

# **END** *the* **Unfair** **Military** **“Widows Tax”**

## **OFFSETS AFFECTING SURVIVORS**

of service-connected deaths  
deprive them of up to \$1,254 a month.

By Col. Steve Strobbridge, USAF (Ret), and Col. Phil Odom, USAF (Ret)

# THE FIGHT FOR EQUITY



**MARTHA DOUTHIT** (pictured) was raising two teenagers when her husband, an Army officer, was killed just outside Iraq in 1991. Only later did she learn a large part of her military Survivor Benefit Plan (SBP) annuity was wiped out by other conflicting laws.

**MARY CRAVEN**, whose husband retired from the Air Force after being wounded in Vietnam and died of service-connected causes in 1978, was shocked to find her Dependency and Indemnity Compensation (DIC) annuity from the VA is deducted from the military SBP coverage her husband had purchased.

## ISSUE: The SBP/DIC Benefit Offset

**ACTIVE DUTY DEATHS:** Survivors of members who die in the line of active duty are eligible for DIC from the VA (currently \$1,254 monthly, regardless of grade, with modest additional amounts for each dependent child). Such survivors also are eligible for SBP coverage.

Most survivors don't realize SBP annuities are reduced by the amount of DIC received from the VA. For servicemembers grade E-6 and below (the majority of active duty deaths), this virtually wipes out any SBP payment, leaving most survivors with just DIC — only about \$15,000 a year. Survivors of more senior servicemembers receive any SBP annuity left after the offset.

For active duty deaths since Oct. 7, 2001, Congress increased lump-sum death benefits and allowed survivor spouses to assign the SBP annuity to

their children, if any. But spouses who do that lose all SBP eligibility when the children come of age — leaving them with only \$15,000 a year in DIC.

Further, the extra post-Oct. 7, 2001, benefits offer no help to 94 percent of SBP/DIC survivors whose sponsors died before that date or died in retirement from service-caused conditions. Most of the latter received only \$6,000 or less in immediate benefits and \$100,000 or less in military insurance.

“Our lump-sum payments didn't last that long,” says Douthit. “My husband never would have believed his being killed in wartime would cause the military to cut my SBP by \$15,000 a year. That happens because DIC is deducted from SBP.”

Survivors of servicemembers killed on active duty deserve more than these modest amounts, and those who need to shift SBP to

children should not be compelled to accept a lifetime annuity of only \$15,000 as the price of securing more reasonable short-term income.

**RETIREE DEATHS:** Retired servicemembers with disabilities caused by military service (as determined by the VA) often have limited options to purchase life insurance at a reasonable cost. They can participate in SBP on the same basis as every other retired servicemember — paying 6.5 percent of their monthly retired pay to provide a survivor annuity equal to 55 percent of their retired pay.

Should a servicemember later die of the service-caused condition (as determined by the VA), his or her survivor will be eligible to receive DIC. But the SBP annuity the servicemember paid for will be reduced by the DIC amount.

In many cases, this wipes out most of or the entire SBP annuity. In such cases, the survivor receives a proportional refund of the retiree-paid SBP premiums. But the government pays no interest on what might have been many years of premium payments, and the only net DIC benefit is a modest tax advantage.

“Why have two programs if one wipes out the other?” asks Craven. “Getting the premiums back doesn’t replace the coverage my husband paid for.

**“The service caused his death. The service should pay extra for that, rather than canceling part of the insurance he bought for me. It’s as if they’re saying it’s his own fault that he died.”**

MOAA thinks the DIC for a service-caused death should be added to any SBP purchased by the retiree, not subtracted from it. Survivors of civil service retirees who also are disabled military veterans and die of a service-caused condition don’t have to forfeit any of their purchased survivor benefits to receive DIC. Retired military survivors shouldn’t either.

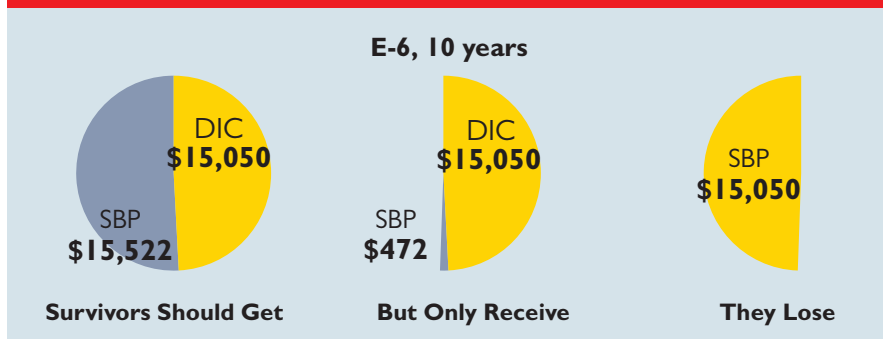
Congress has acknowledged the inequity and enacted a Special Survivor Indemnity Allowance (SSIA) with the intent, as expressed by then-House Armed Services Committee Chair Rep. Ike Skelton (D-Mo.), of increasing the SSIA over time and gradually phasing out the SBP/DIC offset. That allowance will reach \$310 a month in FY 2017 (eliminating about 25 percent of the SBP/DIC offset), but the authority to pay SSIA will expire Oct. 1, 2017.

Unless Congress acts this year, SBP/DIC widows will suffer yet another \$3,700 annual loss when the SSIA expires.

## Survivor Annuity, Active Duty Death (Spouse, no children)

	SBP Is	DIC Is	SBP Left After Offset	Lost SBP
O-3, 4 years	<b>\$24,077</b>	<b>\$15,050</b>	<b>\$9,027</b>	<b>\$15,050</b>
E-6, 10 years	<b>\$15,522</b>	<b>\$15,050</b>	<b>\$472</b>	<b>\$15,050</b>
E-3, 4 years	<b>\$9,481</b>	<b>\$15,050</b>	<b>\$0</b>	<b>\$9,481</b>

## DIC Should Be Added to SBP, Not Substituted for It



**In 2008, Congress authorized an SSIA as partial recompense for SBP/DIC widows. But SSIA authority ends as of Oct. 1, 2017.**

FY 2009	<b>\$50</b>
FY 2010	<b>\$60</b>
FY 2011	<b>\$70</b>
FY 2012	<b>\$80</b>
FY 2013	<b>\$90</b>
FY 2014	<b>\$150</b>
FY 2015	<b>\$200</b>
FY 2016	<b>\$275</b>
FY 2017	<b>\$310</b>
FY 2018	<b>\$0</b>

## Why Cut Retiree-Paid SBP When Service Causes Death?

	Retiree-Purchased SBP	DIC	SBP Left After Offset	Lost SBP
O-5 average	<b>\$30,091</b>	<b>\$15,050</b>	<b>\$15,041</b>	<b>\$15,050</b>
E-8 average	<b>\$16,713</b>	<b>\$15,050</b>	<b>\$1,663</b>	<b>\$15,050</b>

**ACTION NEEDED:** Repeal the law that deducts DIC payments from military SBP annuities.



# The Bottom-Line Fix

**THE QUESTION IS STRAIGHTFORWARD:** When military service causes a servicemember's death, does the survivor deserve to receive the \$1,254 monthly VA indemnity annuity in addition to, rather than subtracted from, the servicemember-purchased SBP annuity?

MOAA strongly believes the answer is "yes" and supports the following legislation to eliminate or phase out the current unfair SBP/DIC offset.

## IMMEDIATE REPEAL OF THE SBP/DIC OFFSET:

H.R. 1594 (Rep. Joe Wilson, R-S.C.)

S. 979 (Sen. Bill Nelson, D-Fla.)

### How Much Will It Cost?\*

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	10-Year Total
<b>SBP/DIC</b>	<b>\$457</b>	<b>\$677</b>	<b>\$713</b>	<b>\$731</b>	<b>\$755</b>	<b>\$778</b>	<b>\$800</b>	<b>\$822</b>	<b>\$844</b>	<b>\$866</b>	<b>\$7.4B*</b>

(all figures in millions)

\*extrapolated from 2013 Congressional Budget Office estimate

## EXTEND SSIA ELIGIBILITY AS A MEANS OF PHASING OUT THE OFFSET

H.R. 4519 (Rep. Alan Grayson, D-Fla.)  
(five-year SSIA extension/increase)

### How Many Are Affected?

**DIC Survivors**      63,000

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