

Congress Eliminates the "Widow's Tax" for Surviving Spouses of Veterans who had a Service Connected Death

The year started off with some big news regarding changes affecting surviving spouses of veterans. The 2020 National Defense Authorization Act (NDAA) modified the law that requires an offset of Survivor Benefit Plan (SBP) payments for surviving spouses who are also entitled to Dependency and Indemnity Compensation (DIC) from the Department of Veterans Affairs (VA). Also known as the "Widow's Tax," the original law states that a surviving spouse who receives DIC is subject to a reduction of SBP payments, resulting in SBP being either partially or fully offset. The NDAA's repeal of the "Widow's Tax" will phase-out this offset beginning January 2021, with a total elimination of the offset in January 2023. Some important factors to be aware of:

- No changes in 2020
- In 2021, SBP will be reduced by two-thirds of the amount of DIC
- In 2022, SBP will be reduced by one-third of the amount of DIC
- The increase in benefits will occur automatically for all surviving spouses subject to the SBP-DIC offset, beginning in January 2021 and reaching the maximum amount in January 2023
- Eligible survivors will continue to receive SSIA (currently \$323 per month for 2020), up to the current SSIA amount or the amount of SBP that is offset due to DIC, whichever is less. However, SSIA will no longer be paid once the offset is fully eliminated in 2023.



For more information, visit DFAS official webpage on SBP-DIC Offset Phased Elimination News: <https://www.dfas.mil/retiredmilitary/survivors/SBP-DIC-News>