



# 2014 Tax Guide for Peace Corps Volunteers

## Overview

- If your only income in 2014 was from your Peace Corps service, you are not required to file a **federal** tax return. Every **state** makes its own rules in respect to who is required to file. Check your state's website for more information.
- **You should file your return by April 15, 2015.** If you are living overseas on April 15, 2015, you have until June 15, 2015 to file and pay your taxes, but you must include a statement indicating you live outside the US and your primary place of business or post of duty is outside the US. If you are receiving a refund, you have three years to file your return and claim your refund. Late filing and late payment penalties only apply to those who owe taxes.
- The 2014 W-2 includes five types of taxable allowance earnings; the readjustment allowance earned monthly, the taxable portion of your living allowance, leave allowance, any special leave payments received, and walkaround allowances received between December 1, 2013 and November 30, 2014. This is what is reported on the tax return, not the actual payment of this allowance after a Volunteer's close of service.
- 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. You may not correct any dollar amounts on the W-2.
- You can file on paper or use tax software. You may use the 1040EZ, 1040A, or 1040 to complete your return. Go to [www.irs.gov](http://www.irs.gov) to get tax forms and instructions. The IRS has a Free File program that you may want to use. You can get to the program from the main IRS website.
- Do not send your paper tax forms to Peace Corps. Send them directly to the IRS.
- If you have questions and cannot find answers in the FAQ, email [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov). You can also call toll-free at 1-855-855-1961, option 1, ext. 1708.. You can also call 202-692-1708 (long distance rates apply).

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## FILING A TAX RETURN

### 1. Do I have to file a federal tax return?

If your total income was above these amounts, you MUST file a tax return.

Use your age on December 31, 2014

Filing Status	Age & Income		
	<i>Under 65</i>	<i>65 &amp; Over</i>	<i>Both 65 &amp; Over</i>
Married Filing Separately *	\$3,950	\$3,950	
Single	\$10,150	\$11,700	
Head Of Household	\$13,050	\$14,600	
Qualifying Widow(er)	\$16,350	\$17,550	
Married Filing Jointly	\$20,300	\$21,500	\$22,700

*\* MFS filers must itemize deductions if their spouse itemizes;  
If your spouse will not itemize, use the amounts for Single filers.*

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## 2. Do I have to file a state tax return?

If your only income is from Peace Corps, you may not need to file a state return. Generally, if you file as a non-resident or part-year resident, you can exclude income earned outside that state. However, each state has its own rules for who must file a tax return. Consult your state income tax authority for more information. Most states have online guides for taxpayers.

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## 3. Even though I don't have to file a tax return, should I file?

You may want to file, even if you are not required to file. For Volunteers planning to enroll in graduate school following their Peace Corps service, it is often helpful to file state taxes each year of your service. This will assist you when it comes to documenting your in-state status for admissions and tuition payments.

If you have income taxes withheld from other jobs, you may want to file to get that money back.

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## 4. When should I file my return?

**April 15, 2015** – If you are living in the US on this date, you must file your return and pay any tax, if applicable, by this date.

**June 15, 2015** – If you are living outside of the US on April 15<sup>th</sup>, you must file your return and pay any tax, if applicable, by this date.

If you are a *living outside of the United States and Puerto Rico and your main place of business or post of duty is outside of the United States and Puerto Rico*, you are allowed an automatic 2-month extension until June 15 to file your return and pay any tax due. If you use this automatic 2-month extension, you **must** attach a statement explaining the above situation which qualifies you for the extension.

If you owe taxes, failure to file on time makes you subject to a 5% per-month late filing penalty + late payment penalties + interest.

Generally, there are no penalties for late filing if you are due a refund or owe no taxes.

### What if I need more time?

If you still need more time to file, file for an extension using [IRS Form 4868](#), *Application for Automatic Extension of Time to File U.S. Individual Tax Return*. This form can be filed electronically if you use tax software. Please be aware that an extension of time to file is NOT an extension of time to pay.

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## 5. What information do I need to complete my tax return?

In addition to any other tax documents you may have, you'll need your Peace Corps W-2.

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## 6. Which tax form should I use – 1040EZ, 1040A, or the 1040?

You may use any of these forms to report Peace Corps income.

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## 7. How can I file my tax return?

There are many ways to file.

**Paper**—Get the forms from your local library or [www.irs.gov](http://www.irs.gov). Fill them out and mail them in according to the instructions for that form.

**Free e-file**—Try the [IRS Free File program](#). You can e-file for free using a variety of tax software or IRS online forms that can be filled in and e-filed.

**Tax software**—Many volunteers use products like TurboTax and TaxCut to prepare their taxes. Many of these programs are available through the Free File program. Consult with your tax advisor for advice on using tax software.

**Free tax prep clinics**—The IRS supports the VITA program (Volunteer Income Tax Assistance). This program provides free tax preparation services to low-income taxpayers all across America. To find a site near you, call 1-800-TAX-1040.

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## 8. How do I sign my return electronically?

To file your return electronically you must sign the return electronically using a personal identification number (PIN).

If you are filing online using software, you must use a Self Select PIN. The Self Select PIN method allows you to create your own PIN. If you are married filing jointly, both you and your spouse will each need to create a PIN and enter these PINs as your electronic signature.

A PIN is any combination of five digits you choose, except five zeros. If you use a PIN, there is nothing to sign, and nothing to mail, not even your W-2s.

To verify your identity, you will be prompted to **enter your adjusted gross income (AGI) from your originally filed 2013 federal income tax return**, if applicable. Do not use your AGI from an amended return (Form 1040X) or a math error correction made by IRS.

AGI is the amount shown on your 2013 Form 1040, line 37; Form 1040A, line 21; or Form 1040EZ, line 4. If you did not file a 2013 return, enter \$0.

**If you do not have your 2013 income tax return**, call the IRS at 1-800-829-1040 to get a free transcript of your return. (If you filed electronically last year, you may use your prior year PIN to verify your identity instead of your prior year AGI. The prior year PIN is the five-digit PIN you used to electronically sign your 2013 return). You will also be prompted to enter your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the Social Security Administration by checking your annual social security statement.

See more from the IRS on the [Self Select PIN](#).

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## 9. Can my Power of Attorney sign my return for me?

Any unsigned return will be immediately rejected by the IRS.

The IRS has a form for power of attorney relating to filing your income tax return. [Form 2848](#) and [instructions](#) are available on the IRS website.

This may not solve your problem easily as the person giving the power of attorney needs to sign that form.

You may be able to prepare the Volunteer's return and have the Volunteer sign electronically.

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## 10. Can my Privacy Act Waiver designee sign my return for me?

The Privacy Act Wavier form you may have signed is not a Power of Attorney.

It is simply a document that informs Peace Corps that you are willing to let us release financial information to your designee.

A Privacy Act Waiver designee has no standing with the IRS and will not be recognized as a Power of Attorney.

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## 11. When should I pay any taxes I owe?

Pay any taxes by your filing date, April 15, 2015, or June 15, 2015 if you are living outside the US.

Filing for an extension gives you an extension of time to file, not an extension of time to pay.

Failure to pay by the due date, makes you subject to penalties and interest.

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## 12. I have to pay taxes. How can the Peace Corps help?

If you have a tax debt and are still in service, a payment can be made from your readjustment allowance. Up to 50% of your readjustment balance is available to make a one-time payment. Contact your Director of Management & Operations to set up this payment.

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## PEACE CORPS INCOME

### 13. What is my Peace Corps income?

There are several types of Peace Corps allowances. Not all Peace Corps Volunteers will have all of these types of income. Peace Corps income includes:

**Readjustment allowance:** All PCVs earned \$275/month from December 1, 2013 through September 30, 2014 and the amount was increased to \$325/month effective October 1, 2014. Volunteers on a service extension or serving in Peace Corps Response earned \$375/month from December 1, 2013 through September 30, 2014 and the amount was increased to \$425/month effective October 1, 2014.

**Pre-Service Training Walk-Around Money:** The money you received during PST to cover small expenses.

**Living Allowance:** Money to provide for a PCV's basic needs in their country of service

**Leave Allowance:** All PCVs earn \$24/month for leave. It is paid with your living allowance.

**Special Leave Allowance:** \$12/day for up to 30 days paid to PCVs who extend their service for a year

**Per diems:** Money paid to PCVs while away from site (ISTs, conferences, etc.)

**Evacuation Allowance:** Money paid to a PCV during a time of country evacuation

**Medical Leave Allowance:** Money given to a PCV on medical leave out of country

Please note that per diems (staging, in-service training, volunteer conference, evacuation, medical, etc), evacuation, medical leave, and settling-in allowance are NOT taxable and do not need to be reported on your tax return.

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#### 14. Is my Peace Corps Income Taxable?

Some Peace Corps income is fully taxable; some is partially taxable; some is not taxable. Some income is subject to FICA taxes (Social Security & Medicare taxes).

See the table for more information.

Peace Corps Income	Income Tax	FICA Taxes	On W-2?	1040-EZ Line	1040/1040A Line
Re-adjustment Allowance	<b>100% Taxable</b>	<b>100% Taxable</b>	Yes	1	7
PST Walk-Around Money	<b>100% Taxable</b>	Not taxable	Yes	1	7
Living Allowance	<b>Partially Taxable</b>	Not taxable	Yes	1	7
Leave Allowance	<b>100% Taxable</b>	Not taxable	Yes	1	7
Special Leave Allowance *	<b>100% Taxable</b>	Not taxable	Yes	1	7
<b>Untaxed Allowances</b>					
Per Diems	Not Taxable	Not Taxable	No	n/a	n/a
Settling-in allowance	Not Taxable	Not Taxable	No	n/a	n/a
Evacuation Allowance	Not Taxable	Not taxable	No	n/a	n/a
Medical Leave Allowance **	Not Taxable	Not taxable	No	n/a	n/a

\* \$12 per day for up to 30 days paid to volunteers who extend service for 1 year and take special leave.

\*\* Allowance paid while Volunteers are on medical leave in or out of their country of service.

Please note that per diems (staging, in-service training, volunteer conference, evacuation, medical, etc), evacuation, medical leave, and settling-in allowance are NOT taxable and do not need to be reported on your tax return.

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#### 15. I received \$5,600 in readjustment allowance. How do I report that on my tax return?

The readjustment allowance amount you received at the end of your service does not need to be reported on your tax return. It has already been on your W-2 during your years of service. It was reported as you earned it, not when it was paid.

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#### 16. I received some money while I was receiving medical care. Is this taxable?

Any money you received from Peace Corps in your country of service or in the US is not taxable and does not need to be reported on your tax return.

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## **17. How do I enter my Peace Corps income on my tax return?**

All taxable Peace Corps income should be reported on the wages line. This is line 1 of the 1040-EZ or line 7 of the 1040A or 1040.

Non-taxable amounts are not reported on the tax forms. They are reported on the FAFSA as untaxed income if you are completing that form in order to qualify for financial aid.

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## **18. I took cash in lieu of a plane ticket home. Is that taxable?**

No, it is not taxable and will not show up anywhere on your tax return.

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## **W-2 ISSUES**

### **19. What's on my W-2?**

The 2014 W-2 includes earnings from 5 types of allowances:

- 1) The readjustment allowance earned monthly from December 1, 2013 – November 30, 2014. For example, a volunteer serving ending service in May would show five full months of readjustment allowance (December – April) plus a partial allowance for the days of service in May. All PCVs earned \$275/month from December 1, 2013 through September 30, 2014 and the amount was increased to \$325/month effective October 1, 2014 and Volunteers on a service extension or serving in Peace Corps Response earned \$375/month from December 1, 2013 through September 30, 2014 and the amount was increased to \$425/month effective October 1, 2014. The W-2 also shows the applicable FICA taxes that were withheld for the readjustment allowance earned during the year: Income Tax withheld (\$0), Social Security taxes (6.20%) and Medicare taxes (1.45%).
- 2) The taxable portion of your living allowance between December 1, 2013 – November 30, 2014.
- 3) The leave allowance earned monthly between December 1, 2013 – November 30, 2014.
- 4) Any special leave payments received between December 1, 2013 – November 30, 2014.

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### **20. When will I get my W-2?**

W-2s are mailed in late January. You should have yours by mid-February at the latest.

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### **21. I didn't get my W-2. What should I do?**

If you have not received your W-2 by mid-February, contact Peace Corps.

If you are an active PCV, contact your Director of Management & Operations to see if they have been delivered to your country.

If you are an RPCV, write to [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) with your name, country of service and address. W-2s can be sent to your home of record, current address, or Privacy Act Waiver designee. Electronic versions are not available.

Privacy Act Waiver designees can write to [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) to request a W-2. Include the volunteer's name and country of service.

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## **22. My W-2 was damaged or lost. What should I do?**

If you are an RPCV, write to [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) with your name, country of service and address. W-2s can be sent to your home of record, current address, or Privacy Act Waiver designee.

Privacy Act Waiver designees can write to [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) to request a W-2. Include the volunteer's name and country of service.

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## **23. My W-2 was sent to my old address. What should I do?**

If you are an RPCV, write to [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) with your name, country of service and address. W-2s can be sent to your home of record, current address, or Privacy Act Waiver designee. Please note that this will not update your address in the Peace Corps system. To update your address, go to: [www.peacecorps.gov/rpcv/info](http://www.peacecorps.gov/rpcv/info)

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## **24. My W-2 has an error. What should I do?**

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.

You may not correct any dollar amounts on your W-2.

If you feel the amounts listed on our W-2 are incorrect, please immediately contact Peace Corps' Volunteer and PSC Financial Services at [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov) 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 address so we may make the correction to our records.

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## **25. My Close of Service was in December 2013. Why did I get a 2014 W-2?**

The Peace Corps tax year runs from December 1, 2013 – November 30, 2014. Volunteers who COS in December 2013 are considered to have income in the following tax year for the purpose of readjustment allowance earnings. That's why you received a 2014 W-2, even though you actually served in 2013.

You should include the information from your 2014 W-2 in your 2014 tax return. You will not see any income on the 2014 W-2 for the taxable portion of living allowance, leave allowance earnings, or special leave as those were calculated based on the standard calendar year in 2013.

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## **26. What is Peace Corps' Employer Identification Number (EIN) and address?**



- Employer EIN: 53-0261522
- Address: Peace Corps :1111 20<sup>th</sup> Street NW Washington DC 20526

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## TAX BENEFITS

### 27. Am I eligible for the Earned Income Credit?

The EIC has several tests. You must meet all the tests to qualify. The test that is most difficult for PCVs to meet is that you must have been physically present in the United States for more than half the year. Just maintaining a home in the US does not count as being in the US.

There is a special rule for military which counts overseas service as being in the United States. That rule does not apply to Peace Corps Volunteers.

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### 28. How much can I contribute to my IRA?

The limit for contributions to an IRA (Roth or Traditional) is the lower of:

- \$5,500 (\$6,500 if 50 or older by December 31st), or
- Your taxable compensation for the year

For instance, if your readjustment allowance was \$2,250 and your taxable allowances were \$1,300, your maximum IRA contribution is \$3,550.

IRA contributions can be made until April 15 and counted as a contribution for the prior year. If you wish to do this, be sure to specify with your broker that it is a prior year contribution.

Some volunteers choose to convert their existing 401k savings to a Roth IRA while they are serving in Peace Corps. Converting to a Roth IRA requires that you pay income tax on the amount of the conversion. As a volunteer, your income is low and you will pay taxes at a lower rate, making this conversion less costly. Peace Corps offers no advice on this subject. Consult your financial advisor for full information on Roth conversion.

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## MISCELLANEOUS

### 29. Does my Peace Corps health insurance meet the individual shared responsibility provision of the Affordable Care Act?

The [individual shared responsibility provision](#) of the Affordable Care Act requires you have a basic health insurance coverage (also known as minimum essential coverage). The health insurance that is provided to you, while you are in service, meets the individual shared responsibility provision of the Affordable Care Act. This insurance coverage is a government sponsored program. If you need more information about this, please visit the IRS website [here](#). When you prepare your tax return, and you had minimum essential coverage for each month of the tax year, you will indicate this on your federal income tax return by simply checking a box on line 61 of Form 1040, 1040A or 1040EZ. You could find this instruction on page 6 of the IRS document [Health Care Law: What's New for Individuals & Families](#).

### **30. I collect Social Security benefits. Will my Peace Corps income affect my benefits?**

#### **Earnings Limits and Reduced Benefits**

Under federal law, people who are receiving Social Security benefits, who have not reached [full retirement age](#), are entitled to receive all of their benefits as long as their earnings are under certain limits. See the full Social Security Administration article [here](#).

#### **Taxable Social Security Benefits**

Social Security benefits are generally not taxable. Including and above certain limits -- \$34,000 (\$44,000 for married couples), your benefits may become partly or fully taxable. For a quick test, add half of your Social Security benefits and all your other income. If the total is higher than the limit, some of your benefits may be taxable. See [this article](#) for more information.

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### **31. I'm a Massachusetts resident. What goes on the Massachusetts Schedule HC?**

If you are currently an *active* Volunteer, or a Returned Peace Corps Volunteer who purchased post-service insurance, use this information on Schedule HC:

- Name of insurance company or administrator: Seven Corners for Peace Corps
- FID number of insurance co. or administrator: 35-2025404
- Subscriber Number: Your Peace Corps Volunteer ID number

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### **32. How do I change my address with Peace Corps?**

Active Volunteers – Contact your Director of Management & Operations with your new address.

RPCVs – Go to [www.peacecorps.gov/rpcv/info](http://www.peacecorps.gov/rpcv/info)

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### **33. Who can I contact at Peace Corps with tax questions?**

We are unable to provide tax guidance beyond issues relating to 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.

Email us at: [taxhelp@peacecorps.gov](mailto:taxhelp@peacecorps.gov)

Call us toll-free at 1-855-855-1961, option 1, ext. 1708.

You can also call 202-692-1708 (long distance rates apply).

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