



## Important Update to 2008 Tax Guide for PCVs

If you didn't get the \$300 stimulus payment last year, you can get it now.

To be eligible for the credit, you must do 2 things:

1. Report your taxable Peace Corps income as **Wages**, not as Other Income as stated in the 2008 Tax Guide. This is based on new guidance from the IRS on this issue.
2. Enter the amount of the credit on the **Recovery Rebate Credit** line on the tax form.

On the 1040-EZ, wages go on **Line 1**; on the 1040/1040A wages go on **Line 7**.

Taxable income includes:

- Readjustment Allowance earned (the amount on your W-2)
- Taxable portion of the Living Allowance
- Leave Allowance
- PST Walking Around Money (*if applicable—for PCVs who had PST in 2008*)
- Special Leave Allowance (*if applicable—for PCVs who extend service for a year*)

See [www.peacecorps.gov/docs](http://www.peacecorps.gov/docs) to find the 2008 Taxable Allowances Guide so you can calculate the taxable amount of your allowances.

Please note that how you report your Peace Corps income affects your eligibility for the Recovery Rebate Credit, also known as the Economic Stimulus Payment.

While many people received the payment last year, the credit is actually part of the 2008 tax code. If you did not receive the credit or did not receive all that you are eligible for, you can get that money when you file your 2008 tax return. **The amount of the credit must be calculated and entered** on line 9 of the 1040-EZ, line 42 of the 1040A, or line 70 of the 1040.

You must have at least \$3000 of qualifying income to get the minimum credit of \$300. The readjustment amount for PCVs serving the full year is \$2700. Adding taxable allowances may put you over the \$3000 minimum, but **only if the amounts are reported as wages**.

Income reported on Line 21 as Other Income is not considered qualifying income. You will *not* get the \$300 payment if you do not have \$3000 in qualifying income.

### Example Volunteer Scenario:

Janet McPCV started service in January 9, 2008 in Guatemala. What are her wages?

Readjustment Allowance (on her W-2)	\$ 2,641.94	(11 <sup>23</sup> / <sub>31</sub> months @ \$225)
PST Walking Around Money	270.18	
Taxable Living Allowance	1,164.23	(9 <sup>4</sup> / <sub>31</sub> months @ \$127.53)
Leave Allowance	228.00	(9 ½ months @ \$24)
<b>TOTAL Wages</b>	<b>\$ 4,304.35</b>	

She is eligible for the Recovery Rebate Credit of \$300 and enters that amount on the tax form. If she reported only her W-2 amount on the wages line, she would not get the \$300.

If you have any questions about this or other tax issues, contact: [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov)



## Federal Income Tax Guide | Tax Year 2008

Peace Corps Trainees, Volunteers, & RPCVs

If your **total income greater than** the amount listed below, **you must file a tax return.**

Filing Status	Age on December 31, 2008		
	Under 65	65 and over	Both 65 and over
Married Filing Separately *	\$3,500	\$3,500	
Single	\$8,950	\$10,300	
Head of Household	\$11,500	\$12,850	
Qualifying Widow(er)	\$14,400	\$15,450	
Married Filing Jointly	\$17,900	\$18,950	\$20,000

\* Married filing separately filers must itemize if their spouse itemizes.  
If your spouse does not itemize, use the amounts for Single filers

If your **total income is less than** the amount listed above, **you are not required to file a tax return, but may still elect to file.**

Even if you do not file, retain all of your W-2 forms and this guide for your permanent records.

**If you are required to file, it is best to have in your possession the following documents:**

- 1. IRS Form 1040 and Instruction Booklet.** Volunteers at post will receive this form and booklet from their country director. Others can obtain the forms online at [www.irs.gov](http://www.irs.gov). All monies received during your Peace Corps service are **not** included in your W-2 (see number 2, below). These additional monies need to be reported as wages in the same way as the amount on your W-2.
- 2. Peace Corps W-2 Form.** The W-2 form you receive from the Peace Corps includes only the readjustment allowance accrued from December 1, 2007 through November 30, 2008, or through your actual termination date, whichever came first. It does not include the living or leave allowances paid at post.
- 3. All other W-2 Forms.** If you were employed by an entity (or entities) other than the Peace Corps between January 1, 2008 and December 31, 2008, you will need all W-2 forms to complete your tax filing.
- 4. 2008 Taxable Allowances Guide.** As mentioned in number 1, above, only the readjustment allowance is included in your W-2 form. You are responsible for paying taxes on a portion of the **monies received for living and leave allowance** while in-country. If you are still serving, your country director or administrative officer is responsible for advising which portion of monies received is taxable. If you have already left your country of service or if you are a Power of Attorney filing on behalf of a Volunteer, you can get this information at [www.peacecorps.gov/docs](http://www.peacecorps.gov/docs) under the heading "Tax Information for Trainees, Volunteers, and Former Volunteers."

## I. How to Determine Your Taxable Wages for 2008

### A. Readjustment Allowance

Enter Box 1 amount shown on your Peace Corps W-2 form. \_\_\_\_\_

*Complete lines B through E using the 2008 Taxable Allowances Guide or information from your Country Director or Administrative Officer.*

### B. PST Walk-Around Allowance

Only for volunteers who had PST in 2008.

See the 2008 Taxable Allowances Guide for the amount. \_\_\_\_\_

### C. Leave Allowance

Enter \$24 for each month of service as a PCV (not a trainee).

For partial months, use \$12 for 15 days or less; \$24 for 16 days or more. \_\_\_\_\_

### D. Living Allowance

Enter the taxable portion of your living allowance. Using your dates of service, calculate this amount based on the 2008 Taxable Allowances Guide. For partial months, divide the monthly amount by the number of days in that month and multiply by your days of service. \_\_\_\_\_

### E. Special Leave Allowance

Only for PCVs that Volunteers that extended their service.

Enter \$12 for each day of special leave; 30 days of special leave = \$360. \_\_\_\_\_

### F. TOTAL PEACE CORPS WAGES

Add lines A through E

### G. Wages and Tips from Other Employment

Enter Box 1 amount from any W-2s received from other employers.

Include any tips.

### H. TOTAL WAGES

Add lines F & G



Enter Total Wages on line 1 of the 1040-EZ or line 7 of the 1040A or 1040.

**Enclose all W-2 forms, and mail to the IRS service center for your home of record.**  
*A list of service centers and addresses can be found in the IRS 1040 instruction booklet.*

**\*\* Do NOT send your tax return to the Peace Corps \*\***

## II. Filing Your Tax Return

### When to File

If you are in the US on April 15, 2009, you must file your tax return by that date. If you are outside the US on that date, you get an automatic filing extension until June 15, 2009.

However, a note must be attached to your return stating that you are residing or traveling outside the US on April 15. Otherwise, the Internal Revenue Service may classify you as a delinquent and penalize you for late filing. Although you receive an automatic extension of time in which to file, YOU SHOULD NOTE THAT THERE IS A STATUTORY CHARGE FOR INTEREST ON ANY TAX WHICH IS NOT PAID BY APRIL 15, 2009.

If it is impossible for you to file your tax return before June 15, you may request an extension of time in which to file your tax return. Your country director or administrative officer can help you locate IRS Form 4868, Application for Extension of Time, which must be submitted to the IRS before June 15, 2009. You can also find this information on the Internal Revenue Service website at [www.irs.gov](http://www.irs.gov). AGAIN, THERE IS A STATUTORY CHARGE FOR INTEREST ON ANY TAX WHICH IS NOT PAID BY APRIL 15, 2009. Therefore, you must pay interest on any tax due at the time you do submit your return.

### Where to File

The IRS instruction booklet contains the addresses of all IRS centers. Use the office nearest your legal residence. If you do not claim a legal residence in the United States, use the Philadelphia address. **(Do not send any tax form, W-2 forms, or payments to the Peace Corps.)**

Volunteers can use the Free E-File Program through the IRS. **For more information on this program, visit <http://www.irs.gov/efile/index.html>.**

### Filing

Income must be reported on your tax return in US dollars. For currently serving trainees and Volunteers, your country director or administrative officer will advise you of the taxable portion of all allowances paid in US dollars. RPCVs should visit [www.peacecorps.gov/docs](http://www.peacecorps.gov/docs) under the heading "Tax Information for Trainees, Volunteers and Former Volunteers" for specific taxable allowance information pertaining to the country in which you served.

You must pay your tax in US dollars. You may use personal or certified checks, money orders, or traveler's checks. You may also request that your country director deduct the appropriate sum from your readjustment allowance, up to \$350. Your country director will request authorization from CFO/VPS by email or fax, using form PC-10, *Application to Allot or Withdraw from RA*. This request should be made to your country director at least one month prior to the date you want the check to be issued to ensure timely filing of your tax return. Your country director cannot accept responsibility for late filing of tax returns.

At the time you request the deduction, you **must** enclose your tax return. **When your country director has received the processed check from CFO/VPS, he/she will mail it ALONG WITH your return to the IRS office you have specified on the form. Do not send your tax return to the Peace Corps.**

### III. Exemptions and Withholding

There was no withholding from the readjustment allowance during 2008 unless you elected optional withholding. The fact that no withholding has been made is generally to your advantage because you would have been required to file a tax return to obtain a refund even though your income as a single Volunteer was less than \$8,750.00 filing requirement. You may elect optional withholding for the 2009 tax year in \$5.00 increments from \$15.00 up to \$100.00 per month. Ask your country director for additional information.

### IV. State and Local Taxes

This tax guide addresses only Federal Income Tax provisions. ***You are responsible for obtaining information on state and local taxes and for paying any taxes as required.***

### V. Forms

For currently serving trainees and Volunteers, the following forms and publications have been sent to your country director for dissemination to you:

FORM 1040      U.S. Individual Income Tax Return  
Schedule A      To report itemized deductions  
FORM 1040 INSTRUCTIONS

### VI. Economic Stimulus Payment (Recovery Rebate Credit)

If you did not receive the \$300 stimulus payment in 2008, you may be eligible for it now. To get it you must have \$3000 in qualifying income (wages) and must calculate the Recovery Rebate Credit amount. This credit appears on line 9 of the 1040-EZ, line 42 of the 1040A, and line 70 of the 1040.

### VII. Corrections and Questions

If your name or Social Security number is incorrect on your Peace Corps W-2, cross out the error and write in the correction. You can still submit the W-2 with a marked correction to the IRS; you do not need a new W-2 issued by Peace Corps. However, you may not correct money amounts on your W-2. If you feel the readjustment allowance amount listed on our W-2 is incorrect, please immediately contact Peace Corps' Volunteer and PSC Financial Services at 1-800-424-8580, option 2, option 1, ext. 2136 to allow us to investigate and reissue, if needed. If you do have a change to your name or Social Security number, also contact Peace Corps at the above number so we may make the correction to our records.

We are unable to provide tax guidance beyond your Peace Corps service. If you need additional tax information not addressed in this guide, please contact a tax professional.

If you have specific questions related to your Peace Corps wages and taxes, please contact Volunteer & PSC Financial Services at 1-800-424-8580, option 2, option 1, ext. 2136. You can also email: [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov)