

## CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 069

June 27, 1958

### MILITARY PAY: EXCLUSION

Syllabus:

The military pay exclusion provision of the Personal Income Tax Law is discussed.

Advice is requested clarifying the military pay exclusion contained in Sections 17146 and 17147 of the Personal Income Tax Law.

The statute provides:

"17146. MILITARY COMPENSATION. Gross income does not include the salary, wages, bonuses, allowances, and other compensation received by an individual for his services as a member of the Armed Forces of the United States, including any auxiliary branch thereof, up to and including one thousand dollars (\$1,000) per annum in the aggregate.

"17147. MUSTERING OUT PAYMENTS. Gross income does not include amounts received during the taxable year as mustering out payments and terminal leave and unused leave pay and bonds, and educational benefits received under federal or state legislation with respect to services in the military or naval forces of the United States."

#### Filing Requirement

If the military pay exclusion reduced an individual's income below the amounts stated in Section 18401, individual need not file a return.

Allowances. Allowances for quarters, subsistence, or uniforms are not taxable and need not be reported on the return. Family allotments or allowances deducted from a serviceman's pay are includible in his gross income but are subject to the \$1,000 exemption.

Retirement pay. Retirement pay not based on disability is includible in gross income except that it is subject to the military pay exemption described above. Retirement pay based on disability is not includible in gross income, but this exemption is subject to the same limitation provided for by the Career Compensation Act of 1949 with regard to the federal income tax -- i.e., that part of the disability retirement computed on the basis of years of active service which is in excess of the pay that would be received if computed on the basis of percentage of disability is subject to tax to the extent that the military pay exemption is exceeded.