jurisdiction
- Special Tax Status: Exempt and do not withhold tax (selected)
- Other Special Tax Status options: None, Native American, Maintain gross taxable; SWT will be zero unless specified in 'Additional Withholding' below
- Marital Status: 1
- Single or married claim single

The *Marital Status* and *Number of Exemptions* fields do not apply. Their default values, which are carried over from the Federal Tax Data tab, will not be passed to JUMPS.

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**SPO procedure**  
(cont'd)

A member may voluntarily elect to have Iowa state tax withheld from their military pay. To establish or change the state of legal residence for a member who desires to voluntarily have state income tax withheld, enter the State Code – “IA”, and select “None” in the *Special Tax Status* field as shown below. The *Marital Status* and *Number of Exemptions* values are carried over from the Federal Tax Data tab; different values can be entered for state tax purposes. The *Resident* and *UI Jurisdiction* checkboxes are required and are marked by default.

The screenshot shows a web form titled "State Info." with a search bar and navigation controls. The form includes the following fields and options:

- \*State: IA (with a search icon)
- Graduated Tax Tbls-Allowances
- Resident
- Non-Residency Statement Filed
- UI Jurisdiction
- Special Tax Status** (highlighted with a green box and a green arrow pointing to the "None" option):
  - None
  - Exempt and do not withhold tax
  - Native American
  - Maintain gross taxable; SWT will be zero unless specified in 'Additional Withholding' below
- Marital Status: 5 (with a search icon)
- Married filing jointly
- Withholding Allowances: 0

**Refunds of Iowa State Income Tax Withholding**

Members must file a 2012 Iowa state income tax return to obtain a refund of state income taxes withheld from military pay for the period 1 January 2012 through 31 October 2012. Members may also need to file a 2011 Iowa state income tax return if they did not receive a refund of state income tax withheld during 2011. Filing procedures and forms are available on the Iowa Department of Revenue web page at <http://www.iowa.gov/tax/>.

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**Directives affected**

The contents of this E-Mail ALSPO message will be incorporated into the applicable sections of references (a) and (b). This E-Mail ALSPO message provides interim guidance which expires one year from the date of issuance unless it is incorporated into an appropriate PPC publication, reissued, or cancelled.

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**Questions**

Members should contact the Iowa Department of Revenue at (515) 281-3114 or visit <http://iowa.gov/tax/> if they have questions about the state income tax withholding exclusion or filing their state income tax returns or they should contact their local legal assistance attorney.

SPOs with questions regarding the content of this E-Mail ALSPO message contact PPC Customer Care at:



(866) 772-8724/(785) 339-2200



<http://www.uscg.mil/ppc/ccb/> (Online Trouble Ticket/Inquiry Form)



[PPC-DG-CustomerCare@uscg.mil](mailto:PPC-DG-CustomerCare@uscg.mil) (E-Mail)

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**Released by** Internet release authorized.

/s/

S. L. LEBRUSKA, CAPT, USCG  
Commanding Officer