

FACT SHEET

Assisting Veterans with Lump-Sum Disability Severance Pay Refunds



This document provides guidance for assisting with preparing 1040x Amended Tax Returns as a result of the Combat-Injured Veterans Tax Fairness Act passed in 2016.

Background: SPEC and its partners have a great opportunity to assist some disabled veterans who sacrificed for our country and, after separation, received a lump-sum disability severance payment that was inadvertently taxed. As a result of the Combat-Injured Veterans Tax Fairness Act, in July 2018, over 130,000 veterans received a letter from the Department of Defense (DoD) explaining how to claim the refund. They have the option to use the actual amount of their severance payment to claim their refund or the simplified method, claiming a standard refund amount based on the calendar year (an individual's tax year) in which they received the severance payment.

Two options for veterans to claim a disability severance pay (DSP) tax refund:

1. The [simplified method](#) can be used to claim a standard refund amount that doesn't require veterans to have the original tax return or contact the IRS to obtain information from the tax return. The standard refund amount may be larger or smaller than the refund based on the actual amount of their DSP from the original return.
2. Veterans can submit a claim based on the **actual** amount of their DSP by completing [Form 1040X](#), carefully following the [instructions](#) for Form 1040X.

SPEC has approved the use of the simplified method as ***within the scope*** of service for VITA/TCE programs. Additionally, SPEC has made allowances to its Quality Site Requirements so partners can prepare Form 1040X more efficiently for veterans who choose to use the simplified method. It's also at the site's discretion to allow volunteers certified in Advanced to complete traditional 1040X returns for this refund but only if required information and tax preparation software is available.

Completing Form 1040X using the Simplified Method (See Job Aid for specific details)

Using the calendar year (the individual's tax year) in which they received the severance payment. Write "Disability Severance Payment" on line 15 of Form 1040X and enter on lines 15 and 22 the ***standard refund amount*** listed below that applies:

- \$1,750 for tax years 1991 – 2005
- \$2,400 for tax years 2006 – 2010
- \$3,200 for tax years 2011 – 2016

Simplified Method for survivors receiving Letter 6060-D

Survivors of veterans who received Letter 6060-D that their spouse or relative qualified for DSP tax refunds can also submit a claim for credit or refund. Additional steps may include:

- IRS Form 1310, *Statement of Person Claiming Refund Due a Deceased Taxpayer*, must accompany Form 1040X, unless the person filing the return is the surviving spouse of the service member and filed a joint tax return with the service member for the year the veteran received Disability Severance Pay.
- Modifying the example explanation for Part III of Form 1040X as follows:
"I attest my _____ (spouse or other) met the circumstances listed in attached Letter 6060-D which entitles the estate to receive a refund of taxes withheld from the Disability Severance Pay issued to my _____ (spouse or other) in XXXX. A DSP refund claim has not been previously filed."

Veterans who did not receive a letter

- Veterans eligible for a refund who did not receive a letter from DoD may still file Form 1040X to claim a refund but must include the required documentation listed in Publication 3, Armed Forces' Tax Guide.
- Veterans who do not have the required documentation to file a claim should contact the [National Archives, National Personnel Records Center](#), or the [Department of Veterans Affairs](#).
- Veterans who have not received a letter or have a question regarding the Combat Injured Veterans Tax Fairness Act can send an email to DFAS at dfas.cleveland-oh.jif.mbx.dfas-irs-combat-injured-veterans-tax-f@mail.mil.

Exceptions to SPEC policy and Quality Site Requirements (QSR)

- Simplified method for preparing Form 1040X for DSP tax refunds is approved as within scope for volunteers with Basic or higher certification. These returns can be prepared without using tax software. A fillable Form 1040X is available at [irs.gov](https://www.irs.gov).
- At the site's discretion, volunteers certified in Advanced may prepare a traditional Form 1040X for DSP refunds but only if the tax preparation software is available and the taxpayer has a copy of the prior year return and all required information.

To ensure consistency, the following process to the QSR will apply.

QSR #1 Certification – minimum tax law certification requirement:

- Basic - if using simplified method.
- Advanced - if completing traditional Form 1040X.

QSR #2 Intake/Interview and Quality Review

Using the simplified method, veterans will only be required to complete the personal information section in Part I of Form 13614-C. The following questions should be addressed:

- Does the veteran meet the circumstances listed in Letter 6060-A (or 6060-D) to qualify for DSP tax refund?
- Did the veteran previously file and receive a DSP tax refund or exclude the DSP from their original Form 1040?

QSR #4 Reference materials

Sites are encouraged to maintain copies of this Fact Sheet and the attached Job Aid for completing Form 1040X

QSR #6 Timely filing tax returns

Forms 1040X cannot be e-filed. Volunteers should remind veterans to mail their Form 1040X to the IRS address provided within one year from the date of their Letter 6060-A (or 6060-D).

Additional information:

- IRS will pay interest on Veterans' DSP tax refunds. Note: IRS will issue a Form 1099-INT.
- A claim can be filed for the standard refund amount even if the veteran or estate already filed a claim for the DSP actual amount or excluded the DSP from their original Form 1040, in which case, the veteran or estate can only claim the difference between the standard refund amount and the tax on the DSP amount.

Additional resources:

- More [information](#) on this issue is available on IRS.gov along with [FAQs](#)
- Veterans may contact the [National Archives, National Personnel Records Center](#), or the [Department of Veterans Affairs](#) to obtain their required documentation for submission
- [Defense Finance and Accounting Service website](#)

JOB Aid

Assisting Veterans with Lump-Sum Disability Severance Pay Refund

Veteran Disability Severance

Form **1040X** (Rev. January 2018)

Department of the Treasury—Internal Revenue Service
Amended U.S. Individual Income Tax Return
 Go to www.irs.gov/Form1040X for instructions and the latest information.

OMB No. 1545-0074

This return is for calendar year 2017 2016 2015 2014
Other year. Enter one: calendar year 1991 or fiscal year (month and year ended):

Your first name and initial: John
 Last name: Veteran
 Your social security number: 0 0 0 | 0 0 0 | 0 0 0 1

If a joint return, spouse's first name and initial: _____
 Last name: _____
 Spouse's social security number: _____

Current home address (number and street). If you have a P.O. box, see instructions.
 1000 Maple Dr
 Apt. no.: _____
 Your phone number: 555-987-9543

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
 Anytown, FL 30000

Foreign country name: _____ Foreign province/state/county: _____ Foreign postal code: _____

Amended return filing status. You must check one box even if you are not changing your filing status. **Caution:** In general, you can't change your filing status from a joint return to separate returns after the due date.
 Single
 Married filing jointly
 Married filing separately
 Head of household (If the qualifying person is a child but not your dependent, see instructions.)
 Qualifying widow(er)

Full-year coverage. If all members of your household have full-year minimal essential health care coverage, check "Yes." Otherwise, check "No."
 See instructions.
 Yes No

Use Part III on the back to explain any changes

	A. Original amount or as previously adjusted (see instructions)	B. Net change—amount of increase or (decrease)—explain in Part III	C. Correct amount
Income and Deductions			
1 Adjusted gross income. If a net operating loss (NOL) carryback is included, check here	1		
2 Itemized deductions or standard deduction	2		
3 Subtract line 2 from line 1	3		
4 Exemptions. If changing, complete Part I on page 2 and enter the amount from line 29	4		
5 Taxable income. Subtract line 4 from line 3	5		
Tax Liability			
6 Tax. Enter method(s) used to figure tax (see instructions):	6		
7 Credits. If a general business credit carryback is included, check here	7		
8 Subtract line 7 from line 6. If the result is zero or less, enter -0-	8		
9 Health care: individual responsibility (see instructions)	9		
10 Other taxes	10		
11 Total tax. Add lines 8, 9, and 10	11		
Payments			
12 Federal income tax withheld and excess social security and tier 1 RRRTA tax withheld. (If changing, see instructions.)	12		
13 Estimated tax payments, including amount applied from prior year's return	13		
14 Earned income credit (EIC)	14		
15 Refundable credits from: <input type="checkbox"/> Schedule 8812 Form(s) <input type="checkbox"/> 2439 <input type="checkbox"/> 4136 <input type="checkbox"/> 8863 <input type="checkbox"/> 8865 <input type="checkbox"/> 8962 or <input checked="" type="checkbox"/> other (specify: <u>Disability Severance Pay</u>)	15		1,750
16 Total amount paid with request for extension of time to file, tax paid with original return, and additional tax paid after return was filed	16		
17 Total payments. Add lines 12 through 15, column C, and line 16	17		
Refund or Amount You Owe			
18 Overpayment, if any, as shown on original return or as previously adjusted by the IRS.	18		
19 Subtract line 18 from line 17 (If less than zero, see instructions.)	19		
20 Amount you owe. If line 11, column C, is more than line 19, enter the difference	20		
21 If line 11, column C, is less than line 19, enter the difference. This is the amount overpaid on this return	21		
22 Amount of line 21 you want refunded to you	22		1,750
23 Amount of line 21 you want applied to your (enter year): _____ estimated tax	23		

Complete and sign this form on Page 2.

Write "Veteran Disability Severance" or "St. Clair Claim" at top of page 1

Fill out the taxpayer personal information section, notating the year being amended

• Write "Disability Severance Pay" on line 15

• Fill in the standard refund amount on line 15B & line 22

Standard Refund Amounts for Simplified Method
\$1,750 for tax years 1991 – 2005
\$2,400 for tax years 2006 – 2010
\$3,200 for tax years 2011 – 2016

Assisting Veterans with Lump-Sum Disability Severance Pay Refund Continued

Form 1040X (Rev. 1-2018)

Page **2**

Part I Exemptions

Complete this part **only** if any information relating to exemptions has changed from what you reported on the return you are amending. This would include a change in the number of exemptions, either personal exemptions or dependents.

See Form 1040 or Form 1040A instructions and Form 1040X instructions.

		A. Original number of exemptions or amount reported or as previously adjusted	B. Net change	C. Correct number or amount
24	Yourself and spouse. Caution: If someone can claim you as a dependent, you can't claim an exemption for yourself	24		
25	Your dependent children who lived with you	25		
26	Your dependent children who didn't live with you due to divorce or separation	26		
27	Other dependents	27		
28	Total number of exemptions. Add lines 24 through 27	28		
29	Multiply the number of exemptions claimed on line 28 by the exemption amount shown in the instructions for line 29 for the year you are amending. Enter the result here and on line 4 on page 1 of this form.	29		
30	List ALL dependents (children and others) claimed on this amended return. If more than 4 dependents, see instructions.			

(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) Check box if qualifying child for child tax credit (see instructions)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Part II Presidential Election Campaign Fund

Checking below won't increase your tax or reduce your refund.

Check here if you didn't previously want \$3 to go to the fund, but now do.

Check here if this is a joint return and your spouse did not previously want \$3 to go to the fund, but now does.

Part III Explanation of changes. In the space provided below, tell us why you are filing Form 1040X.

▶ Attach any supporting documents and new or changed forms and schedules.

I attest I met the circumstances listed in attached Letter 6060-A which entitles me to a refund of taxes withheld from the Disability Severance Payment issued to me in XXXX. I have not previously filed a DSP refund claim.

Provide an explanation in Part III of Form 1040X. The following is an example of explanation that can be used: "I attest I met the circumstances listed in attached Letter 6060-A which entitles me to a refund of taxes withheld from the Disability Severance Payment issued to me in XXXX. I have not previously filed a Disability Severance Payment refund claim."

Remember to keep a copy of this form for your records.

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information about which the preparer has any knowledge.

Sign Here

▶
Your signature _____ Date _____ Your occupation _____

▶
Spouse's signature. If a joint return, **both** must sign. _____ Date _____ Spouse's occupation _____

Paid Preparer Use Only

▶
Preparer's signature _____ Date _____ AARP Tax Aide
Firm's name (or yours if self-employed)
123 Main St. Anywhere, FL 30001
Firm's address and ZIP code

Print/type preparer's name _____
PTIN S12345678 Check if self-employed _____ Phone number _____ EIN _____

For forms and publications, visit IRS.gov.

Form **1040X** (Rev. 1-2018)

Sign & Date Form 1040X on page 2 and attach copy of letter from DFAS (Letter 6060-A or 6060-D)
Mail Form 1040X & attachments to:
Internal Revenue Service
333 W. Pershing Street, Stop 6503, P5
Kansas City, MO 64108