



## AIR FORCE SERGEANTS ASSOCIATION

**ISSUE:** Congress should repeal the law that reduces military Survivor Benefit Plan (SBP) annuities by the amount of any survivor benefits payable under the VA Dependency and Indemnity Compensation (DIC) program.

**BACKGROUND:** Under current law, the surviving spouse of a retired member who dies of a service-connected cause is entitled to DIC from the Department of Veterans Affairs (VA). If the military retiree was also enrolled in SBP, the surviving spouse's SBP benefits are reduced by the amount of DIC (currently \$1,215 per month). A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. The offset also affects all survivors of members who are killed on active duty. Tens of thousands of widows/widowers are affected by the SBP-DIC Offset, also known as the "Widow's Tax."

**DISCUSSION:** AFSA believes SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the DIC payment should be added to the SBP the retiree purchased, not substituted for it. It's also noteworthy as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their purchased federal civilian SBP benefits.

In the case of members killed on active duty since October 7, 2001, a surviving spouse with children can avoid the dollar-for-dollar offset by assigning SBP to the children. But that forces the spouse to give up any SBP claim after the children attain their majority -- leaving the spouse with less than a \$14,500 annual annuity from the VA. Those who give their lives for their country deserve fairer compensation for their surviving spouses.

The October 2007 report of the Veterans Disability Benefits Commission urged elimination of the offset for all SBP-DIC widows. In 2008, Congress acknowledged the inequity in law, authorizing a modest Special Survivor Indemnity Allowance (SSIA) for SBP-DIC widows to begin phasing out the offset. In June 2009, Congress increased the SSIA monthly payments to \$150 in FY 2014 and increasing to \$310 by FY 2017. The press release announcing the SSIA increase said, "This legislation is the latest step in our continuing effort to eliminate the so-called "widow's tax." Under current law, SSIA authority will expire 1 October 2017. Additionally, in the past several years, the Senate repeatedly has passed Senator Bill Nelson's, D-Fla., amendment to repeal the SBP-DIC offset in its version of the National Defense Authorization Act (NDAA), only to have the provision dropped in final negotiations with the House.

**AFSA POSITION:** AFSA supports a full repeal of the DIC offset to SBP. Even in today's budget-constrained environment, the elimination of the "Widow's Tax" must be viewed as a funding priority.

**KEY BILLS/STATUS:** In the 114<sup>th</sup> Congress, Rep. Joe Wilson, R-S.C., has introduced H.R. 1594, the "Military Surviving Spouses Equity Act." Sen. Bill Nelson, D-Fla., has introduced S. 979. Both bills would eliminate the SBP-DIC offset.