



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 annuity when they are awarded Dependency and Indemnity Compensation (DIC) by the Veterans Administration (VA). This is often referred to as the Widow's Tax.

Background:

Current law requires the surviving spouse of an active-duty or retired member, who dies of a service-connected cause, to forfeit \$1 of military Survivor Benefit Plan (SBP) annuity for each \$1 received in VA Dependency and Indemnity Compensation. DIC is presently set at \$1,233.22 monthly (\$14,798.64 per year) and is paid only to survivors of veterans whose death is determined to have been caused by service. The offset wipes out most or all of the SBP check for the vast majority of survivors.

Congress helped a small minority of survivors by (a) raising the lump-sum death gratuity for deaths after Oct 7, 2001; (b) by ending the offset for survivors who remarry after obtaining the age of 57, and (c) authorizing a modest \$150 monthly (FY 14 rate) rebate to selected SBP-DIC widows which recognizes the DIC offset inequity. However, lump-sum increases did not help some 95% of survivors whose spouses died of service-caused conditions before 2001. And widows, forced to forfeit \$1,233.22 a month, view the modest \$150 rebate as insulting.

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 happened to occur during or after active service. While retired members paid SBP premiums, earlier active duty deaths often caused more family disruption and financial penalties. In each case, military service extracted the ultimate premium from member and spouse – the very life of the servicemember.

MOAA Position: The current unfair offset should be eliminated for all SBP – DIC survivors.

Recommendation: *House: Cosponsor/pass Rep. Joe Wilson's H.R. 32*
Senate: Cosponsor/pass Sen. Bill Nelson's S. 734

Use the MOAA Toll-Free number to Capitol Switchboard, 1-866-272-6622. Ask to speak with your Congressman/Senator's office. Then, ask to speak with Legislative Assistant or Military Legislative Assistant and request co-sponsorship and support for the repeal of the offset.