



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

February 11, 2021

Dear Parent(s) and Guardian(s) of the United States Corps of Cadets,

The purpose of this letter is to address Cadet income tax preparation issues with the parent(s) and/or guardian(s) of the United States Corps of Cadets

The Cadets have likely started receiving important documents regarding their taxes for the 2020 tax year. For many, this may be the first time they need to prepare a tax return. Because your son or daughter may need to discuss the issues below with you, I'd like to take a moment and identify some of the issues that have an impact on a Cadet's income tax return.

a. **Dependent Exemption/Personal Exemption.** Each year, the IRS rejects several first year (plebe) Cadets' tax returns. This is the result of both the plebe and his/her parent(s) or guardian(s) claiming the same personal exemption. Many parent(s) or guardian(s) believe they can continue to claim their son or daughter while they are a full-time student. However, 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, and room and board, the Army provides Cadets with more than \$40,000 per year. In most circumstances, the financial support a Cadet received from parent(s) or guardian(s) 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 (IRS). The IRS has eliminated the deduction for personal exemptions for 2020, but you will be taxed differently if you are claimed as a dependent on another's tax return.

b. **Custodial Accounts Established Under the Uniform Gift to Minors Act.** If you or a family member were fortunate enough to establish a savings account for your Cadet when they were young, the money may be invested in bank accounts, CDs, stocks, mutual funds, etc. These accounts generate taxable income that your Cadet must report on their tax return. It is not uncommon for Cadets to be unaware that these accounts exist and count towards their taxable income. Please inform your Cadet(s) if such an account exists to ensure they have all relevant statements and documents to accurately compute their tax return.

c. **Payments from Qualified Education Programs Under Sections 529 and 530 (and Coverdell Education Savings Accounts).** If you were fortunate enough to establish a college fund for your Cadet(s), and there were any distributions from the plan in 2020, the Cadet will receive a Form 1099Q. Your Cadet must report this income on their 2020 tax return. Additionally, your Cadet will need to know the breakdown of how much

represents principal invested in the plan versus earnings of the plan. The distribution of amounts contributed to the plan is not taxable. Only the income earned is taxable.

d. Educational 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 West Point. However, since West Point falls under the Department of Defense rather than the Department of Education, Cadets are not eligible to receive these credits. If your Cadet(s) attended an eligible educational institution prior to their attendance at West Point, 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 eligible educational institution will send a copy of this form to your Cadet and to the IRS.

e. Economic Impact Payments and Recovery Rebate Credits. Because most Cadets are over the age of 17, parent(s) and guardian(s) should not have received a \$500 Economic Impact Payment on behalf of the Cadet in the first round of stimulus payments, nor a \$600 payment on behalf of the Cadet in the second round of stimulus payments. However, since Cadets cannot be claimed as dependents by parent(s) and/or guardian(s) the Cadets may be eligible to receive up to \$2000 in Recovery Rebate Credits when they file their 2020 tax return.

Thank you for your attention to this matter. If you have questions regarding your tax filing this year, please consult with your tax professional and/or the Internal Revenue Service. Your Cadet is always welcome to seek assistance at the West Point Legal Assistance Office if they have tax preparation questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "P. M. Gaulin", written in a cursive style.

Pamela M. Gaulin  
Captain, U.S. Army  
Administrative and Civil Law Attorney