

108TH CONGRESS  
1ST SESSION

# H. R. 1133

To amend the Internal Revenue Code of 1986 to provide a temporary exclusion for members of reserve components of the Armed Forces and Department of Defense civilian employees serving in a combat zone and to extend the exclusion for serving in a combat zone to Department of Defense civilian employees.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2003

Mr. JEFFERSON introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a temporary exclusion for members of reserve components of the Armed Forces and Department of Defense civilian employees serving in a combat zone and to extend the exclusion for serving in a combat zone to Department of Defense civilian employees.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*



1           “(2) PHASEOUT.—If the exclusion referred to  
2           in subsection (a) is over \$30,000 but not over  
3           \$40,000, the amount described in paragraph (1)  
4           shall be reduced (but not below zero)—

5                   “(A) by an amount which bears the same  
6                   ratio to gross income (without regard to this  
7                   section), as

8                   “(B) the excess of the amount excluded  
9                   from gross income by section 112 over \$30,000  
10                  bears to \$10,000.

11           “(3) PART-YEAR SERVICE IN COMBAT ZONE.—

12           If the period of active duty with respect to a member  
13           of a reserve component or service in a combat zone  
14           with respect to a civilian employee of the Depart-  
15           ment of Defense is less than an entire applicable  
16           taxable year, the amount described in this subsection  
17           shall be the same portion of the amount determined  
18           under paragraphs (1) and (2) such period bears to  
19           the entire taxable year.

20           “(c) ELIGIBLE INDIVIDUAL SERVING IN A COMBAT  
21           ZONE.—For purposes of this section—

22                   “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
23                   individual’ means—

24                   “(A) any individual who is a member of a  
25                   reserve component (as defined in section 101 of

1 title 37, United States Code) and who is or-  
2 dered or called to active duty for a period of  
3 more than 30 days or for an indefinite period,  
4 and

5 “(B) a civilian employee of the Depart-  
6 ment of Defense while such employee is serving  
7 in a combat zone.

8 “(2) EMPLOYEE.—The term ‘employee’ has the  
9 meaning given to such term by section 5561 of title  
10 5, United States Code, except that an individual  
11 shall not fail to be treated as an employee for pur-  
12 poses of this section solely because such individual is  
13 a nonappropriated fund instrumentality employee  
14 (as defined in section 1587(a) of title 10, United  
15 States Code).

16 “(3) COMBAT ZONE.—The term ‘combat zone’  
17 has the meaning given to such term by section 112.

18 “(d) APPLICABLE TAXABLE YEAR.—The term ‘appli-  
19 cable taxable year’ means any taxable year beginning in  
20 2003.”

21 (b) CLERICAL AMENDMENT.—The table of sections  
22 for part III of subchapter B of chapter 1 of such Code  
23 is amended by inserting after the item relating to section  
24 139 the following new item:

“Sec. 139A. Temporary exclusion for reservists called to active  
duty and for department of defense civilian employ-  
ees serving in a combat zone.”

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2002.

4 **SEC. 2. TAX TREATMENT OF CIVILIAN EMPLOYEES OF DE-**  
5 **PARTMENT OF DEFENSE IN COMBAT ZONES.**

6 (a) EXCLUSION OF COMBAT ZONE COMPENSA-  
7 TION.—Section 112 of the Internal Revenue Code of 1986  
8 (relating to prisoners of war, etc.) is amended by adding  
9 at the end the following new subsection:

10 “(e) CIVILIAN EMPLOYEES OF DEPARTMENT OF DE-  
11 FENSE.—

12 “(1) SERVICE IN COMBAT ZONE.—Gross income  
13 does not include so much of the compensation as  
14 does not exceed the maximum enlisted amount re-  
15 ceived for active service as a civilian employee of the  
16 Department of Defense serving in support of the  
17 Armed Forces of the United States for any month  
18 during any part of which such employee—

19 “(A) served in a combat zone, or

20 “(B) was hospitalized as a result of  
21 wounds, disease, or injury incurred while serv-  
22 ing in a combat zone.

23 Subparagraph (B) shall not apply for any month be-  
24 ginning more than 2 years after the date of the ter-  
25 mination of combatant activities in such zone.

1           “(2) DEFINITIONS.—For purposes of this sub-  
2           section, the terms ‘active service’ and ‘employee’  
3           have the respective meanings given to such terms by  
4           section 5561 of title 5, United States Code, except  
5           that an individual shall not fail to be treated as an  
6           employee for purposes of this subsection solely be-  
7           cause such individual is a nonappropriated fund in-  
8           strumentality employee (as defined in section  
9           1587(a) of title 10, United States Code).”.

10          (b) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 2002.

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