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President and CEO

Eliminate the “Widows Tax” (SBP-DIC Offset)

Issue: Current federal law (10 USC § 1450) requires survivors of deceased military members to forfeit part or all of their Survivor Benefit Plan (SBP) annuity when they are awarded VA Dependency and Indemnity Compensation (DIC). This loss of any portion of the SBP annuity is often referred to as a “widows tax.”

Background: Current law requires surviving spouses of active duty or retired members who died of a service-connected cause to forfeit \$1 of their military SBP annuity for each \$1 received in DIC. For FY 2017, DIC is \$1,258 a month (\$15,095 a year), paid only to survivors of veterans whose death is determined to have been caused by service. This offset wipes out most or all of the SBP check for a majority of survivors, including those whose servicemembers purchased the plan through deductions from their retired pay.

Congress has helped a small minority of survivors by: (a) raising the lump-sum death gratuity for deaths after Oct. 7, 2001; (b) ending, in CY 2003, the offset for survivors who remarry after age 57; and (c) authorizing in FY 2008 the Special Survivor Indemnity Allowance (SSIA), a modest rebate (\$310 a month in FY 2017) to SBP-DIC recipients subjected to this inequity.

However, lump-sum increases in the death gratuity did not help the 95% of survivors whose spouses died of service-caused conditions before 2001. Forced to forfeit \$1,258 a month, survivors view the SSIA \$310 rebate as a poor effort at restitution. Moreover, SSIA will terminate in May 2018 if Congress does not extend the allowance.

Tasked by Congress in October 2007 to review this inequity, the Veterans Disability Benefits Commission (VDBC) concurred with MOAA and other veteran organizations that when military service causes a member’s death, VA indemnity compensation should be paid *in addition to* the SBP annuity, not subtracted from it. No other federal annuity is structured with this offset; DIC is not deducted from federal survivor annuities for military veterans in civil service jobs.

MOAA Position: At a minimum and absent full repeal of the SBP-DIC offset this year, SSIA should be extended 10 years, with incremental increases to the monthly amount to assist affected survivors.

Recommendation: *Cosponsor and Pass Rep. Joe Wilson’s H.R. 846
Cosponsor and Pass Sen. Bill Nelson’s S. 339*

Survivor Annuity, Active Duty Death (Spouse, No Children)				
	SBP is	DIC is	Survivor receives	MOAA believes survivor should receive
0-4, 14 years	\$36,969	\$15,095	\$36,969	\$52,064
03, 4 years	\$26,721	\$15,095	\$26,721	\$41,816
E-6, 14 years	\$18,570	\$15,095	\$18,570	\$33,665
E-4, 4 years	\$12,038	\$15,095	\$15,095	\$27,133

**Estimates based on FY 2017 pay schedule*

Currently, military survivors must forfeit \$1 of SBP for each \$1 of DIC they receive from the VA. MOAA believes that for service-caused deaths, DIC should be added to SBP, not deducted from it.

Congress Recognized the Unfairness of the Offset in FY 2008 and Authorized Paying SBP/DIC Survivors an Extra Allowance called SSIA, which terminates in May 2018

Year	SSIA Allowance
FY 2009	\$50
FY 2010	\$60
FY 2011	\$70
FY 2012	\$80
FY 2013	\$90
FY 2014	\$150
FY 2015	\$200
FY2016	\$275
FY 2017	\$310
FY 2018 (May 2018)	\$310