



OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG

Armed Forces' Tax Guide Policy

Effective: July 1, 2004
Last Updated: January 26, 2026

Executive Summary

For federal tax purposes, the U.S. Armed Forces includes commissioned officers and enlisted personnel in all regular and reserve units under control of the Secretaries of the Defense and the Governor, including the Army, Navy, Air Force, Marines, National Guard and the Coast Guard. It does not include members of the U.S. Merchant Marine or the American Red Cross

Considerations

This policy applies only when employees are working for the Department of the Military and paid through HR/CMS.

Policy

Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. Included items are subject to tax and must be reported on tax return. Excluded items are not subject to tax, but may have to be shown on tax return.

These payments are recorded in the state payroll system and reported on the employee's W-2. Please refer to IRS Publication 3, "Armed Forces' Tax Guide" for additional guidance. The Commonwealth makes payments for the following excluded items:

Living allowances

- BAH (Basic Allowance for Housing)
- BAS (Basic Allowance for Subsistence)

Note: The exclusion for certain items applies whether the item is furnished in kind or is a reimbursement or allowance.

Information Sources

Legal Authority

- IRS Publication 3, "Armed Forces' Tax Guide"
- Attachments - None

Contacts

- [CTR Solution Desk](#)