



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON, VA 22240-5291

NOV - 1 1996

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- CLEVELAND CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- DENVER CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- INDIANAPOLIS CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- KANSAS CITY CENTER

SUBJECT: Department of Defense Financial Management Regulation,  
Volume 7A (DoDFMR, Vol 7A), Taxability of Separation  
Payments (DFAS Item E-35)

This is DFAS Interim Change Number 48-96 to the DoDFMR,  
Vol 7A.

We have evaluated your comments on the draft change to the  
DoDFMR, Vol 7A, Table 44-1. The attached final version of the  
change includes your comments where appropriate. Assignment of  
an interim change number is your authority to initiate  
programming and procedural modifications to facilitate this  
change.

We have determined that this policy change does not require  
a change to the current pay system. Centers are advised to make  
DFAS-Headquarters (FM) an information addressee on implementing  
field procedures. For the Denver Center, use the attached to  
initiate the formal printed change to the DoDFMR, Vol 7A.

Our point of contact, Ms. Ann Cook, may be contacted at  
(703) 607-5059 or DSN 327-5059. Our FAX number is DSN 332-5271  
or (703) 602-5271.

Roger W. Scearce  
Brigadier General, USA  
Deputy Director for Finance

Attachment:  
As stated

cc: DASD (MPP) (COMP)  
DGC (F)  
DFAS-HQ/DG

DFAS-DE/DG  
Service Liaisons  
USCG/NOAA/PHS Liaisons  
DJMS PMO

1. Revise Rule 5 and Rule 6, Table 44-1, Column B to read:

"remains taxable income subject to reporting and withholding if paid during any month the combat zone exclusion applies."

2. Add a line to the top of Rule 5, Table 44-1, to cross Columns B, C, and D.

3. Add a line to the bottom of Rule 6, Table 44-1, to cross Column C.

4. Add a line to the bottom of Rule 7, Table 44-1 to cross Columns B and C.

5. Add the following citations to the bibliography:

"Paragraph	Citation
Table 44-1	
Rule 5 and Rule 6	Treas. Reg. Sec. 1.112-1
Rule 7	P.L. 104-117, 20 Mar 1996"