

**INTERNAL REVENUE SERVICE**

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In Re: Application of 26 U.S.C. § 7508 to Merchant Marine Personnel  
Participating in Operation Iraqi Freedom

Dear Mr.           :

This letter responds to your request for information concerning the availability of the relief from certain federal tax obligations, such as postponement of the time for filing an income tax return and payment of tax, provided by section 7508 of the Internal Revenue Code. This information relates to United States merchant mariners who serve aboard vessels under the operational control of the Department of Defense.

Merchant mariners are employed by the Maritime Administration (MARAD) of the Department of Transportation. One of the central purposes of MARAD is to have ready a merchant marine capable of serving as a naval and military auxiliary in times of war or national emergency. To accomplish this purpose, MARAD maintains the National Defense Reserve Fleet (NDRF), which is funded from the Department of Defense's (DOD) National Defense Sealift Fund and which may only be used for governmental purposes.

In general, the NDRF is operated by civilian mariners working for ship managers under contract with MARAD. When DOD activates a vessel the operational control shifts to the Military Sealift Command, a component of DOD. At present, forty NDRF vessels are carrying military supplies for military troops that may participate in Operation Iraqi Freedom. All of these vessels are carrying only military supplies, such as tanks, ammunition, etc.

Section 7508(a)(1) of the Code permits a postponement of certain time-sensitive acts for individuals serving in the Armed Forces of the United States, or serving in support of such Armed Forces, in an area designated by the President of the United States by Executive Order as a combat zone. In the event of service in a combat zone, the acts

specified in section 7508(a)(1) are automatically postponed. Based on the activities described above, merchant mariner personnel who serve in a combat zone in support of the Armed Forces qualify for the benefits of section 7508.

Section 7508 is effective upon entry into a combat zone. Combat zones are designated by executive order. You have specifically inquired about your vessels in support of the current operations in Iraq. Executive Order No. 12744 designated the following locations (referred to as the Persian Gulf Area) as a combat zone beginning January 17, 1991:

The Persian Gulf, the Red Sea, the Gulf of Oman, the part of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

Executive Order No. 12744 remains in effect. Thus, merchant mariners under the operational control of the DOD are eligible for the relief provided by section 7508 when they serve in one of the areas listed in EO 12744. Section 7508 provides an automatic extension of certain time-sensitive deadlines. Some of the actions covered are as follows:

- Filing any return of income, estate, or gift tax (except employment and withholding taxes)
- Paying any income, estate, or gift tax (except employment and withholding taxes)
- Filing a claim for credit or refund of any tax
- Bringing suit for any claim for credit or refund
- Making a qualified retirement contribution to an IRA

No penalties or interest will be imposed for failure to file a return or pay taxes during the extension period. A more detailed list of actions is provided in IRS Publication 3, Armed Force's Tax Guide (2002 Returns) at page 30 (Copy attached).

Under section 7508, deadlines generally are extended for 180 days after the last day a person is in a combat zone. If a person is injured from service in the combat zone, the deadline would be extended from the last day of any continuous qualified hospitalization, if that period is longer than the period in the preceding sentence. In addition to the 180 days, a deadline is extended by the number of days that were left to take action with the IRS when a person entered a combat zone.

If you have any questions about this matter, please contact

Sincerely,  
Emily A. Parker  
Deputy Chief Counsel (Operations)