



Act This Year on SBP-DIC Offset

Issue: Under current law (10 USC 1450), survivors of deceased active and retired military members must forfeit part or all of their military Survivor Benefit Plan (SBP) annuity when military service caused the death. This is often referred to as the “widows tax.”

Background: Retiring servicemembers can purchase SBP coverage to provide their spouses 55 percent of their retired pay in the event of their death for any reason. SBP coverage is provided automatically for deaths on active duty. When the VA determines the death was caused by service, it pays the survivor Dependency and Indemnity Compensation (DIC) in the amount of \$1,254 monthly for 2016 (\$15,048 per year). Under current law, the amount of DIC must be deducted from military SBP annuities. The offset wipes out most or all of the SBP check for the vast majority of survivors. (See top chart on reverse for examples.)

Tasked by Congress to review the “widows tax” in October 2007, the Veterans Disability Benefits Commission (VDBC) concurred with MOAA and other veterans associations that when military service causes the member’s death, the VA indemnity compensation should be paid *in addition to* the SBP annuity, not subtracted from it. In that regard, DIC is not deducted from federal survivor annuities for military veterans in civil service jobs.

The VDBC recommended equal treatment for survivors, regardless of whether the service-caused death occurred during or after active service. While only retired members paid SBP premiums, active duty deaths occur earlier in life and often cause even more family disruption and financial penalties. For both active duty and retiree service-connected deaths, military service extracted the ultimate premium from member and spouse – the very life of the servicemember.

In 2008, Congress authorized a Special Survivor Indemnity Allowance (SSIA) as partial recompense for the SBP-DIC inequity. (See bottom chart on reverse.) Then-House Armed Services Committee Chairman, Rep. Ike Skelton, expressed the intent to continue increasing the SSIA and ultimately phase out the offset. SSIA is \$275 per month in FY2016, and will rise to \$310 per month for FY2017—when it will compensate for about 25% of the SBP-DIC offset. However, statutory authority to pay SSIA will expire as of Oct 1, 2017.

Unless Congress repeals the SBP-DIC offset or extends the SSIA authority this year, SBP-DIC survivors will suffer the additional loss of the SSIA -- \$3,700 per year.

MOAA Position: -The SBP-DIC offset should be repealed.
- If sufficient funding can’t be found to do that, the SSIA should be extended and increased to continue toward phasing out the offset entirely.

Recommendation: Senate: Cosponsor/pass Sen. Bill Nelson’s S. 979 (repeal offset)

House: Cosponsor/pass Rep. Joe Wilson’s H.R. 1594 (repeal offset)

Cosponsor/pass Rep. Alan Grayson’s H.R. 4519 (extend and increase SSIA)

Examples of SBP/DIC Offset Impact

Survivor Annuity, Retiree Death				
	SBP Is	DIC Is	SBP Left After Offset	Lost SBP
O-5 average	\$30,091	\$15,050	\$15,041	\$15,050
E-8 average	\$16,713	\$15,050	\$1,633	\$15,050

Congress recognized the unfairness of the offset in 2008 by authorizing SBP/DIC survivors a Special Survivor Indemnity Allowance (SSIA) - monthly rate shown below. But SSIA payment authority terminates October 1, 2017.

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	\$0