



**DEPARTMENT OF THE ARMY**  
**UNITED STATES MILITARY ACADEMY**  
**OFFICE OF THE STAFF JUDGE ADVOCATE**  
646 SWIFT ROAD  
WEST POINT, NY 10996

MAJA-LA

12 December 2016

MEMORANDUM FOR the parent(s) and guardian(s) of the United States Corps of Cadets

SUBJECT: Free Income Tax Return Preparation at the West Point Cadet Tax Center

1. **PURPOSE:** To address Cadet income tax preparation issues with the parent(s)/guardian(s) of the United States Corps of Cadets
2. **BACKGROUND:** The Cadets will soon be receiving important documents regarding their taxes for the 2016 tax year. For many, this may be the first time they need to prepare a tax return. Because your son or daughter will likely need to discuss with you some of the issues below, I'd like to take a moment and identify some of the issues that have an impact on a Cadet income tax return.
3. **DEPENDENT EXEMPTION/PERSONAL EXEMPTION:** Each year, a number of Cadets in our plebe class find their tax return is rejected by the IRS because both they and their parents or guardians have claimed the same personal exemption. Many parents or guardians believe they can continue to claim their son or daughter while they are a full-time student. However, being a full-time student is only one of the five tests that must be met in order for your child to be a "qualifying child" for tax purposes. Most importantly, in order to claim a dependent the taxpayer must be able to show that he/she provided more than half of the dependent's support for the tax year. After totaling cadet pay, food, education, room and board, the Army and your Cadet show a combined contribution of more than \$40,000 in support. The exact amount of the combined Army and Cadet contribution will be circulated shortly. In most circumstances, your financial support does not exceed this amount. Should you have any further questions regarding this matter, you may wish to consult independent legal counsel, IRS Publication 17, and/or the Internal Revenue Service.
4. **CUSTODIAL ACCOUNTS ESTABLISHED UNDER THE UNIFORMED GIFT TO MINORS ACT:** Some of our Cadets are fortunate enough that parents, guardians, and other family members established savings accounts for them when they were young. The money may be invested in bank accounts, CDs, stocks, mutual funds, etc. These accounts generate taxable income that your son or daughter must report on his or her tax return. It is not uncommon for Cadets to be unaware that these accounts exist and count towards their taxable income. If your son or daughter has such an account, please ensure that they have all relevant statements, etc. in order to accurately compute their tax return.

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**5. PAYMENTS FROM QUALIFIED EDUCATION PROGRAMS UNDER SECTIONS 529 AND 530 (AND COVERDELL ESAS):** Again, some of our Cadets are fortunate enough that parents, guardians and other family members established college funds for them when they were young. If there was a distribution from the plan in 2016, your child will receive a Form 1099Q. Your son or daughter must report this income on their 2016 tax return. Additionally, they will need to know the breakdown of how much represents principal invested in the plan vs. earnings of the plan. The distribution of amounts contributed to the plan is not taxable; only the income earned.

**6. EDUCATION CREDITS:** Each year Cadets question why they are not allowed to claim the American Opportunity Credit, Lifetime Learning Credit, or the Tuition and Fees deduction for books and other education-related expenses incurred while attending USMA.

In order to legally claim any of these education tax benefits, you must have “qualified education expenses” from an “eligible educational institution.” The IRS definition of an “eligible educational institution” is generally any accredited public, nonprofit, or proprietary (private) college, university, vocational school, or other postsecondary institution eligible to participate in a student aid program administered by the Department of Education. USMA does not accept any federal financial aid, and is ineligible to participate in a student aid program under the Department of Education. Rather USMA and the other military academies fall under the Department of Defense and are not within the IRS’ definition of eligible educational institution.

If your son or daughter attended an “eligible education institution” prior to or in conjunction with their attendance at USMA, those expenses may be qualified for the above credits or deductions.

Eligible educational institutions are required to prepare IRS Form 1098-T, Tuition Statement. The educational institution your child attended will send a copy of this form to the student and to the IRS. The United States Military Academy is not an eligible educational institution, so they will not be filing this form. The IRS is now matching the Form 1098-Ts filed with them, with educational credits claimed on individual income tax returns.

**7. FREE SERVICE:** The West Point Tax Center prepares and files tax returns for the West Point Community, including Cadets, without cost. It is part of an Army-wide service that will continue after your son or daughter receives their commission. We operate a Cadet Tax Center in Building 606 for most of tax season; this office is located in the heart of the campus for the convenience of the Cadets. We highly recommend you encourage your son or daughter to take advantage of this service.

**8. CONCLUSION:** Attached are copies of the forms your son or daughter will need to complete to allow us to prepare their tax return. They can prepare all the paperwork at

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their convenience and drop off with a tax preparer at the Cadet Tax Center. This process should take no longer than 15 minutes. In order for your child to utilize the Tax Center, they MUST sign paperwork to allow us to electronically file their tax returns. More information about the Tax Center will be dispensed shortly.

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