



ASSOCIATION OF THE UNITED STATES ARMY

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May 9, 2019

The Honorable James Inhofe
Chairman
Senate Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Senate Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Adam Smith
Chairman
House Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Mac Thornberry
Ranking Member
House Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

On behalf of the Association of the United States Army, (AUSA) I write to urge you to address a long-standing inequity that currently imposes a severe financial penalty on thousands of military survivors whose military sponsors gave their lives serving their country.

Under current law, survivors who are eligible for both the Department of Defense's Survivor Benefit Plan (SBP) and the Veterans Administration's Dependency and Indemnity Compensation (DIC) must forfeit a dollar of their SBP annuity for every dollar of DIC received from the VA. Often, the offset wipes out the SBP annuity. We believe that if military service caused a member's death, DIC that the VA pays their survivor should be added to the SBP benefits the retiree paid for, not substituted for them.

In the case of service members who died on active duty, a surviving spouse with children can avoid the dollar-for-dollar offset only by assigning SBP to their children. That forces the spouse to give up any SBP claim after the children attain their majority age – leaving the spouse with only a small monthly indemnity from the VA. This year, those that chose to put the benefit in their child's name saw a significant spike in their taxes because of a change included in the Tax Cuts and Jobs Act of 2017.

Previously, survivor benefits that were allocated to the children of a fallen service member were taxed at the parent's rate. Under the new tax code, those benefits are instead treated the same as a trust or estate, which means they can be taxed at a rate as high as 37 percent, and that threshold is reached faster than it was before.

Legislation has been introduced in the House and Senate to address this dollar-for-dollar offset inequity. The Military Widow's Tax Elimination Act of 2019 (S. 622) and the Military Surviving Spouses Equity Act (H.R. 553) would repeal this required offset and authorize payment of both SBP and DIC in the case of a service-connected death.

AUSA strongly supports this legislation and urges Congress to work together and finally eliminate this inequity. Surely those who gave their lives for their country deserve fairer compensation for their surviving spouses.

Sincerely,

A handwritten signature in blue ink, appearing to read "Carter F. Ham".

Carter F. Ham
General, U.S. Army Retired
President & Chief Executive Officer