

Wisconsin Income Tax Subtractions for Active Duty Military Pay and National Guard and Reserve called to Federal Active Duty Pay

Please refer to WI Department of Revenue Publication 128. pp 8-11 for details and examples at <https://www.revenue.wi.gov/DOR%20Publications/pb128.pdf>

The following excerpts from Publication 128 explain the two different “subtractions” for WI income tax returns effective 1/1/2021.

(1) Reserve or National Guard members active duty pay under sec. 71.05(6)(b)34., Wis. Stats.

Military pay received by certain members of the Reserves and National Guard may be exempt for Wisconsin tax purposes. To qualify for the subtraction, the military pay must have been received from the federal government after being called into active federal service under [10 USC 12302\(a\)](#), [10 USC 12304](#), or [10 USC 12304b](#), or into special state service authorized by the federal Department of Defense under [32 USC 502\(f\)](#). The pay must have been **for a period of time** during which the Reserve or National Guard member was **on active duty**. This active duty pay received after the active duty period ends is still eligible for this subtraction.

Caution: This subtraction *does not apply* to the following:

- Military pay that members of the Reserves or National Guard receive during their **weekend and two-week annual training**, or
- A person **serving on active duty or full-time duty in the active guard reserve (AGR) program**.

If you qualify for this subtraction, report the amount of eligible military pay as a subtraction on [Schedule SB](#), line 18, if filing [Form 1](#). If filing on [Form 1NPR](#), do not include the amount of the eligible active duty pay in column B of line 1.

Notes:

- ✓ Available for Reserves and National Guard
- ✓ NOT available for AGRs
- ✓ Include only BASIC, SPECIAL, or INCENTIVE pay **for the time on orders**
- ✓ Include only TAXABLE basic, special, and incentive pay (LES: “State Taxes: Wage Period”)
- ✓ Do not include BAH, BAS, or traditional TSP contributions
- ✓ Do not include drill pay or annual training pay
- ✓ Keep orders and LES to provide documentation
- ✓ Do not double dip with the Active Duty Pay subtraction (below)

(2) U.S. Armed Forces members active duty pay under sec. 71.05(6)(b)56., Wis. Stats.

If you were a member of the U.S. Armed Forces, you may subtract the amount of basic, special, and incentive pay received from the federal government under 37 USC chapters [3](#) and [5](#) **while on active duty**. Members should refer to their Leave and Earning Statements (LES) and military orders to determine the pay eligible for the subtraction.

The subtraction is taken on line 19 of [Schedule SB](#), if filing [Form 1](#). If filing on [Form 1NPR](#), do not include the amount of the eligible military pay in column B of line 1.

Caution: Reserves or National Guard members subtracting their active duty pay under [Part \(1\)](#) above may not take an additional subtraction for the same pay described in this section.

(a) Active duty

"Active duty" means full-time duty as a uniformed service member in the active service of the U.S. Armed Forces and includes full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a federal military service academy. Active duty does not include training while on inactive duty or attendance for training not required by the U.S. Armed Forces.

(b) Eligible branches of the U.S. Armed Forces

Members of the U.S. Armed Forces under [26 USC 7701\(a\)\(15\)](#) include regular and reserve components of the uniformed services, including commissioned officers and enlisted personnel which are subject to the jurisdiction of:

- Secretary of Defense
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force
- Coast Guard

(c) Eligible members

Pay received by members of the uniformed services of the U.S. Armed Forces while on active duty that is eligible for the subtraction include the following:

- Members in the regular components of the uniformed services as described in Part (2)(b) above
- Members in the reserve components under [37 USC 101\(24\)](#), including:
 - Army Reserve
 - Navy Reserve
 - Marine Corps Reserve
 - Coast Guard Reserve
 - Air Force Reserve
 - Reserve Corps of the Public Health Service
 - Army National Guard of the United States
 - Air National Guard of the United States

- Active guard reserve members (AGR)
- Traditional guard members (traditional reservist (TR) or National Guard) for annual training, including dual-status technicians if called to attend military school or annual training
- Full-time National Guard members (FTNG)
- Members attending in-person or remote military schools when the member is in federal service and on active-duty military orders

(d) Ineligible members

Pay received by members while **not on active duty** that is not eligible for the subtraction include:

- Persons solely performing duties under civil service positions
- Traditional guard members (traditional reservist (TR) or National Guard) for inactive duty training (IDT)/ drill weekend training
- Members attending military schools or correspondence courses while the member is not in federal service on active duty
- Dual-status technicians, unless called to attend military school or annual training
- Individual Ready Reserves (IRR)

Notes:

- ✓ Available for AD, AGR, FTNG
- ✓ Available for NG members when on active duty orders for military school or annual training
- ✓ Include only BASIC, SPECIAL, OR INCENTIVE pay that is **received while on orders**. Pay received after the end of orders date is **NOT** eligible for this subtraction
- ✓ Include only TAXABLE basic, special, and incentive pay (LES: “State Taxes: Wage Period”)
- ✓ Do not include BAH, BAS, or traditional TSP contributions
- ✓ Do not include inactive duty training pay (drill pay) unless pay is received while on active duty orders
- ✓ Do not include SAD pay received from any state. Only pay received from federal government is eligible.
- ✓ Keep orders and LES for documentation
- ✓ Do not double dip with the Reserve and National Guard subtraction (above)

This chart summarizes the two active duty pay subtractions:

Military Member	Active Duty Pay Earned and Received While on Active Duty Orders	Active Duty Pay Earned, but Received After Active Duty Order End Date	Inactive Duty Pay Earned, but Received While on Active Duty Orders	Inactive Duty Pay Earned and Received While on Inactive Duty
Reserve or National Guard members under (1) above	Subtraction allowed	Subtraction allowed	Subtraction NOT allowed	Subtraction NOT allowed
All U.S. Armed Forces members (including Reserve or National Guard members) under (2) above	Subtraction allowed	Subtraction NOT allowed	Subtraction allowed	Subtraction NOT allowed

FAQs:

1. Can I take a subtraction for AT days?

Using the table above as a guide, AT days are considered “active duty pay” so you will look at the “All US Armed Forces members active duty pay...” subtraction (2). If the check date of the LES reporting the AT day pay is within the active duty period of your orders, you may claim the taxable wages (basic, special, or incentive pay) as a subtraction. If the check date on the LES reporting the AT pay is after the active duty period of your orders, you may NOT claim the subtraction.

2. What if I have drill, and then go immediately onto FTNG or AGR active duty orders within the same pay period? What pay is eligible for the subtraction?

Using the table above as a guide, drill pay is inactive duty orders. But, because it was received while you were on Active Duty orders, subtraction (2) is allowed for all of the taxable pay (basic, special, or incentive pay) received on that LES. Note: Be sure that the check date is within the date of your active duty orders.

3. In (1) “the Reserve or National Guard subtraction”, it says Annual Training and AGR pay are not eligible, and in (2) “US Armed Forces member active duty pay subtraction...” it says Annual Training and AGR pay are eligible for the tax subtraction. Which applies to me?

There are now two Wisconsin statutes to help military members. Refer to your orders and dates of your pay to determine which subtraction applies to you.

Subtraction (1) refers to 71.05(6)(b)34., Wis. Stats which was implemented previously. It is there specifically for National Guard/Reserve members who are called away from their civilian jobs and ordered to Federal Active Duty under specific orders. Because AGRs are considered full-time military, they are not eligible under that statute.

Subtraction (2) was added in 2021 and refers to sec. 71.05(6)(b)56., Wis. Stats.

This subtraction focuses on active duty and full-time service members so it includes AGR, FTNG, and Service Members attending military schools.

Check with a qualified tax professional or your military orders to see if the orders qualify for the tax subtraction.

2021 Wisconsin Tax Form 1 and Schedule SB (EXCERPTS)

1 Wisconsin
income tax

2021

For the year Jan. 1-Dec. 31, 2021, or other tax year

Check here if an amended return beginning _____, 2021 ending _____, 20__.

DO NOT STAPLE

See page 5 before assembling return

Your legal last name	Legal first name	M.I.	Your social security number
If a joint return, spouse's legal last name	Spouse's legal first name	M.I.	Spouse's social security number
Home address (number and street). If you have a PO Box, see page 11.			Apt. no.
City or post office			State
			Zip code
Filing status Check <input checked="" type="checkbox"/> below <input type="checkbox"/> Single <input type="checkbox"/> Married filing joint return <input type="checkbox"/> Married filing separate return. Fill in spouse's SSN above and full name here			Tax district Check below then fill in either the name of the city, village, or town and the county in which you lived at the end of 2021. <input type="checkbox"/> City <input type="checkbox"/> Village <input type="checkbox"/> Town City, village, or town
Legal last name Legal first name M.I. If married, fill in spouse's SSN above and full name here			County of School district number See page 43
<input type="checkbox"/> Head of household, NOT married (see page 12). <input type="checkbox"/> Head of household, married (see page 12).			Special conditions <input type="checkbox"/> Form 804 filed with return (see page 9)

Use BLACK Ink • Print numbers like this → 0 1 2 3 4 5 6 7 8 9 Not like this → 0147 • NO COMMAS; NO CENTS

1	Federal adjusted gross income (see page 12)	1	_____	.00
	Form W-2 wages included in line 1		_____	.00
2	Total additions to income from Schedule AD, line 33. Enclose Schedule AD (see page 13)	2	_____	.00
3	Add lines 1 and 2	3	_____	.00
4	Total subtractions from income from Schedule SB, line 51. Enclose Schedule SB (see page 13). Enter as a positive number	4	_____	.00

The amount for LINE 4 is total subtractions as calculated using Schedule SB.

Schedule **SB** Form 1 – Subtractions from Income 2021
 Wisconsin Department of Revenue File with Wisconsin Form 1

Name _____ Social Security Number _____

See the instructions for additional information on the subtractions listed below. Enter all amounts as positive numbers.

Subtractions from Income

1	Taxable refund of state income tax (from line 1 of federal Schedule 1)	1	_____	.00
2	United States government interest	2	_____	.00
3	Unemployment compensation	3	_____	.00

18	Reserve or National Guard members	18	_____	.00
19	U.S. Armed Forces active duty pay	19	_____	.00

51	Add lines 46, 47d, 48d, 49d, and 50d. This is your total subtraction from income. Enter on Form 1, line 4	51	_____	.00
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This guidance is educational, and not being provided as legal or tax advice. Each individual may have tax circumstances which impact this guidance. You are strongly advised to coordinate your taxes through an accountant or attorney to ensure compliance with Wisconsin tax laws. Military OneSource also provides free tax help for actively serving military members.