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

Issue: Under current law, survivors of deceased military members must forfeit part or all of their purchased Survivor Benefit Plan (SBP) annuity when they are awarded the VA’s Dependency and Indemnity Compensation (DIC). The loss of any portion of the SBP annuity is known as the widows’ tax. For approximately **67,000 military survivors**, the widows’ tax makes SBP the only insurance product in the country that you pay into but are legally prohibited from collecting.

Background: SBP is a voluntary, member-purchased annuity provided by DoD, allowing a continuation of a portion of military retired pay upon the death of the servicemember. According to DoD, the intended purpose of SBP is to “insure that the surviving dependents of military personnel who die in retirement or after becoming eligible for retirement will continue to have a reasonable level of income.” Coverage later was expanded to active duty personnel as well.

DIC is a VA-paid monetary benefit for eligible survivors whose sponsors died of a service-connected injury or disease. These separate benefits are paid for separate reasons and should not be construed as duplicative compensation.

Surviving spouses of active duty or retired servicemembers who died of a service-connected cause are forced to forfeit \$1 of their military SBP annuity for each \$1 received in DIC. This offset wipes out most or all of the SBP check for a majority of survivors, totaling approximately \$12,000 annually, including those whose servicemembers purchased the plan through deductions from their retired pay.

Over the years, Congress has helped a small minority of survivors by:

- raising the lump-sum death gratuity for servicemembers who died after 2001,
- ending the offset for survivors who remarry after age 57, and
- authorizing in FY 2008 the Special Survivor Indemnity Allowance (SSIA), a modest rebate to SBP-DIC recipients subjected to the widows’ tax.

However, the lump-sum increases in the death gratuity did not help the 95 percent of survivors whose spouses died of service-caused conditions before 2001. Further, while SSIA serves as evidence of congressional interest and support, it only provides relief for about 25 percent of the widows’ tax.

Tasked by Congress in 2007 to review the inequity, the Veterans Disability Benefits Commission (VDBC) agreed 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’s position: Support full repeal of the SBP-DIC offset. If Congress cannot achieve full repeal all at once, they should continue to incrementally increase SSIA above COLA adjustments to help mitigate the overall effect of the widows’ tax until full repeal can be achieved.



Congress, we need your help

- Support H.R. 553, sponsored by Rep. Joe Wilson (R-S.C.)
- Support S. 622, sponsored by Sen. Doug Jones (D-Ala.)

MOAA Contact

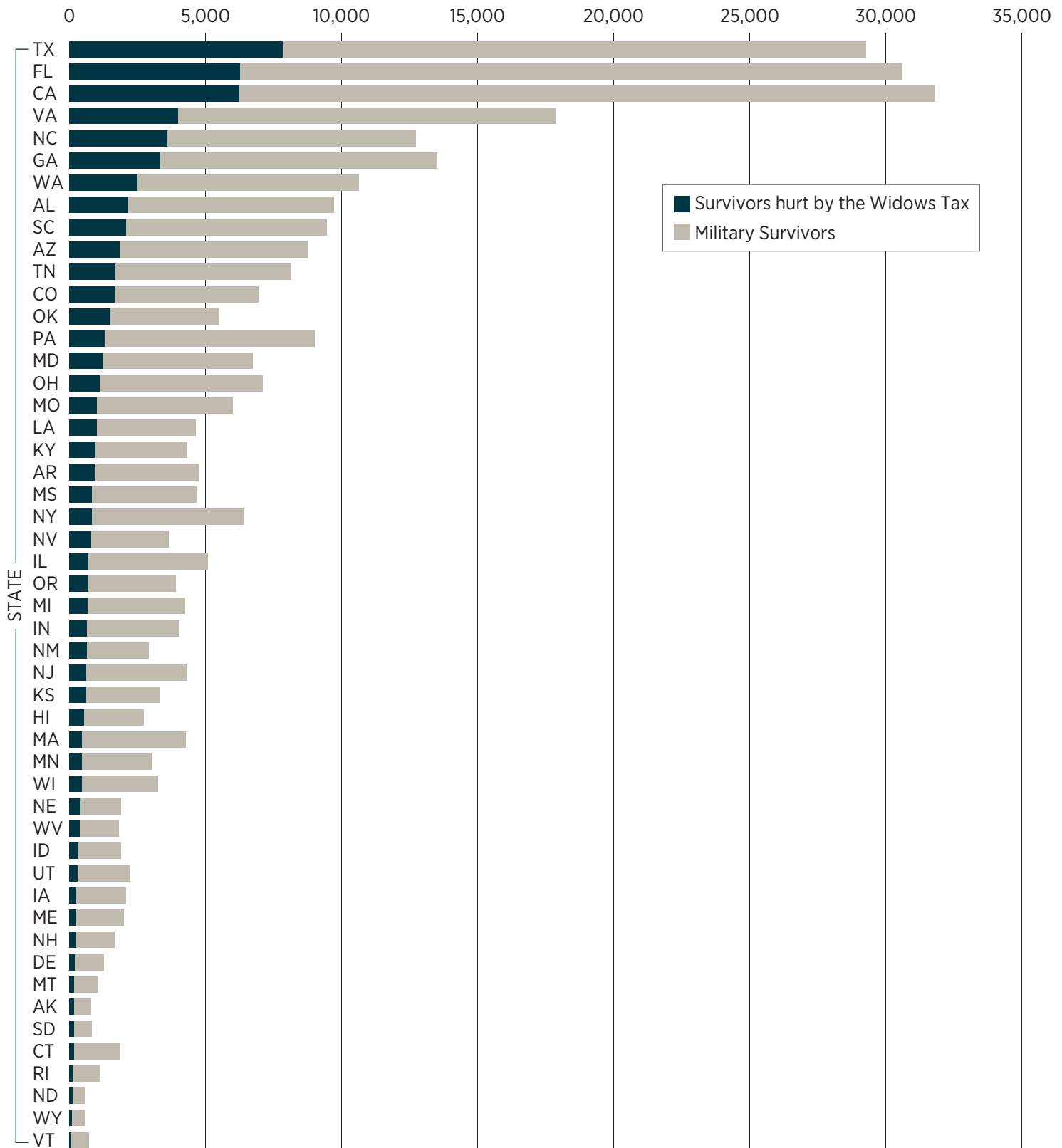
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SBP/DIC OFFSET AFFECTED STATES

The widows tax affects 67,000 military survivors. These are the states with the highest concentration of aggrieved survivors.

Bottom Line: Congress must end the widows tax. Cosponsor and pass Rep. Joe Wilson's H.R. 553 and Sen. Doug Jones' S. 622. Urge members of the Armed Services committees to include a "Sense of Congress" to end the widows tax in the FY 2019 Defense Bill.



SOURCE: DOD ACTUARY

GRAPHIC BY JOHN HARMAN/MOAA