

Employees on Active Military Duty

IRS Revenue Ruling 69-136 states an employer continuing to pay an employee any portion of their regular pay while on active military duty, may not report those amounts as wages, thus no federal taxes should be withheld. In addition, SERS/STRS indicates these payments are not subject to retirement withholding. City taxation would have to be directed to the city taxation department.

To comply, the following is required:

- Any amounts paid to the employee on active duty, other than vacation time, should be reported on a 1099 as miscellaneous income
 - Run USASCN/VENSCN
 - Add vendor record for employee, flagged as 1099 reportable
 - Include YTD field, equal to amounts paid (minus vacation) while on active duty
- Make certain none of these amounts included in the 1099 total are included in USPS totals reportable on the W2 form
 - Run USPSCN/DEDSCN
 - Reduce all YTD figures by the amounts in error
 - Recover deductions withheld as needed