



DEFENSE FINANCE AND ACCOUNTING SERVICE COLUMBUS CENTER

P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

IN REPLY

REFER TO: DFAS-CO/JJAA

January 20, 2009

MEMORANDUM FOR TROOPS TO TEACHERS PAYMENTS

SUBJECT: IRS Reporting Requirement

This memorandum is in reference to the IRS reporting requirements for the Troops to Teachers stipend/bonus. In accordance with an IRS ruling in a letter from the IRS Office of Chief Counsel to the Chief Defense Activity for Non Traditional Education Support (DANTES) Troops to Teacher Program dated June 27, 1994; the total amount of stipend/bonus will be reported on a W2. In previous years, you received a 1099-MISC for the stipend/bonus paid to you. In 2008, you will receive a W2 where the stipend/bonus will be reported in "Box 1", "Box 16" and "Box 18".

A recent Final Ruling, GENIN-132416-08; TEGE:EOEG:ET2, was issued by the IRS on September 15, 2008, in which it was determined that your Troops to Teachers stipend/bonus is subject to FITW and FICA withholdings. Prior to the ruling, it was only subject to FITW. At this time we do not have a ruling on State withholding. The current payment system is unable to withhold FITW and FICA from your stipend/bonus. We are currently working to make this change. However, we do not have an estimated completion date. We encourage you to work with your CPA or tax professional on tax withholdings.

This memorandum is sent to give you advanced notice to be expecting a W2 in the place of a 1099-MISC tax form in February for tax filing purposes.

If there are any questions or concerns, you may contact Brenda Stout, Troops to Teachers, at 1-800-452-6618, Ext. 3162 or Sue McConville, DFAS Columbus Tax Office, at 1099-one-pay@dfas.mil.

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