



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON

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DFAS-DFM

NOV 21 2003

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
Death Gratuity Payment Increase (DFAS Item #M-48)

The attached is Interim Change 39-03 to DoDFMR, Volume 7A
Public Law 108-121, Section 102, November 11, 2003, increases
the amount of death gratuity from \$6,000 to \$12,000. This
amount is excludable from gross income for tax purposes. This
change is effective retroactively to September 11, 2001.

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 procedural
modifications to implement this change. Use the attached to
initiate the formal change to the DoDFMR, Volume 7A.

Jerry S. Hinton
Director for Finance

Attachments:
As stated

cc: DUSD (MPP) (Comp)
OUSD (C) (ODCFO) (FP)
ODGC (F)
DFAS-DDM/CL
DFAS-GAM/DE
DFAS-PMA/CL
Services Liaisons
USCG/NOAA/PHS Liaisons

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1. Revise paragraph 360106.A to read:

A. For deaths on or after September 11, 2001, the amount of death gratuity is \$12,000 and for deaths prior to September 11, 2001, the amount of death gratuity is \$6,000.

2. Revise paragraphs 360106.A.1 and 2 to read:

1. Pay the amount above on behalf of members specified in paragraph 360101 who died on September 11, 2001, or later.

2. If a death gratuity payment was made on behalf of members described in subparagraph 360106.A.1 above, at the rate effective before September 11, 2001, adjust payment under this subparagraph by the amount of any previous death gratuity payment.

3. Revise paragraph 360106.C to read:

C. Taxability. The amount of \$12,000 is excluded from gross income for tax purposes. Also, see Table 44-1, Rule 15.

4. Table 44-1, Rule 15 and Note 11, revise to read:

TAXABILITY OF ITEMS OF MILITARY PAY AND ALLOWANCES				
R U L E	A	B		
	If item is	then item is (notes 5, 9, and 10)		
		taxable and subject to federal/state income tax withholding	taxable but not subject to federal/state income tax withholding	not taxable
15	death gratuity		effective August 21, 1996, through September 10, 2001, to the extent the total payment for any death exceeds \$3,000 and reported on TD Form 109- MISC (see note 11).	effective September 11, 2001, total amount (see note 11)

11. The death gratuity payment in the amount of \$12,000 is excluded from taxable income for members who died on or after September 11, 2001. 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.

5. Add to Bibliography:**Paragraph****Citation**

360106.A

Public Law 108-121, section 102, November 11, 2003

Table 44-1, Rule 15

Public Law 108-121, section 102, November 11, 2003