

<p style="text-align: center;">SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 7B, CHAPTER 30 “DEATH OF RETIREE”</p> <p style="text-align: center;">Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision</p>		
PARA	EXPLANATION OF CHANGE/REVISION	EFFECTIVE DATE
300303	Interim change R04-01 announces the change in reported taxable wages from TD Form W-2P to TD Form 1099-R.	March 2, 2001
300201 300302 Bibliography	Interim change R05-02 provides that the amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income may not exceed \$3,000.	March 4, 2002
300106.A 300107	Interim change R10-03 provides administrative and technical changes to the Survivor Benefit Plan.	May 22, 2003
300203 Bibliography	Interim change R12-04 prescribes the increased amount of death gratuity from \$6,000 to \$12,000. The increased amount is excluded from income tax and is retroactive to September 11, 2001.	September 11, 2001
300203.B 300203.C Bibliography	Interim change R04-05 prescribes the increased amount of death gratuity which occurs whenever there is an increase to basic pay.	January 1, 2005

★TABLE OF CONTENTS**DEATH OF RETIREE**

3001 Arrears of Pay

300101	General
300102	Related Inquiries
300103	Responsibilities
300104	Eligible Beneficiaries
300105	Substantiating Documents and Collection of Overpayments
300106	Questionable Date of Death
300107	Doubtful Claims
300108	Six-Year Statute of Limitations
300109	Three-Year Rule
300110	Death of Mentally Incompetent Retiree

3002 Death Gratuity

300201	General
300202	Definitions
300203	Amount Payable
300204	Eligible Beneficiaries
300205	Determinations Affecting Entitlement
300206	Erroneous Payment
300207	Documentary Evidence

3003 Taxable Income

300301	Taxability of Arrears of Retired Pay
300302	Taxability of Death Gratuity
300303	Issuance of TD Form 1099-R

CHAPTER 30**DEATH OF RETIREE**3001 ARREARS OF PAY

300101. General. Entitlement to retired pay terminates on the date of the retiree's death. Arrears of pay include all unencumbered amounts due to deceased member. Arrears are not due if the retiree waived pay in favor of a civil service annuity. Department of Veterans Affairs (VA) benefits terminate on the last day of the month before death. For members who waive retired pay for VA benefits, only retired pay is due on behalf of the member for the month of death. A retiree's account is placed in a suspended status upon receipt of a notification of death from any source until the date of death can be verified. The retiree's account is terminated upon receipt of a death certificate or DD Form 1300 ("Report of Casualty").

300102. Related Inquiries. The Military Department concerned advises the surviving spouse to contact the VA or the Social Security Administration on matters relating to entitlement benefits payable by those agencies.

300103. Responsibilities. The DFAS-Cleveland Site, when notification of a retiree's death is received, terminates payment of retired pay; recoups outstanding retired pay checks or direct deposit payments; discontinues and collects overpayments of allotments; pays death gratuity if applicable; collects debts; furnishes claim forms to prospective beneficiaries; and prepares vouchers and tax statements upon final account settlement.

300104. Eligible Beneficiaries. Each Military Service periodically advises retirees of their right to designate a beneficiary or beneficiaries to receive the amounts due, and disposition to be made of unpaid amounts where no beneficiary or beneficiaries have been designated. Any person or persons including a legal entity or the estate of the member may be designated.

A. Arrears of retired pay are paid to the person living on the date of the retiree's death in this order of precedence:

1. Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death.

2. Surviving spouse.

3. Children and their descendants, by representation.

- a. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If the deceased retiree's child is adopted by others, the child is a beneficiary only in those states where an adopted child inherits from its natural father.

b. Stepchild. A stepchild is not an eligible beneficiary, unless adopted by the deceased retiree.

c. Illegitimate Child. An illegitimate child may not be paid unpaid pay and allowances of a deceased retiree, unless that child is recognized for inheritance purposes under the laws of the jurisdiction involved.

4. Father and mother in equal parts or, if either is dead, the survivor.

5. Legal representative.

6. Person entitled under the law of the domicile of the deceased retiree.

B. The retiree may change a beneficiary previously designated if the change is in writing and is received by the Military Department concerned before the retiree's death.

C. Where payment is to be made to the person entitled under the law of the domicile of the deceased individual under paragraph 300104.A.6, above, the person due the arrears under state law in many cases will be the person who paid the funeral expenses of the decedent. In these cases, obtain a claim from that person, together with a receipt showing that funeral expenses have been paid, a copy of the cancelled check to the funeral home, or other documentation establishing that the bill has been paid.

D. If the retiree was killed by the beneficiary, the arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent. This does not preclude the person from receiving the arrears in the capacity of custodian or guardian of minor children.

E. If the beneficiary dies after the retiree but before receiving final settlement, the arrears are paid to the beneficiary's estate. If doubt exists as to entitlement, the Department of Defense will settle the claim.

300105. Substantiating Documents and Collection of Overpayments

A. To effect settlement, these documents must be a matter of record.

1. Completed SF 1174 ("Claim for Unpaid Compensation of Deceased Member of the Uniformed Services") from the beneficiary.

2. Proof of death (DD Form 1300 or a copy of the death certificate).

3. Retirement orders.

4. Adoption papers, court orders of appointment, or custodianship papers, if required.

B. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retiree's death or forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments with the indebtedness subject to the debt collection authority. In situations where the recipient of the erroneous payments is also the beneficiary for arrears of pay, the amount of arrears due the individual should be offset administratively by the erroneous payments received by the individual. In situations where there has been an erroneous payment to an individual who is not entitled to it, and another individual is entitled to the retiree's arrears of pay, payment of the amount due as arrears should be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

300106. Questionable Date of Death

★ A. When the date of death is shown as a "found date," the Military Department concerned verifies whether an autopsy was performed. If so, use the date of death determined by the coroner. If two dates are shown, such as member dies between 2300 hours, June 10, 1976, and 0400 hours, June 11, 1976, use the earlier date since that was the last date member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the member was alive. [When this statement is received, settle the arrears based on that date.](#)

B. In claims involving missing persons, provided there is no evidence to the contrary, assume the date of death to be the presumed date established by state court decree.

C. If evidence exists that a retiree died on a particular date several years before the date of presumptive death declared by a state court, arrears of pay are payable only through the earlier date of suspected death.

D. A judicial decree is not necessary to establish Retired Serviceman's Family Protection Plan or Survivor Benefit Plan annuity payments if a person has been missing for more than 30 days and a determination by the Secretary of the Military Department concerned (or designee) is made that presumes the member to be deceased (see subparagraphs 330206 and 420212 of this volume).

★ 300107. Doubtful Claims. Cases involving doubtful questions of fact or law may [be submitted to](#) the Defense Office of Hearings and Appeals (DOHA) [for resolution.](#)

A. These include cases when:

1. Doubt exists as to the amount or validity of the claim; and/or,
2. Doubt exists as to the person or persons properly entitled to the payment.

B. Notify claimant that claim has been forwarded to DOHA for approval of settlement.

300108. Six-Year Statute of Limitations

A. 31 U.S.C. 3702(b) (reference (er)), limits the time for filing of claims against the United States to 6 years, effective July 2, 1975. A claim that accrued before July 2, 1969, was barred if it had not been received by the Government Accountability Office (GAO) before July 2, 1975. Claims which accrued on or after July 1, 1965, were not barred if they were received by the GAO before July 2, 1975.

B. Effective June 15, 1989, the GAO ruled that claims may be filed with either the individual federal agency or with GAO within 6 years after the time the claim accrued or it is forever barred. Since the transfer of certain functions from GAO to the Office of Management and Budget effective June 30, 1996, claims are filed with the Department of Defense.

300109. Three-Year Rule. When the person entitled to arrears of pay has not submitted a claim and cannot be located within 3 years after the retiree's death, payment is made to the person or persons in the same class of entitlement, or in the absence of anyone in the same class, next in order of precedence.

300110. Death of Mentally Incompetent Retiree. If retired pay was waived in favor of VA compensation, but compensation was withheld because the retiree's estate exceeded \$1,500, contact the VA to ascertain periods and reasons for non-payment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retiree's death. See section 1201 of this volume regarding withdrawal of waiver. **Note:** Nonpayment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3002 DEATH GRATUITY

300201. General

★ A. Death gratuity may be payable when the retiree's death occurs on or after January 1, 1957, and during the 120-day period which begins the day after release from active duty or active duty for training. The VA must certify entitlement to death gratuity. See subparagraph 300302 for death gratuity taxability.

B. Death gratuity is not payable for a member who retires for nonregular service (age and service) unless the member was on active duty the day before retirement.

300202. Definitions

A. Basic Pay. The monthly rate of active duty pay to which the deceased retiree was entitled on the last day of active duty or active and inactive duty training.

B. Additional Pays. Special and incentive pays (including proficiency and hostile fire pay).

300203. Amount Payable

★ A. Deaths Between August 2, 1990 and September 10, 2001. For deaths that occurred between August 2, 1990 and September 10, 2001, the amount payable was \$6,000. For taxability of these death gratuity payments, see subparagraph 300302.A., below.

★ B. Deaths On or After September 11, 2001. Public Law 108-121, section 102, November 11, 2003, increased the death gratuity amount to \$12,000, effective for deaths on or after September 11, 2001. 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 37 U.S.C. 1009. See Table 30-1 for effective dates and amounts. Also, see subparagraph 300302.B., below regarding the taxability of death gratuity payments authorized under this subparagraph.

C. Debts Collection. Do not collect debts from death gratuity payments.

300204. Eligible Beneficiaries. Payment of a death gratuity is made to or on behalf of the deceased retiree's living survivors in this order:

A. Spouse. A man or woman is considered to be the spouse if legally married to the retiree on the date of the retiree's death. A waiver by a lawful spouse of the statutory right to death gratuity is without force or effect.

B. Children in Equal Shares. The term children includes (regardless of age or marital status):

1. Legitimate child.
2. Legally adopted child.
3. Stepchild, if such child is a member of the deceased member's household.

4. Illegitimate child (see subparagraph 300207.A.4.,below).

C. Designated Relatives. The retiree must have designated the relatives in writing before death. Authorized designations may be only one or both of the retiree's parents, brothers or sisters, or any combination thereof, including those of half-blood and those through adoption. In the absence of a written designation on file, or any evidence to the contrary, it is deemed that a designation has not been made.

D. Parents or Persons in Loco Parentis. In equal shares.

E. Brothers and Sisters. This includes those of half-blood and those through adoption in equal shares. Should a survivor die before receiving the amount to which entitled, the amount is paid to the then living survivor or survivors next in order of precedence. If there are no survivors, death gratuity is not payable to any other person.

300205. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a retiree whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States was engaged in armed conflict.

B. Member Killed by Beneficiary. No death gratuity is payable to a beneficiary or survivor who kills a retiree, unless there is evidence that clearly absolves the beneficiary of any felonious intent.

300206. Erroneous Payment. An erroneous payment of death gratuity is one made to a person clearly not entitled to that payment because of administrative error, rather than because of statements of record made by the retiree.

A. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

B. Do not make a second payment of death gratuity to a different person if the original payment was based on statements of record made by the retiree and the government had no reason to doubt the beneficiary's status was as stated.

300207. Documentary Evidence

A. In some cases, the beneficiary must furnish proof of relationship.

1. Lawful Spouse. Documentation may be required to substantiate the marriage or proof of termination of prior marriages entered into by the beneficiary or deceased retiree.

2. Legally Adopted Child. A copy of adoption papers.

3. Stepchild. Information to prove that the child was a member of the deceased member's household.

4. Illegitimate Child. Documentation is required as proof that the retiree was the parent of the child, or a copy of the court order which ordered the parent to contribute to the child's support.

5. Designated Relative

a. Documentary evidence that any marriage entered into by the deceased retiree has been terminated and a notarized statement that there are no living children.

b. Persons in loco parentis must furnish satisfactory evidence of the relationship as deemed necessary by the Military Department concerned.

B. Payments for minor children must be supported by custodianship documents or court orders of guardianship appointment.

3003 TAXABLE INCOME

300301. Taxability of Arrears of Retired Pay. Arrears of retired pay due the deceased retiree at time of death are taxable to the beneficiary who receives payment if they were taxable to the retiree. See Chapter 24 of this volume. The tax liability is computed in accordance with the Internal Revenue Code of 1954, as amended (reference (es)). The arrears of retired pay are not subject to federal income tax withholding.

★ 300302. Taxability of Death Gratuity

A. Death Occurred Between August 20, 1990, and September 10, 2001. The amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income, may not exceed \$3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, the \$3,000 exclusion should be applied proportionately. Report all death gratuity payments separately, using TD Form 1099-R (“Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.”). Enter the total amount of the distribution in Box 1. Enter the appropriate taxable amount in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is \$5,000.

B. Death Occurred on or After September 11, 2001. The total amount of death gratuity is excludable from gross income for tax purposes.

★ 300303. Issuance of TD Form 1099-R. If no arrears of retired pay are paid, the retired pay activity issues one TD Form 1099-R in the decedent’s name. If arrears of retired pay are paid, an additional TD Form 1099-R is issued to each beneficiary to whom the arrears were paid.

DEATH GRATUITY AMOUNT		
Death Occurred On Or After	Amount	Increase
September 11, 2001	\$12,000.00	
January 1, 2005	\$12,420.00	3.5%

★Table 30-1. Death Gratuity Amount

DEATH OF RETIREE

3001 - ARREARS OF PAY

300104.A.1	MS Comp Gen B-147330, November 1, 1961
300104.A.3.c	MS Comp Gen B-91021, February 6, 1960 MS Comp Gen B-84757, June 22, 1950
300104.A.4	24 Comp Gen 479 MS Comp Gen B-113031, July 6, 1960 MS Comp Gen B-113240, October 5, 1961 MS Comp Gen B-59917, May 31, 1961 MS Comp Gen B-93772, December 2, 1963
300104.A.5	MS Comp Gen B-151337, October 7, 1963
300104.B	10 U.S.C. 2771
300104.C	4 GAO 27.2
300104.D	34 Comp Gen 103 MS Comp Gen B-172014, August 25, 1971 MS Comp Gen B-187743, July 7, 1977
300105	31 U.S.C. 3716 37 Comp Gen 131, 133 58 Comp Gen 501 MS Comp Gen B-184678, August 18, 1976
300106.A	14 Comp Gen 411 Comp Gen 384 43 Comp Gen 503
300106.B	MS Comp Gen B-243829, December 13, 1991
300106.C	MS Comp Gen B-251968, July 22, 1993
300106.D	Public Law 98-525, October 19, 1984
300108	4 CFR Ch I, Subchapter C-Claims, General
300109	Federal Register, Volume 37, page 26291, effective December 9, 1972 4 CFR 34.3 revised January 1, 1977
300110	38 U.S.C. 5503(b)(1) 38 U.S.C. 5306 MS Comp Gen B-156553, October 31, 1967

3002 - DEATH GRATUITY

300201.B	10 U.S.C. 1477
300202.A	37 U.S.C. 201-209
300202.B	DoDFMR, Vol 7A, Chapters 1-24
300203	10 U.S.C. 1478
★ 300203.B	Public Law 108-121, section 102(a), November 11, 2003 Public Law 108-375, section 643(b), October 11, 2004

300205.B MS Comp Gen B-172014, August 25, 1971
MS Comp Gen B-187743, July 7, 1977
300206 37 Comp Gen 131

3003 - TAXABLE INCOME

300302.A Public Law 104-188, section 1402, August 20, 1996
26 U.S.C. 134
Internal Revenue Service Publication 3, Armed
Forces' Tax Guide

★ Public Law 108-121, section 102(b),
November 11, 2003

★ Table 30-1 Public Law 108-375, section 643(b),
October 11, 2004