



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
ARLINGTON, VA 22240-5291

FEB 23 2005

DFAS-DOP

MEMORANDUM FOR DIRECTOR, MILITARY PAY OPERATIONS, DEFENSE
FINANCE AND ACCOUNTING SERVICE (DFAS-PM/CL)

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation (DoDFMR), Volume 7A, Regarding the Death Gratuity Payment Increase (DFAS Item #N-51)

The attached is Interim Change **07-05** to update the DoDFMR, Volume 7A. Public Law 108-375, Section 643(b), October 28, 2004, prescribed an automatic adjustment mechanism to increase the death gratuity under 10 United States Code (U.S.C.), Section 1478(c) whenever there is an increase in rates of basic pay under Section 1009 of Title 37, U.S.C, or whenever there is an increase under any other provision of law. Public Law 108-375, Section 601 prescribed such an increase in basic pay rates in the amount of 3.5 percent. This change is effective January 1, 2005.

We have evaluated your comments on the proposed change and included your comments where appropriate. Assignment of the interim change is your authority to initiate a procedural modification to implement this change. Use the attached to initiate the formal change to the DoDFMR, Volume 7A.

Lydia Moschkin
Director, Policy and
Requirements Management

Attachments:
As stated

cc:
DASD (MMP)(Comp)
DFAS-GA/CL
ODGC (F)
OUSD (C)(ODCFO)(FP)
Services Liaisons
USCG/NOAA/PHS Liaisons

1. Revise paragraph 360106 to read (see IC # 39-03):**360106. Amounts Payable.**

A. Deaths Before September 11, 2001. The amount of death gratuity is \$6,000.

B. Deaths After September 10, 2001. Public Law 108-121, Section 102, November 11, 2003, increased the death gratuity amount to \$12,000, effective for deaths of members occurring on or after September 11, 2001. If a death gratuity payment was made on behalf of members at the rate effective before September 11, 2001, adjust payment under this subparagraph by the amount of any previous death gratuity payment. Public Law 108-375, Section 643(b) prescribed an automatic adjustment mechanism to increase the death gratuity payment whenever there is an increase in rates of basic pay under Section 1009 of Title 37, United States Code. See Table 36-6 for amounts and the effective dates.

C. Exemption From Indebtedness. Do not use death gratuity payment to satisfy indebtedness (including overpayments).

D. Taxability. Effective September 11, 2001, the death gratuity amount is excluded from gross income for tax purposes. Also, see Table 44-1, Rule 15.

2. Add Table 36-6 to read:

DEATH GRATUITY AMOUNT		
EFFECTIVE DATE	AMOUNT	INCREASE
September 11, 2001	\$12,000.00	
January 1, 2005	\$12,420.00	3.5%

3. Revise Table 44-1, Note 11 to read:

11. The death gratuity payment is excluded from taxable income for members who died on or after September 11, 2001. See Table 36-6 for amounts. For members who died between August 21, 1996 and September 10, 2001, the death gratuity amount that is excluded from taxable income may not exceed \$3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, the \$3,000 exclusion should proportionally be applied. For members who died on or before August 20, 1996, the maximum exclusion amount is \$5,000.

4. Revise Bibliography as follows:

<u>Paragraph</u>	<u>Citation</u>
360106.A	Public Law 102-25, section 307, April 6, 1991 Public Law 102-90, section 652, December 5, 1991
360106.B	Public Law 108-121, section 102, November 11, 2003 Public Law, 108-375, section 643(b), October 28, 2004
360106.C	MS Comp Gen Dec 22681, May 14, 1913
360106.D	Public Law 108-121, section 102 November 11, 2003
Table 36-6	Public Law 108-375 section 643(b), October 28, 2004 DUSD (MPP)(Comp) memorandum of December 2, 2004