

BONUS Act

This bill exempts military bonuses from federal income tax- ensuring servicemembers receive 100% of their earned incentives without penalty.

Key Legislative Provisions

- Amends Section 134(a) of the Internal Revenue Code of 1986 to explicitly exclude any bonus paid to a member of the uniformed services under Chapter 5 of Title 37, U.S. Code from gross income.
- Applies taxable years beginning after December 31, 2024.

Background

- Military bonuses- including enlistment, retention, and performance-based incentives- are critical tools for recruitment and force readiness.
- Currently, these bonuses are subject to federal income tax, reducing their intended impact and shortchanging service members.
- The BONUS Act fixes this by clarifying that such payments are excluded from taxable income, aligning with broader efforts to improve military compensation and retention.
- This bill builds on existing tax exclusions for certain military benefits and responds to long-standing concerns raised by troops, families, and advocates who believe those who serve should not be taxed on the bonuses they earn in service to our country,

