DoW 7000.14 - R

DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 1-16

UNDER SECRETARY OF WAR (COMPTROLLER)

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INTRODUCTION

The Department of War (DoW) 7000.14-R, DoW Financial Management Regulation (FMR) is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy." The ***DoW FMR*** directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and nonappropriated, working capital, revolving, and trust fund activities.

VOLUMES

No.	Title
1	General Financial Management Information, Systems, and Requirements
2	Budget Formulation and Presentation
3	Budget Execution – Availability and Use of Budgetary Resources
4	Accounting Policy
5	Disbursing Policy
6	Reporting Policy
7A	Military Pay Policy – Active Duty and Reserve Pay
7B	Military Pay Policy – Retired Pay
8	Civilian Pay Policy
9	Travel Policy
10	Contract Payment Policy
11	Reimbursable Operations Policy
12	Special Accounts, Funds and Programs
13	Nonappropriated Funds Policy
14	Administrative Control of Funds and Antideficiency Act Violations
15	Security Cooperation Policy
16	Department of War Debt Management
00	Glossary

APPLICABILITY

The DoW FMR applies to the Office of the Secretary of War, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the DoW Office of the Inspector General, the Defense Agencies, the DoW Field Activities, and all other organizational entities within the DoW (hereinafter referred to collectively as "DoW Components").

PARAGRAPH STRUCTURE

The paragraph numbering system is consistent across the Regulation. The section and paragraph levels are 2-digits, and there are five additional subparagraph level designators formulated as follows:

SECTION	PARAGRAPH	SUBPARAGRAPHS
1.0	1.1	1.1.1.1.1

INFORMATION REQUIREMENTS

DoW Components should forward recommended changes to this Regulation through appropriate channels to the Office of the Under Secretary of War (Comptroller) (OUSW(C)), Office of the Deputy Chief Financial Officer (ODCFO). Requests for deviations from or exceptions to this Regulation must be submitted via formal memorandum through your organization's appropriate coordination and approval process to the OUSW(C), ODCFO. The memorandum must provide justification and supporting documentation as applicable. Mailing address:

OUSW(C), ODCFO
Financial Management Policy and Reporting
1100 Defense Pentagon
Washington, DC 20301-1100



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 1: "GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 1

GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS

1.0 GENERAL

1.1 Purpose

Volume 1 establishes the foundational framework for all financial management activities within the Department of War (DoW). It defines the roles and authority of the Under Secretary of War (Comptroller)/Chief Financial Officer (USW(C)/CFO) and prescribes the mandatory policies to ensure financial data is timely, accurate, and useful for decision-making. To achieve this, the volume mandates the application of federal accounting principles and standards, as well as conformity with standard lines of accounting, to ensure consistency across all DoW Components. Furthermore, Volume 1 provides the Department's policy for achieving substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) and for standardizing systems and data through the War Data Platform (WDP). This volume also establishes the USW(C) Financial Management Awards Program to formally recognize individuals and teams who make significant contributions to improving financial management within the Department. Lastly, this volume establishes the requirements for the proper retention of financial records.

1.2 Authoritative Guidance

Refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Refer to the Volume 1 Supplemental document listed throughout this volume.

2.0 CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF WAR

2.1 CFO Appointment

The USW(C)/CFO (also the DoW CFO) is appointed by the President and confirmed by the U.S. Senate and acts as the principal advisor to the Secretary of War (SecWar) on all budgetary and fiscal matters. The USW(C)/CFO must possess demonstrated ability in general management, knowledge of, and extensive practical experience in financial management practices in large governmental or business entities.

2.2 Roles and Responsibilities

The DoW CFO's duties are extensive and cover all aspects of financial operations with the DoW. To perform these duties (as illustrated in Table 1-1 in the Volume 1 Supplemental), the DoW CFO is granted significant authority under the CFO Act of 1990. This includes the power to: (a) access all DoW materials, including records, reports, and audits related to financial programs; (b) request information or assistance from any federal, state, or local government entity; and (c) enter contracts with public or private agencies for services like financial analysis and statement preparation.

2.3 Chief Financial Officers Council

The DoW CFO serves on the Chief Financial Officers Council (CFOC), which includes key financial leaders from major federal agencies, the Office of Management and Budget (OMB), and the Treasury. It is the federal government's primary leadership body established to improve financial management, strengthen stewardship, and modernize financial systems across agencies.

2.4 DoW Staff Organizations

The DoW CFO oversees several key organizations and directorates responsible for the day-to-day financial operations of the DoW. Key leadership roles are described in subparagraphs 2.4.1-2.4.5.

2.4.1. Deputy CFO (DCFO): Under the CFO Act, the DoW must have a DCFO who reports directly to the DoW CFO on financial management. This role is a career-reserved position within the Senior Executive Service, and the SecWar must appoint an individual with demonstrated ability in accounting, budget execution, financial and management analysis, systems development, and at least six years of practical financial management experience in large government entities. The DCFO is responsible for overseeing and implementing accounting policy, improving financial management, and performing other financial management functions for the DoW on a day-to-day basis. Three directorates support the DCFO:

2.4.1.1. The Directorate for Financial Systems Modernization and Innovation (FSM&I) is responsible for improving enterprise-wide performance and data-driven decision-making by accelerating digital transformation, process improvement, and the use of data analytics.

2.4.1.2. The Directorate for Financial Improvement and Audit Remediation (FIAR) is responsible for audit oversight, management, and liaison functions. It supports Components in remediating audit findings and develops the annual FIAR Plan to address and correct financial deficiencies. The directorate also manages the Defense-wide Statement of Assurance process, implements the Federal Manager's Financial Integrity Act program, and advocates for the USW(C)/CFO in various interagency and DoW forums.

2.4.1.3. The Directorate for Financial Management Policy and Reporting (FMPR) is responsible for developing, promulgating, implementing, and interpreting DoW-wide accounting and finance policies. It provides oversight of DoW Components' financial operations and systems,

administers this Regulation, and prepares the DoW Agency Financial Report (AFR) and consolidated financial statements. Furthermore, FMPR manages the DoW Payment Integrity and Antideficiency Act programs and facilitates the adoption of improved financial processes and systems across the Department.

2.4.2. Deputy Comptroller (Program/Budget): The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoW on a day-to-day basis.

2.4.2.1. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters: Procurement; Research, Development, Test, and Evaluation; the National Intelligence Program; and the Defense Acquisition Board program.

2.4.2.2. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters on operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

2.4.2.3. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters on operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel. This directorate is also responsible for advising on all matters on Contingency and International programs.

2.4.2.4. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of the budget databases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

2.4.3. Director, Defense Finance and Accounting Service (DFAS): The DFAS Director is the principal executive for DoW finance and accounting requirements, responsible for consolidating, standardizing, and integrating all accounting functions and systems.

2.4.4. Director, Defense Contract Audit Agency (DCAA): The DCAA Director performs all necessary contract audits for the DoW and provides financial advisory services for contracts and subcontracts.

2.5 DoW Components.

Heads of the DoW Components must direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the USD(C)/CFO, and other internal policies as prescribed by the Heads of the other DoW Components.

3.0 FEDERAL ACCOUNTING STANDARDS HIERARCHY

3.1 Hierarchy of Accounting Standards

3.1.1. The Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) is the Generally Accepted Accounting Principles (GAAP) applicable to the federal government and must be followed by all federal agencies in reporting under the Government Management Reform Act of 1994. DoW Components must adhere to the GAAP hierarchy prescribed in SFFAS 34. The sources of generally accepted accounting principles are categorized in descending order of authority in Table 1-2.

3.1.2. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in Table 1-2, a federal reporting entity should first consider accounting principles for similar transactions or events within categories in Table 1-2 before considering Other Accounting Literature discussed in subparagraph 3.2.1.

3.1.3. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either (a) specifically prohibit the application of the accounting treatment to the particular transaction or event or (b) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

Table 1-2 Sources of Guidance by Level of Authority

Level of Authority	**Source of Guidance**
Highest Authority	• FASAB SFFAS and Interpretations.
Secondary Authority	• FASAB Technical Bulletins • American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guides (if cleared by FASAB)
Tertiary Authority	• Technical Releases from FASAB's Accounting Standards Implementation Committee (ASIC)
General Guidance	• Implementation guides published by FASAB staff. • Widely recognized and prevalent practices within the federal government.

3.2 Other Pronouncements and Practices

3.2.1. Other Accounting Literature include (a) FASAB Concepts Statements; (b) AICPA Industry Audit and Accounting Guides that have not specifically been made applicable to federal reporting entities by FASAB; (c) pronouncements of other accounting and financial reporting standards-setting bodies, such as the Financial Accounting Standards Board or Governmental Accounting Standards Board; (d) publications of professional associations or regulatory agencies; and (e) accounting textbooks, handbooks, and articles.

3.2.2. The appropriateness of other accounting literature depends on its relevance to circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. FASAB Concepts Statements would normally be more influential than other sources in this category.

3.3 Communication and Coordination Protocol

3.3.1. For all matters related to federal accounting standards, the single point of contact is the OUSW(C), Office of the Deputy CFO (ODCFO), FMPR Directorate. Formal and informal requests addressed to FASAB or the ASIC for an interpretation, clarification, technical guidance, implementation guidance, or other information regarding SFFAS must be submitted through the OUSW(C), ODCFO, FMPR Directorate. Any correspondence representing the official DoW position on matters such as FASAB Exposure Drafts must be submitted through the ODCFO and signed by the DoW CFO, DCFO, or Assistant DCFO (ADCFO).

3.3.2. Individuals submitting responses to exposure drafts must clearly indicate in the correspondence that the opinions expressed are those of the individual and do not represent the official position of DoW. DoW components including the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, and the National Security Agency providing input to non-DoW entities (like the Office of the Director of National Intelligence) must coordinate with the ODCFO to ensure completeness and clarify that the input is not an official DoW position.

3.3.3. Participation in FASAB and ASIC Task Forces is critical to ensuring that DoW's views are considered as accounting standards and guidance are formulated. To ensure complete coverage by DoW, Task Force participants should notify the OUSW(C), ODCFO, FMPR and FIAR Directorates.

4.0 FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE

4.1 DoW FFMIA Compliance Requirements

4.1.1. To substantially comply with FFMIA, management and auditors must consider the degree to which a system's performance prevents the Department from meeting the FFMIA requirements. Auditors must apply OMB Bulletin 24-02 (or its latest version) and the Government Accountability Office (GAO) Financial Audit Manual (FAM) Volumes 2 and 3, in combination with the results of their own independent testing and the documentation provided by DoW management, to determine compliance with FFMIA. If noncompliant, the auditor's report must thoroughly document the findings, including the nature and extent of the problem, its root cause, and the responsible organization. The report must also include relevant comments from any responsible officer or employee and outline the recommended corrective actions and the implementation time frame.

4.1.2. The selection of applicable Federal Information System Controls Audit Manual (FISCAM) controls is governed by the FM Overlay developed by OUSW(C). All DoW Components must implement the FM Overlay for systems relevant to the Internal Control over Reporting (ICOR)-Financial Reporting (FR), and Financial Systems (FS) as defined in the DoW

ICOR-FR & FS Guide. The DoW ICOR-FR & FS Guide identifies the FISCAM as the methodology to be used for performing information technology (IT) control assessments and audits. It groups IT controls into two categories, general controls (GC) and business process (BP) controls. Compliance is enforced during the controls selection phase of the assessment and authorization processes in the Enterprise Mission Assurance Support Service (eMASS) system or other software/tools implemented for this purpose.

4.1.3. The annual Defense Business Systems (DBS) Certification Guidance memorandum, consistent with 10 U.S.C. § 2222(g), requires DoW Components with priority or covered ICOR-FR & FS DBS to substantially comply with FFMIA controls for relevant financial business events (operational activities). These activities, which occur within the DoW business enterprise architecture (BEA), are detailed in the WDP FM Functions – Requirements Matrix (requires WDP Qlik access) and document alignment to the three FFMIA reporting requirements.

4.1.4. Federal Financial Management System Requirements (FFMSR). The U.S. Treasury has integrated the Federal Financial Management System Requirements (FFMSRs) into the Financial Management Capability Framework (FMCF), which is part of the broader Federal Integrated Business Framework (FIBF). This change means that FFMSRs are now documented as and synonymous with Federal Financial Management Business Capabilities (FFM BCs), each with a designated "FFM" ID number.

4.1.5. Federal Accounting Standards. All DoW budgetary and proprietary financial events must be recorded according to the accounting standards set by the FASAB. These standards are incorporated into the FMCF and aligned to the DoW BEA operational activities. The GAO FAM provides procedural guidance for testing compliance with these accounting standards.

4.1.6. USSGL at the Transaction Level. The Department's financial management systems (both financial and mixed systems) must maintain accounting data at the transaction level for every DoW financial event (budgetary and proprietary). These financial events must be recorded in accordance with the United States Standard General Ledger (USSGL) guidance in the TFM and the DoW USSGL transaction library. Every financially relevant transaction (automated or manual) must generate accurate and compliant postings to the relevant budgetary and proprietary general ledger accounts, in accordance with the DoW USSGL rules. The GAO FAM provides procedural guidance for testing compliance with these USSGL requirements.

4.1.7. Compliance Determination Framework. DoW management may determine whether a system is FFMIA-compliant by using OMB Circular A-123, Appendix D. Based on this framework, the Department developed the "FM Systems – FFMIA Scorecard" in the WDP. This scorecard provides an "auditor perspective" and helps identify systems that have findings from internal or external audits.

4.2 FFMIA Compliance Responsibilities

4.2.1. Office of the Under Secretary of War (Comptroller). The OUSW(C), supported by the DCFO through its subordinate organizations (FSM&I, FIAR, and FMPR Directorates), is responsible for providing Department-wide oversight of substantial compliance with the FFMIA requirements.

4.2.1.1. OUSW(C) must annually report to OMB the progress made towards resolving identified deficiencies and such progress must be discussed in the DoW Components remediation plan, capital planning and investment control plans, risk management plan, and other planning documents, when applicable. The findings or analysis of noncompliance must be included with a discussion of ongoing remediation activities. Progress towards resolving the deficiencies must not be construed as substantial compliance with FFMIA.

4.2.1.2. Remediation plans are expected to bring the Department's financial management systems into substantial compliance no later than three years after the date a noncompliance determination is made by OUSW(C) or its auditors. However, if OUSW(C), with the concurrence of OMB, determines that the Department's financial management systems cannot be brought into substantial compliance within three years, the DoW Component (in consultation with OUSW(C)) may specify a longer period. In either case, the DoW Component must designate a DoW Component official responsible for bringing the DoW Component's financial management systems into substantial compliance by the date specified in the DoW Information Technology Portfolio Repository (DITPR) and for reporting progress to FSM&I (acting on behalf of the Defense Business Council) on a scheduled basis.

4.2.1.3. The ODCFO is responsible for governing the enterprise FFMIA oversight program. The ODCFO is also responsible for developing and implementing financial improvement audit strategies, monitoring auditors' findings, and providing internal control training to improve the quality and security of financial information. Additionally, the ODCFO is responsible for developing and interpreting DoW-wide accounting and finance policies, ensuring consistency with laws and regulations, and overseeing financial integrity initiatives such as the Standard Financial Information Structure (SFIS) USSGL program.

4.2.1.3.1. FSM&I Directorate. Annually, FSM&I publishes the oversight schedule and other FFMIA substantial compliance details, consistent with OMB Circular A-123, Appendix D, and the DoW A-123 Implementation Handbook for DoW Components, to be executed in support of FFMIA compliance. FSM&I is responsible for reporting the progress of the DoW financial management information technology roadmap and overall FFMIA compliance within the Statement of Assurance (SOA) section of the DoW Agency Financial Report (AFR).

4.2.1.3.2. FIAR Directorate. The FIAR Directorate develops, publishes, and issues detailed financial improvement audit strategies, methodologies, and implementation guidance. The FIAR Directorate establishes the ICOR-FR & FS systems inventory subject to FFMIA compliance reporting, monitors auditors' findings and recommendations around FFMIA compliance, provides internal control training to reporting entities on improving the design and operating effectiveness of IT controls, and publishes the results of the Department's SOA for FFMIA within the DoW AFR.

4.2.1.3.3. FMPR Directorate. The FMPR Directorate develops, publishes, implements, and interprets DoW-wide accounting and finance policies. The FMPR Directorate oversees financial integrity programs such as the DoW SFIS and USSGL, and validates that the DoW FMR is consistent with applicable laws and guidance.

4.2.2. Chief Information Officer of the Department of War. The CIO executes and governs information technology oversight.

4.2.2.1. Deputy CIO for Information Enterprise (IE) establishes information technology policy and guidance for the infrastructure components of the DoW IE to include networks, computers, and software. The IE directorate also maintains the DoW BEA and oversees DBS compliance with all applicable laws, including Federal accounting, financial management, and reporting requirements. See 10 U.S.C. § 2222 for additional guidance.

4.2.2.2. Deputy CIO for Cybersecurity (CS) is responsible for providing expert policy, technical, program, and Defense-wide oversight on all aspects and matters related to DoW CS. The CS Directorate oversees the risk management framework for DoW systems. Refer to DoD Instruction (DoDI) 8501.01 for additional guidance.

4.2.2.3. Deputy CIO for Resources and Analysis provides guidance on the information technology/cyberspace activities budget submission. Refer to Volume 2 for additional guidance.

4.2.3. Director of Administration and Management (DA&M). The DA&M is the principal management office for the SecWar responsible for optimizing the business environment across the DoW enterprise. DA&M executes the DoW Enterprise Risk Management and Internal Controls Over Reporting - Operations programs, providing resources and assistance with evaluating and managing risk. The DA&M delivers program management, oversight, security services, and support functions that enable uninterrupted operations of the Department Headquarters.

4.2.4. DoW Components. DoW Components must establish and maintain financial management systems that substantially comply with the requirements of FFMIA Section 803(c). DoW-owned ICOR-FR & FS relevant systems must be developed and maintained to generate reliable, timely, and consistent information necessary for the Department to comply with FFMIA requirements and enable the preparation of accurate, reliable, and timely financial statements and other required financial and budget reports using information generated by the financial management systems. DoW Component management must annually test and report on financial management systems for FFMIA compliance and establish compensating controls for business events determined to be noncompliant.

4.2.4.1. DoW Components must maintain records of systems and transactional data that substantially comply with applicable FFMIA requirements. Applicable FM systems must annually assess/test compliance to maintain complete and accurate data in:

4.2.4.1.1. DITPR. DoW Components must ensure their financial system portfolio is accurately reported in DITPR. DoW financial systems must review, report, and update appropriately all applicable DITPR FFMIA reporting requirements and DoW business enterprise architecture operational activity aligned to federal financial management functions on an annual basis in accordance with 10 U.S.C. § 2222(g). DoW Components must ensure their FM systems align with the applicable financial events represented in the DoW BEA as operational activities, end-to-end processes, and capabilities, and that the systems comply with the controls associated with the DoW BEA operational activity. Refer to the TFM Volume 1, Part 6, Chapter 9500. DoW Component FFMIA oversight officials and system owners must ensure that their FM system's current level of compliance with each applicable FFMIA requirement is recorded in DITPR and is consistent with their Annual SOA reporting.

4.2.4.1.2. FIAR Systems Database (FSD). DoW Components must utilize FSD to identify, capture, and report on the universe of ICOR-FR relevant systems to support internal controls, financial audits, executive leadership, and Congressional reporting requirements. DoW Component FFMIA oversight officials and system owners must ensure their FM system's current overall compliance with FFMIA is recorded in the FSD and asserted in their annual SOA reporting.

4.2.4.1.3. WDP. DoW Components must provide budgetary and proprietary transactional data to the WDP from FM systems and ensure their WDP common data models remain complete and accurate.

4.2.4.1.4. DoW Information Technology Investment Portal (DITIP). DoW Components must report compliance with the DoW Auditability Requirements in the investment certification module of DITIP as required by 10 U.S.C. § 2222 and consistent with the DBS Annual Certification Guidance memorandum. For ICOR-FR & FS DBS, refer to the Volume 1 Supplemental document for applicable reporting criteria.

4.2.4.1.5. Notice of Findings and Recommendations (NFR) Database. DoW Components must ensure complete, accurate, and timely corrective action plans (CAP) are established and recorded in the NFR Database. This includes IT and non-IT NFRs from stand-alone financial statement audits and Statement on Standards for Attestation Engagements (SSAE) No. 18 Examinations. Intelligence community DoW Components with stand-alone financial statement audits are exempted from this requirement. DoW Component officials must ensure their IT budget reflects the funding needed to complete all milestones identified in the CAP to address/close potential vulnerabilities identified by the open NFRs.

4.2.4.1.6. eMASS and FM Overlay. eMASS is a comprehensive solution that supports the Federal Information Security Management Act of 2002 (FISMA) and cybersecurity oversight and management. Features include dashboard reporting, control scorecard measurement, and the generation of a system security authorization package to support system authorization decisions. The FM Overlay helps DoW Components efficiently and consistently meet the RMF- and controls-based financial statement audit expectations for ICOR-FR & FS-relevant systems. DoW Components that use eMASS are required to apply the FM Overlay to all ICOR-FR & FS systems eMASS records. DoW Components that use other software or tools to

support FISMA compliance and cybersecurity oversight and management are likewise required to implement and apply the reporting requirements of the FM Overlay to all ICOR-FR & FS relevant systems.

4.2.4.2. DoW Components must ensure the applicable FFMIA requirements are included in their pre-acquisition requirements documentation, and applicable FFMIA requirements are implemented with the deployment of new financial management solutions (manual or automated) as well as included in acquisition strategies for commercial off-the-shelf and software-as-a-service solutions consistent with DoDI 5000.75.

4.2.4.3. DoW Components must ensure the system portfolio and remediation plans are consistent with modernization priorities identified in 44 U.S.C. §3601.

4.2.4.4. DoW Components are required to assess and identify all Service Providers that are relevant to their internal control over financial reporting and obtain copies of the applicable System and Organization Controls (SOC 1) Reports. DoW Components are also required to design, document, and implement effective controls to address the applicable Complementary User Entity Controls and, when relevant, the applicable Complementary Subservice Organization Controls in the applicable SOC 1 Reports. This includes reviewing the Service Providers' and Hosting Organizations' FFMIA assessment results and addressing any deficiencies identified by the Service Providers/Hosting Organizations that may impact the DoW Component's internal controls.

4.2.4.5. DoW Component oversight officials must ensure all DBS, both priority/non-priority and covered/non-covered, that are not substantially compliant with FFMIA are conditioned and remediated consistent with 10 U.S.C. § 2222, and/or have substantiated compensating controls for areas of noncompliance.

4.2.5. Service Providers. Service Providers must develop and maintain FFMIA compliance assessment and remediation plans in coordination with the use of DoW Components (user entities). For each financial system and mixed system managed by a Service Provider, a Memorandum of Agreement (MOA) or other suitable agreement must be established with each using DoW Component. As part of the MOA, compliance testing must be conducted to support end-to-end business process testing of the DoW Component (user entity). For systems covered by a SSAE No. 18 Examinations, Service Providers must provide DoW Components (user entities) with a SOC 1 Report.

4.2.6. Hosting Organizations. Hosting Organizations, internal to DoW (e.g., Defense Information System Agency) and external to DoW (e.g., commercial Cloud Service Providers), are responsible for most of the ITGC across the computing environment where many financial, personnel, and logistics applications reside and often provide a SOC 1 Report. For Service Providers and DoW Components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed and operated.

4.2.7. Inspector General. The DoW Office of the Inspector General (IG) performs FFMIA compliance evaluations and reports to Congress instances and reasons when the Department has not met the intermediate target dates established in the remediation plan required under FFMIA Section 803(c). Additionally, the IG oversees many of the DoW's financial statement audits conducted by independent public accounting firms.

5.0 STANDARD FINANCIAL INFORMATION STRUCTURE

5.1 SFIS

The SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the DoW enterprise. As a common business language, SFIS standardizes financial reporting across DoW by shifting the focus from appropriation categories to program-based accounting, enabling revenues and expenses to be reported by programs aligned with major goals. This structure enables decision-makers to compare program activities and costs across the Department efficiently and provides a consistent basis for valuing all DoW programs, assets, and liabilities.

5.1.1. SFIS compliance is mandatory for all modern accounting and financial systems that process financial transactions, while older legacy systems are evaluated on a case-by-case basis. As an enterprise-wide standard, SFIS categorizes financial information to enable decision-makers to compare programs across the DoW. This ensures the data is detailed enough for effective retrieval and auditing and aligns with federal standards for high-level financial statements

5.1.2. Systems must adhere to all SFIS Business Rules and post data element transactions using the required USSGL accounts and accounting standards. To guide implementation and verify compliance, DoW Component program managers are required to use the official SFIS checklist.

5.2 The DoW Standard Line of Accounting (SLOA)/Accounting Classification

SLOA/Accounting Classification is a specific subset of SFIS data that ensures accurate accounting transactions and interoperability between different systems. The SLOA/Accounting Classification requirement applies to all systems that handle business events with accounting impacts, from initial commitment to final disbursement, including logistics, contracting, and civilian pay and military pay.

5.2.1. To be compliant, systems must manage SLOA data as discrete elements and adhere to all applicable SFIS Business Rules. For legacy accounting systems and financial business feeder systems scheduled for retirement, the implementation of SFIS and SLOA/Accounting Classification is considered on a case-by-case basis, based on its potential impact on audit readiness.

5.2.2. Systems that support the financial management purchasing process such as contracts, intergovernmental orders, and payroll must be interoperable with SLOA/Accounting Classification data elements. All supporting transactions must be posted to the target accounting system using the proper USSGL accounts and accounting standards. For legacy systems with scheduled retirement, a transaction broker and/or translation services may be used to convert non-SFIS data elements into the required SFIS format.

5.3 SFIS Compliant Trial Balance

Target accounting systems must interface with the DDRS using an SFIS Compliant Trial Balance. The SFIS Compliant Trial Balance must meet all necessary USSGL and DoW financial reporting requirements.

5.4 Roles and Responsibilities

5.4.1. The OUSW(C) serves in a leadership role and establishes policy for the development of DoW enterprise business and financial systems, including SFIS implementation across DoW. The OUSW(C) is responsible for managing SFIS financial data elements; publishing and maintaining the SFIS resources repository; and collaborating with DoW Components and Enterprise Resource Planning (ERP) integration teams to properly implement SFIS. Serving as the primary office of responsibility for actions stemming from governing bodies like the Deputy's Management Action Group, Defense Business Council, and the Investment Review Board, the OUSW(C) provides expert business and financial system insight.

5.4.2. The Office of the Chief Information Officer leads the extraction and analysis of data to support business reform as well as leads the operation of a DoW-wide data governance body to oversee the preparation, extraction, and provision of common, transparent enterprise data throughout the business enterprise, including coordination on all data standards, including SFIS, cost management, and overall data management.

5.4.3. DoW Components are responsible for implementing SFIS for all applicable systems and ensuring interoperability between systems that have a financial impact. DoW Components must use the SFIS Compliance Checklist to assess and maintain SFIS compliance. In addition, DoW Components must ensure that all financial management systems (as defined in the Glossary) provide complete, reliable, consistent, and timely budgetary and proprietary transaction-level information. This data must be properly recorded in the general ledgers of the accounting systems of record to produce auditable budgetary, proprietary, and managerial cost accounting reports for both internal and external stakeholders.

5.4.4. The DCFO is responsible for maintaining the SFIS values library and ensuring all service provider applications and enterprise financial management systems are compliant with SFIS.

5.4.5. The SFIS web page contains several resources that define the SFIS requirements and provides tools to assist with compliance. Refer to the procedural document for a list of these resources, as well as a SFIS Compliance Summary table.

6.0 DEPARTMENT OF WAR STANDARD CHART OF ACCOUNTS

6.1 The DoW Standard Chart of Accounts (SCOA)

The SCOA is comprised of budgetary and proprietary USSGL accounts and related DoW standard account extensions required for consistent USSGL implementation, Component trial balance consolidation, and compliance with OMB and Treasury budgetary and financial reporting requirements. The OUSW(C)/CFO issues enterprise-wide implementation guidance to (a) reduce customization of accounting systems; (b) eliminate departmental reporting system translations and account value crosswalks; (c) improve comparability of data across accounting systems; and (d) improve consolidation of data across accounting systems for DoW-wide reporting.

6.1.1. The basic SCOA structure consists of a 6-digit USSGL account number followed by a period and a 4-digit DoW account extension. SGL accounts with an extension of ".9000" (e.g., 101000.9000, 211000.9000) are identified as Treasury-level USSGL accounts. SGL accounts with extensions other than .9000 are DoW-specified accounts. The basic structure of the DoW SCOA follows that of the USSGL. The basic 6-digit structure of the USSGL consists of:

100000	Assets
200000	Liabilities
300000	Net Position
400000	Budgetary
500000	Revenue and Other Financing Sources
600000	Expenses
700000	Gains/Losses/Miscellaneous Items
800000	Memorandum

6.1.2. The DoW USSGL Transaction Library establishes enterprise-wide implementation requirements and provides a framework with detailed transaction and posting rules for updating existing financial systems and deploying new accounting systems. The library is a decomposition of the accounting transactions from the TFM, Part 1, Section III USSGL Supplement, that provides both budgetary and proprietary accounting entries for events occurring throughout the federal government. The library organizes generalized Treasury USSGL business event transactions into appropriate pairings of budgetary, proprietary, and memorandum accounts uniquely identified by DoW Transaction Codes (DTCs).

6.1.2.1. Components must not group multiple DTCs into one transactional posting, so that the individual transaction posts separately and supports each business event and is uniquely identified in the business process. While Component financial systems are not required to store and maintain the exact DTC reference used in the library for each posted transaction, Component or agency financial systems must maintain a chart of accounts and utilize general ledger posting logic that produces the same business event result as the DoW USSGL Transaction Library.

6.1.2.2. The SCOA, USSGL Transaction Library, Account Attribute Alignment File, and Tie-Points are updated as applicable following each corresponding Treasury update to ensure DoW policy aligns with the current USSGL Supplement.

6.1.3. All DoW accounting systems must report financial transactions to the Defense Department Reporting System (DDRS) using the account structure of the SCOA. Detailed attribute alignment at the SGL account level is updated concurrently with the SCOA.

6.1.3.1. Components must implement the SCOA to satisfy both internal and external reporting requirements. For external reporting, all budgetary and proprietary financial reporting data are summarized in DDRS into the six-digit USSGL accounts and GTAS standard attributes.

6.1.3.2. Components must ensure systems provide complete, reliable, consistent, and timely budgetary and proprietary transaction-level information and are recorded in accounting systems of record general ledgers to produce auditable budgetary, proprietary, and managerial cost accounting reports for internal and external stakeholders.

6.2 Budgetary and Proprietary Accounts

6.2.1. The SGL account structure provides a self-balancing set of budgetary accounts to record the appropriation, apportionment, allotment, allocation, commitment, obligation, and expenditure process. Debit and credit normal balance indicators drive the SCOA, so debits should always equal credits. The budgetary total and budgetary resources accounts should always equal the total status of budgetary resources accounts.

6.2.2. The SGL account structure provides a self-balancing set of proprietary accounts to report the results of operations and net position. Proprietary asset and liability accounts cover the collection and disbursement of funds, the proper classification of assets (e.g., Fund Balance with Treasury (FBwT), receivables, advances and prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs, including gains and losses through the use and consumption of assets. Total asset accounts should always equal total liability accounts plus net position.

6.2.3. Accurate posting of budgetary and proprietary transactions to the SGL enables budgetary, proprietary, and managerial cost accounting essential for good stewardship, proper financial control over resources, and financial reporting.

6.3 SCOA SGL Accounts

The SCOA identifies SGL accounts applicable to General Fund, Working Capital Fund (WCF), and Special and Trust Funds. The SCOA also identifies those USSGL accounts that do not apply to the DoW. Component accounting systems must, at a minimum, incorporate the SGL accounts and posting logic for applicable business processes and transactions. For example, general fund accounting systems must include, at a minimum, accounts designated as applicable to general funds, and not those restricted to working capital or special/trust fund systems. Similarly, WCF accounting systems must include accounts designated as applicable to WCF but not those accounts restricted to general or special/trust fund systems. Combined systems handling both general and WCF must include general ledger accounts for both, but not those restricted to special/trust fund systems. Components are not required to add accounts designated as not applicable for DoW.

6.4 Attributes For Treasury Reporting

The required account attributes for Treasury reporting of both budgetary and proprietary account information are defined in the TFM USSGL Supplement, Section IV. The data structure, syntax, and allowable values for those attributes are detailed in the SFIS Matrix and the SCOA Attribute Alignment File, both of which are located on the SFIS web page. When implementing general ledger accounts, all their assigned attributes must be included and correctly aligned.

6.5 Exemption Request

Components may request an exemption from standard DoW account alignment for certain SGL accounts if their specific mission area's business processes and transactions justify it. Additionally, Component system owners are required to review existing accounts and submit any changes to the OUSW(C)/CFO within 30 days of the annual SCOA update.

6.6 Recording Internal Fund Distributions

The SCOA includes five specific accounts for recording internal fund distributions within direct program authority. Refer to Volume 3 for policy on the use and application of these accounts at the Department and execution levels. Funds distribution guidance for the Military Services and Office of the SecWar Treasury Index-97 organizations is located at SFIS under the "DoW Accounting Scenarios" section.

7.0 UNDER SECRETARY OF WAR (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM

7.1 Military and Civilian Members

Military and civilian members who make outstanding contributions to the improvement of DoW Financial Management may be recognized. Recognition for significant contribution(s) during the preceding calendar year, in the form of a memento such as an engraved plaque, is presented to the individual and team within each award category. Award categories include:

7.1.1. Contributions to Workforce Development at the Headquarters and Major Command level and Below Major Command level for both individual and team awards;

7.1.2. Contributions to Taxpayer Dollar Optimization at the Headquarters and Major Command level and Below Major Command level for both individual and team awards;

7.1.3. Contributions to Financial Integrity and Audit Results at the Headquarters and Major Command level and Below Major Command level for both individual and team awards;

7.1.4. Contributions to End-to-End Business Environment Optimization at the Headquarters and Major Command level and Below Major Command level for both individual and team awards;

7.1.5. Contributions to Data-Driven Decision-Making at the Headquarters and Major Command level and Below Major Command level for both individual and team awards; and

7.1.6. Contributions to Financial Management in a Contingency Operation at any level for both individual and team awards.

7.2 The Salute to Excellence in Government Service Awards

The Salute to Excellence in Government Service Awards specifically allow the USW(C) to recognize exceptional contributions made throughout the past calendar year in savings (recognizes actions that resulted in a significant savings to the taxpayer) and innovation (recognizes actions that resulted in significant innovations in financial management). The Financial Management Awards Program Board will recommend award winners to USW(C) based on the nominations submitted in the categories in subparagraphs 7.1.1 through 7.1.6.

7.3 Program Applicability

The program applies to any military member or DoW civilian employee of the Office of the Secretary of War, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the DoW, the Defense Agencies, the DoW Field Activities, and all other organizational entities within the DoW. The individual or team's accomplishment must have occurred within the preceding calendar year.

7.4 Nomination Eligibility

Any military member or DoW civilian employee (to include Reserve Components) is eligible for nomination. General/Flag Officers, Senior Executive Service members, and contractors cannot be nominated for individual awards, but can be named and recognized as members of team awards.

7.5 Nomination Process

For details on the nomination process, including Award Levels, Types, and Categories, as well as Responsibilities and Award Criteria and Nomination Information, refer to the Volume 1 Supplemental.

8.0 ADVANA FM – COMMON ENTERPRISE DATA AND FINANCIAL MANAGEMENT ANALYTICS FOR THE DEPARTMENT OF WAR

8.1 Enterprise Data And Analytics Platform

The Enterprise Data And Analytics Platform, formally Advana, is the official DoW repository of common enterprise data, mandated by 10 U.S.C. §4506. To better align with Departmental priorities, its functions have been focused on two primary interconnected components:

8.1.1. The War Data Platform (WDP), maintained by the Chief Digital and Artificial Intelligence Office (CDAO), is the centralized data repository platform for the Department. The WDP serves as the authoritative, secure, and scalable data repository, ingesting and standardizing data from across the enterprise to support the National Defense Strategy.

8.1.2. Advancing Analytics for Financial Management (Advana-FM), governed by the OUSW(C), is the specific program that leverages the data within the WDP to achieve the Department's FM and audit goals. Its purpose is to provide specific decision-support analytics, reconciliation tools, and data products necessary to meet the Congressional and SecWar mandates for a clean financial audit.

8.1.3. The use of the WDP will ensure that any performance measure or data product that relies on DoW data originates from an authoritative source of transaction-level detail.

8.2 OUSW(C) ADVANA-FM Responsibilities

8.2.1. Leverage data within the WDP as a strategic asset for ADVANA-FM, connecting it with advancing technology to continuously advance analytic capabilities required to achieve full auditability across the Department.

8.2.2. Maintain alignment of ADVANA-FM capabilities and products with the functional requirements of FM and audit user communities as continuous development occurs, partnering with the appropriate officials to establish enterprise standards.

8.2.3. Acquire, incorporate, and standardize data to support the business domain areas that align with the organizational structure of the Department and the responsibilities of DoW Components.

8.2.4. Manage data sharing agreements with system owners to ensure data provided to the WDP is timely and accurate. Extract data from the relevant systems to facilitate DoW-wide analysis and management of business operations, and execute controls over data management.

8.2.5. Provide reasonable assurance to ADVANA-FM data consumers that data controls are clearly defined and executed in accordance with control objectives.

8.2.6. Maintain regulated security over the ADVANA-FM system and its data and ensure compliance with user access security requirements and DoW continuity of operations policy and planning.

8.2.7. Ensure sensitive activity data is secure and complies with DoW security classification guidance.

8.3 DoW Component ADVANA-FM Responsibilities

8.3.1. Provide authoritative source-level transactional data to the WDP from all DoW business systems daily, using the most cost-effective and secure methods available. The authoritative source-level transactional data must be obtained and imported by the WDP from the business system in which the data originated (i.e., not a separate data Warehouse or data lake but the system that originated the transaction). Where a strategy does not exist to provide such data, one must be developed in partnership with OUSW(C), ODCFO, FSM&I Directorate.

8.3.2. Sign agreements that govern accurate and timely transmission of data. DoW Components are responsible for defining business rules that map source data elements to the ADVANA-FM common data model. The ADVANA-FM common data model includes, but is not limited to, the Standard Financial Information Structure, the Procurement Data Standard, and subsequent domain-specific data models under development.

8.3.3. Use the ADVANA-FM for delivery of its Universe of Transactions to any entity that issues an audit request, data call request, or other bona fide requirement for reconciled transaction details.

8.3.4. Use the ADVANA-FM Feeder to General Ledger Reconciliations Audit Workbooks – Monthly reconciliations between disbursing, obligation, funding, and entitlement financial management systems and general ledger accounting systems.

8.3.5. Use the General Ledger to Unadjusted Trial Balance Reconciliations Audit Workbooks – Quarterly reconciliations between general ledger accounting systems and their unadjusted trial balance.

8.3.6. Use the Unadjusted Trial Balance to Adjusted Trial Balance Reconciliations Audit Workbooks – Quarterly reconciliations between the unadjusted trial balance and the adjusted trial balance within the Defense Departmental Reporting System (DDRS).

8.3.7. Use ADVANA-FM to reconcile FBwT.

8.3.8. Provide functional assistance to the ADVANA-FM, when necessary, to reconcile DoW Components' general ledger data to outputs from the DDRS and other required data reconciliations.

8.4 ADVANA-FM Business Domains

ADVANA-FM acquires, incorporates, and standardizes data to support the various business domain areas across the Department. Business domain examples include Acquisition Analytics, Budget Analytics, Executive Analytics, Health Analytics, Logistics and Supply Chain Analytics, People Analytics, Procurement Analytics, Readiness Analytics, among others.

9.0 FINANCIAL RECORDS RETENTION

9.1 Records Retention Policy Applicability.

This policy identifies the proper retention period for financial records that support financial transactions and financial statement balances, or that are necessary to document evidence of effective internal controls over financial reporting (e.g., reviews and approvals). This policy does not apply to related management records, such as maintenance logs, and other documents important for proper management of DoW operations but incidental to the support of financial transactions and balances, unless the records are being used as secondary evidence to support financial transactions and balances.

9.2 Record Retention Requirements.

National Archives and Records Administration (NARA) GRS 1.1 provides disposition authority for records created and received while carrying out an agency's financial management and reporting responsibilities. Financial management includes procuring goods and services, paying bills, collecting debts, accounting for all financial transactions, and monitoring net worth.

9.2.1. GRS 1.1 covers financial transactions as an administrative function common to all agencies, including but not limited to records of grants and cooperative agreements; financial transactions and reporting records; and contract records maintained by Federal agencies. However, GRS 1.1 does not cover all financial records and transactions conducted by DoW components. Personnel must coordinate with their DoW Component Records Management Program to ensure they meet all agency records management requirements. Examples include but are not limited to (a) contractor-maintained contract records which FAR governs, Part 4, Subpart 4.7; (b) student loan collection; or (c) seeking reimbursement for Superfund cleanups.

9.2.2. Supporting a financial statement audit is an example of "business use" where documentation must be retained for a longer period than required by NARA to preclude a scope limitation. During an audit, management must furnish a written representation regarding the availability of all financial records and related data, and the auditors must obtain a reasonable basis for an opinion. These guidelines must be supplemented by professional judgment that considers the specific circumstances related to each financial transaction.

9.2.3. For records supporting financial statement audits and held for purposes other than a financial statement audit that require a longer retention period, continue to follow appropriate DoW Component's document retention guidance. At a minimum, Components must comply with NARA and the DoW Component Records Management Program requirements

9.2.4. Consult your DoW Component Federal Records Officer for additional guidance regarding record retention. NARA approves all records identified in DoW's Component Records Disposition Schedules, which can contain additional financial records used in DoW business operations that are not listed in the NARA GRS.

9.3 Documentation Requirements:

DoW Component financial transaction records must be prepared, retained, and, at a minimum, support the following:

9.3.1. Authority. Evidence that the transaction was approved and/or certified in accordance with established requirements.

9.3.2. Amount. Evidence of transaction dollar values.

9.3.3. Date. Evidence of transaction dates to ensure transactions are recorded in the proper accounting period.



DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 2: "BUDGET FORMULATION AND PRESENTATION"

UNDER SECRETARY OF WAR

(COMPTROLLER)

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VOLUME 2
BUDGET FORMULATION AND PRESENTATION

1.0 GENERAL

1.1 Overview

1.1.1. Volume 2 provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of War (OSW) for the program and budget review submission, presentation, and justification of the budget requests to the Congress. It is intended as a comprehensive reference book on budget matters of the Department of War (DoW). Budget policy memoranda issued throughout the year, special instructions, and nonrecurring requirements unique to that year's budget cycle will provide any necessary changes or revisions to this standing document. The provisions of Volume 2 apply to all DoW military and specified civil functions. Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

1.1.2. Required budget exhibits and formats, corresponding instructions, procedures, and automated submission requirements can be found in the DoW FMR Volume 2 Supplemental, hereby referred to as Volume 2 procedures. For budget terminologies and definitions, refer to the Volume 2 glossary.

1.2 Purpose

Volume 2 provides budget and funding policies, exceptions to policies, general guidance on justification material, budget automation requirements, and specific guidance by appropriations, programs, and/or activities. This volume also contains business rules for Combatant Commands (CCMDs) on governing financial management arrangements. The scope and provisions in this volume apply to the OSW, the Military Departments (MILDEPs), the Defense Agencies, the CCMDs, and any other Defense Agencies and DoW Field Activities (hereafter referred to as "Components") that manage program and budget resources.

1.3 Authoritative Guidance

Refer to the authoritative guidance document posted on the FMR webpage.

2.0 GENERAL BUDGET SUBMISSION POLICIES

2.1 Funding Policies

2.1.1. Appropriations and Budget Activity Structure

Appropriation accounts form the structure of the President's Budget request and are the basis for congressional action. The appropriations are further organized into budget activities of appropriations with programs, projects, or activities for similar purposes. The criteria for determining expense and investment costs to support management of the DoW's programs, projects or activities, resource requirements are organized and categorized consistently within the

appropriation and budget activity structure. The following paragraphs provide guidance for categorizing resource requirements into the various appropriations.

2.1.2. Policy for Expense and Investment Costs

2.1.2.1. DoW policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.

2.1.2.2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in the glossary of terms and definitions.

2.1.2.3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction (MILCON) appropriations are considered investments. Costs budgeted in the Research, Development, Test, and Evaluation (RDT&E), Base Realignment and Closure, and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Revolving Funds, (e.g., Defense Working Capital Funds (DWCF) and other WCF such as Defense Counterintelligence and Security Agency) are provided in the Volume 2 glossary. See Office of Management and Budget (OMB) Circular No. A-11 for more information regarding Revolving Funds.

2.1.2.4. Items procured from the DWCFs will be treated as expenses in all cases except when intended for use in production lines, weapon system outfitting, government furnished material (GFM) on new procurement contracts, for installation as part of a weapon system modification, major reactivation, or major service life extension, or otherwise provided by statute.

2.1.3. Full Funding of Procurement Programs

2.1.3.1. General Definition. A budgeting rule that requires the total estimated cost of a military useable end item, be funded in the fiscal year in which the item is procured. Under the full funding policy, the entire procurement cost of a weapon or piece of military equipment will be funded in the year in which the item is budgeted. An end item budgeted in a fiscal year cannot depend upon a future year's funding to complete the procurement. Regulations governing the full funding policy are also available in OMB Circular No. A-11.

2.1.3.1.1. The full funding policy is intended to prevent the use of incremental funding, wherein the cost of a weapon system is divided into two or more annual portions or increments. Thus, full funding provides disciplined approach for program managers to execute their programs within cost and available funding.

2.1.3.1.2. There are two general exceptions to the full funding policy. One permits the use of Advance Procurement (AP) funding for components or parts of an item that have long production lead times. The other permits advance procurement funding for Economic

Order Quantity (EOQ) procurement, which normally occurs in programs that have been approved for multiyear procurement (MYP). AP funding is used routinely and extensively in the procurement of components for major end items due to manufacturing and production lead times. The use of MYP must be approved by the Congress on a program-by-program basis. Congressional approval permits DoW to use a single contract to procure multiple copies of a given item that are scheduled to be procured across a series of years. MYP arrangements are governed by Title 10, United States Code, Section 3501 (10 U.S.C. § 3501). EOQ procurement involves procuring multiple copies of a key component of a weapon covered by an MYP at the start of the MYP period to achieve significantly reduced costs on that component.

2.1.3.2. Policy for Full Funding. The total estimated cost of a complete, military useable end item or construction project must be fully funded in the year it is procured. There are two basic policies concerning full funding.

2.1.3.2.1. The basic policy for full funding is to provide funds in the budget for the total estimated cost of a complete, military usable end item to document the dimensions and cost of a program.

2.1.3.2.2. Exceptions to the basic policy are advance procurement for long lead-time items, advance EOQ procurement, and MILCON projects with a total cost over $250 million. EOQ may be used only in connection with multiyear procurements. Advance procurement and EOQ efforts must be identified in an Exhibit P-10, Advance Procurement, for the Budget Estimate Submission and the President's Budget request. Annually, the OUSW(C) requests exception to policy, via official memorandum, before the President's Budget submission.

2.1.4. Multiyear Procurement

10 U.S.C. § 3501 and the annual DoW Appropriations Act require certain guidelines for approval, initiation, and execution of a multiyear contract. Multiyear Procurement (MYP) is a generic term describing the process, planning, and contract under which the government may contract for the purchase of supplies or services for more than one, but not more than five unless specifically approved in statutory language, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds and may provide for a cancellation payment to be made to the contractor if such appropriations are not made. MYPs are budgeted and funded annually. MYP approval is predicated on:

2.1.4.1. Substantial Savings. The use of a multiyear contract may result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.

2.1.4.2. Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.

2.1.4.3. Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

2.1.4.4. Stable Design. There is a stable design for the property to be acquired, and the technical risks associated with such property are not excessive.

2.1.4.5. Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.

2.1.4.6. National Security. Use of a multiyear contract will promote the national security of the United States.

2.1.4.7. In addition to the approval criteria, Congress requires that:

2.1.4.7.1. MYP contracts cannot be initiated for any system or component thereof if the value of the MYP contract would exceed $500 million unless specifically provided for in an Appropriations Act and an Act other than an Appropriations Act.

2.1.4.7.2. Proposed legislation and funding must accompany the MYP request in the President's Budget submission; or the MYP request must be formally submitted as a budget amendment.

2.1.4.7.3. Funds appropriated for the purchase of an end item under a multi-year contract may only be used for a complete and usable end item.

2.1.4.7.4. Funds appropriated for advanced procurement under a multi-year contract may only be used to fund the long lead items necessary for a complete and usable end item planned and budgeted for a subsequent fiscal year. Advanced procurement funds may also be used for EOQ procurements in connection with a multi-year contract when authorized by law.

2.1.4.7.5. Congressional defense committees must be notified at least 30 days in advance of a proposed contract award that: employs EOQ procurements in excess of $20 million in any 1 year of the contract; employs advance procurement leading to a multi-year procurement contract that employs EOQ procurement in excess of $20 million in any 1 year; or includes an unfunded contingent liability in excess of $20 million.

2.1.4.7.6. A multi-year procurement contract cannot be initiated for which the EOQ advance procurement is not funded at least to the limits of the government’s liability.

2.1.4.7.7. A multi-year procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.

2.1.4.7.8. A present value analysis must be used to determine the present value, or real worth, of the multi-year savings. Comparing the multi-year contracting approach to a conventional annual-buy approach derives the savings requirements.

2.1.4.7.9. The Secretary of War (SecWar) must certify to the Congress that the support costs associated with the multiyear procurement with a value greater than $500 million are fully funded within the Future Years Defense Program (FYDP). Components must submit the certification letter to the OUSW(C)) at least 30 days prior to the anticipated contract award for approval, signature, and transmittal to the congressional defense committees.

2.1.4.7.10. Multi-year procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract but may not include recurring costs associated with unfunded units. The Agency Head and the Under Secretary of War (Comptroller) (USW(C)) must approve the inclusion of recurring costs in a cancellation ceiling.

2.1.4.7.11. Before any multiyear procurement contract that contains a clause setting forth a cancellation ceiling in excess of $100 million may be awarded, the head of the agency concerned must give written notification of the proposed contract and of the proposed cancellation ceiling for that contract to the congressional defense committees. The contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification. MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.

2.1.5. DoW Requirements

2.1.5.1. The item should be technically mature, normally having completed RDT&E (including development testing, or equivalent) and Initial Operational Test & Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

2.1.5.2. Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered to obtain actual costs for the comparisons (exceptions include satellites and ships).

2.1.5.3. With the exception of funding for EOQ procurement and advance procurement for long lead-time items as defined in this document, multi-year procurement contracts will comply with full funding. The full funding policy applies to each individual year of the multiyear contract. Multi-year contracts cannot be used as a vehicle for incrementally funding the items across the fiscal years covered by the contract. The production lots on the contract must be the same as those described in the budget and advance procurement cannot be used to achieve a higher production rate for the end item. Funds cannot be “borrowed” from the amounts budgeted for items in the early fiscal years of a multi-year contract to begin work on items not budgeted until later fiscal years of the contract.

2.1.5.4. The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and requires approval by the Agency Head (Refer to FAR 17.106-3(e)) and the USW(C).

2.1.5.5. An exception, to be approved by the USW(C), is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.

2.1.5.6. In keeping with the DoW policy of not relying upon industry to finance the cost of Defense programs, even on a temporary basis, the use of unfunded cancellation ceilings on multi-year contracts must be rare and not be unreasonably large relative to the total budget for any individual fiscal year.

2.1.5.7. Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from:

2.1.5.7.1. Appropriations originally available for the performance of the contract concerned;

2.1.5.7.2. Appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or

2.1.5.7.3. Funds appropriated for those payments.

2.1.6. Buy-to-Budget for Acquisition of End Items

Pursuant to 10 U.S.C. § 3069, the head of an agency making the acquisition may acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts if the following conditions are met:

2.1.6.1. The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition.

2.1.6.2. It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions.

2.1.6.3. The amount of funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item.

2.1.6.4. The amount provided is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

2.1.7. Noncompetitive Acquisitions

The acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared pursuant to 10 U.S.C. § 3069.

2.1.8. Competitive Acquisitions

Congressional notification is not required for congressional acquisitions unless the end item being acquired in a higher quantity is an end item under a tactical missile program or a munitions program. For non-competitive acquisitions, the agency head must notify the congressional defense committees of the decision not later than 30 days after the date of the decision.

2.1.9. Transportation

2.1.9.1. First Destination Transportation (FDT) is the transportation required to deliver new, an upgraded model, or recapitalized production items from the manufacturer's plant or source of procurement to the first point of delivery where the Component takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoW supply system or any DoW industrial activity that fabricates new materiel. The procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer's plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Component. For shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

2.1.9.2. Second Destination Transportation (SDT) is any transportation other than FDT.

2.1.9.3. Budgeting Responsibilities for Transportation

2.1.9.3.1. Transportation of Supply Management Materiel of the DWCFs. Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DWCF nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2.1.9.3.2. Transportation of Items Procured by Other Than Procurement and O&M Appropriations, or DWCFs. In general, FDT is financed by the appropriation, which financed acquisition of the item; i.e., RDT&E appropriations for RDT&E materiel and MILCON appropriations for items that are shipped to support such military construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

2.1.9.3.3. Transportation of Items Procured by Procurement Appropriations. FDT is normally financed by the Procurement appropriation that financed

acquisition of the item. SDT is normally financed by the O&M appropriations. The following additional guidance applies:

2.1.9.3.3.1. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item unit price and are financed by the procurement appropriation that financed acquisition of the item.

2.1.9.3.3.2. All transportation of government furnished equipment and GFM prior to installation into an end item is considered FDT and is financed by the procurement appropriation that financed acquisition of the item.

2.1.9.3.3.3. The transportation of items that are not owned by DoW - such as nuclear materials and warheads that the Department of Energy (DOE) provides to the DoW, but the DOE retains ownership - is considered FDT and is financed by the procurement appropriation that financed the acquisition of the end item into which the item will be incorporated.

2.1.9.3.4. Transportation of Items Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.

2.1.10. Engineering Change Orders

Engineering change orders should be funded commensurate with the level of risk in the program.

2.1.11. Factory Training

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty travel costs of military or civilian personnel attending factory training courses are funded in the O&M appropriations. Factory training courses acquired for end items no longer in production are to be funded in the O&M appropriations.

2.1.12. Interim Contractor Support (ICS)

ICS is the maintenance and support of a new weapon system provided by a commercial vendor pending transition to organic support, contractor logistics support, or a combination of both. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

2.1.13. Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement

Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as COTS or NDI. All COTS and NDIs, including the first article and associated first article acceptance testing should be funded in the Procurement or O&M appropriations, as determined by the Expense and Investment criteria. If an end item requires design and development to accept the COTS or NDI, or if OT&E is required to determine military suitability and effectiveness; or if Live Fire Test and Evaluation is required to determine whether the COTS/NDI possesses survivability and lethality characteristics needed by operational forces, then the entire effort is not COTS or NDI, and funding for that effort should be budgeted in RDT&E. If a COTS or NDI is required for RDT&E test purposes, the cost is funded in RDT&E.

2.1.14. Spares and Repair Parts

This section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

2.1.14.1. Initial Spares and Repair Parts. Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system.

2.1.14.2. War Reserve Spares and Repair Parts. War reserve materiel (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the definitions. See subparagraph 2.1.22, DWCFs - War Reserve Materiel, for additional budgeting WRM policies.

2.1.14.3. The O&M accounts will finance the purchase of depot level repairables and consumable repair parts, primarily through the DWCF, for maintenance of all Class IX equipment (excluding medical peculiar repair parts).

2.1.14.4. Spares budgeting can be aggregated by weapon system except for Selected Acquisition Report systems.

2.1.15. Direct Budget Plan

This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for United States Forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress and the transfer of resources from other appropriations. A portion of DoW materiel acquisition costs may also be funded by offsetting collections from materiel sold for replacement under the authority of 22 U.S.C. Chapter 39. Such collections represent proceeds providing direct resources and there is no specified time limit for the replacement under this authority. However, the replacement may require prior congressional approval. When dealing with reimbursements involving the sale of materiel, three situations can arise:

2.1.15.1. Sale for Replacement with Like Items. Replacement of materiel using proceeds from sales is authorized under 22 U.S.C. Chapter 39 without further congressional approval, so long as the item sold will be replaced with an item of the identical type, model, and series or a modified version of the same basic model. For an ammunition item, replacement with any round that provides the same warfighting mission capability is authorized, provided the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded. Obligations to replace the assets will be recognized as direct obligations.

2.1.15.2. Sale for Replacement with Dissimilar or Modified Items Requiring Congressional Approval. In this situation, an item of materiel is sold and will require replacement to compensate DoW inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model or an acceptable substitute item used in the requirements computations.

2.1.15.3. Proceeds from Materiel Sales with No Intention to Replace. All other proceeds for items not replaced will be deposited into Miscellaneous Receipts of the United States Treasury.

2.1.15.3.1. Items sold from inventory with a unit cost less than $5,000 will be treated as a replacement with like item if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.

2.1.15.3.2. If an item is eligible for replacement and is not replaced, the reimbursement should be treated as a "free asset." In this situation, an item of materiel is sold and will not require replacement. All free assets from FMS transactions are required to be deposited into the United States Treasury Miscellaneous Receipts or the Special Defense Acquisition Fund as defined in Volumes 3 and 15.

2.1.16. Reimbursable Budget Plan

This plan includes those items of materiel to be purchased for delivery to and use by customers. Financing for the reimbursable budget plan is derived from:

2.1.16.1. Customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)

2.1.16.2. Customer orders received or to be received, for items common to the procuring service and customer for direct delivery to the customer.

2.1.16.3. Where the materiel item will be made available from on-order quantities under an existing contract of a MILDEP, the sales transactions will be reflected as reimbursable

transactions. The quantities and costs of the replacement procurement will be included in the reimbursable program.

2.1.16.4. Where the materiel item will be made available directly from a contract awarded after the date of the sales agreement and the contract includes a particular quantity of the item to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.

2.1.17. Budgeting for Information Technology (IT) and Automated Information Systems

2.1.17.1. IT and Automated Information Systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the investment and expense criteria (see paragraph 2.1) and the appropriation or fund's purpose.

2.1.17.2. The correct appropriation for budgeting an IT effort is dependent on the activity and the underlying tasks that make up the IT effort. RDT&E activities and Revolving Fund activities follow unique procedures as noted in the following paragraphs. All other activities budget for IT efforts based solely on the underlying purpose for the IT effort.

2.1.17.3. An IT effort may require funding for more than one appropriation. The underlying purpose for each discrete task within an IT effort determines the correct appropriation for budgeting of that task. An effort that is so broadly defined that it contains separate tasks appropriate to budgeting in different appropriations should be separated into discrete tasks, each of which is budgeted in the correct appropriation.

2.1.18. Appropriation Determination

2.1.18.1. RDT&E Appropriations. Development, test, and evaluation requirements, including designing prototypes and processes, should be budgeted in the RDT&E appropriations. The RDT&E funds should be used to develop major upgrades increasing the performance envelope of existing systems, purchase test articles, and conduct developmental testing and/or initial operational test and evaluation prior to system acceptance. In general, all developmental activities involved in bringing a program to its objective system are to be budgeted in RDT&E.

2.1.18.1.1. Reaching the objective system, as defined in the requirements documents, is a critical determinate. Some software programs, particularly those following a spiral or incremental development pattern, may be approved for initial fielding even though the early capability is below the objective system requirements. The follow-on development and test activities required to reach the objective system performance will be budgeted in RDT&E.

2.1.18.1.2. COTS systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted in RDT&E.

2.1.18.1.3. The acquisition, operation and maintenance of IT systems that are used exclusively to support RDT&E activities will be budgeted and funded within an RDT&E appropriation.

2.1.18.2. Procurement Appropriations. Acquiring and deploying a complete system with a cost of $350,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (e.g., equipment, integration, engineering support, and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g., new software, hardware, and technical assistance) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding what appropriation to use to fund modernization.

2.1.18.2.1. Procurement of fully developed and tested modification kits and associated installation, including technical assistance is financed from Procurement appropriations. Equipment purchased after successful system testing and a favorable fielding decision is funded with procurement dollars.

2.1.18.2.2. Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an "annual fee" basis. In the latter case, it is an expense item properly financed in RDT&E or O&M.

2.1.18.3. O&M Appropriations. Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under $350,000 are considered expenses, as are one-time projects such as developing planning documents and studies.

2.1.18.3.1. Software releases categorized as iterations on the basic release and not involving significant performance improvements or extensive testing are considered a maintenance effort. Minor improvements in software functionality which are accomplished during routine maintenance may also be O&M funded.

2.1.18.3.2. Items purchased from a commercial source that can be used without modification (e.g., COTS and nondevelopmental items) will be funded in either the Procurement or O&M appropriations, as determined by the expense and investment criterion.

2.1.18.4. Pursuant to 10 U.S.C. § 2208 (k) (2), the IT systems developed and acquired through Defense Revolving Funds will be reflected in the Capital Budget if the system is $250,000 or more, unless otherwise specified in law. Systems costing less than $250,000 are funded through the Operating Budget.

2.1.18.5. Capitalization of Software Cost. For accounting purposes, the total cost of software should be capitalized when the total cost of the system exceeds the Department's capitalization threshold amount. Capitalization of software is not dependent on the appropriation used to fund its purchase or development. Further information on capitalization may be found in Volume 4, section 7.

2.1.19. RDT&E Appropriations

2.1.19.1. RDT&E will finance research, development, test, and evaluation efforts performed by contractors and government employees, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software. Additional information on Development Test and Evaluation (DT&E) and OT&E are provided in subparagraph 2.1.21.5. (Test Articles and Test Support).

2.1.19.2. RDT&E will finance the operation of research and development (R&D) installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense, and investment costs.

2.1.19.3. RDT&E will finance the acquisition or construction of industrial facilities costing less than $4 million at Government-owned, Government-operated (GOGO) facilities under the criteria of DoD Directive (DoDD) 4275.5 as provided for under 10 U.S.C. § 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under 10 U.S.C. § 2353.

2.1.19.4. Pursuant to 10 U.S.C. § 2810, military construction projects for innovation, research, development, test, and evaluation may be financed with RDT&E appropriations.

2.1.20. RDT&E - Related Appropriations

2.1.20.1. Equipment and material approved for production and intended for operational use or inventory upon delivery will be funded in the procurement appropriations. Product improvement within the current performance envelope on systems in production will be funded in the procurement appropriations as long as no development or operational tests by an independent operational test agency are required.

2.1.20.2. Family housing construction and operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

2.1.20.3. Expenses of headquarters R&D management, organizational management analyses, test and evaluation for system sustainment personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the O&M appropriations.

2.1.21. RDT&E - Specific Determinations

Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

2.1.21.1. Organizational Funding Criteria

2.1.21.1.1. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships, and ship-type vehicles), installations and activities (including those operated by contract).

2.1.21.1.2. Expenses for the support of tenant activities will be funded in accordance with the following:

2.1.21.1.2.1. Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

2.1.21.1.2.2. Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test, and evaluation will be funded by RDT&E.

2.1.21.1.2.3. Expenses for the support of R&D activities or organizations which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

2.1.21.1.3. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations, and administrative organizations at DoW component departmental headquarters levels (except for the Direct Report Program Manager – Golden Dome, the Defense Advanced Research Projects Agency and the Missile Defense Agency) will be financed in the O&M appropriations.

2.1.21.1.4. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoDD 3200.11, that conduct developmental and operational testing as a primary mission as determined by workload, will be financed by the RDT&E appropriation. Major range and test facilities that primarily support testing after system acceptance for operational use or training exercises will be financed in the O&M appropriations.

2.1.21.1.5. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are financed in the O&M appropriations.

2.1.21.1.6. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be engaged in or support R&D activities, will be funded in the O&M appropriations.

2.1.21.2. Facilities Construction and Modification. When it is determined that DoW financing of real property projects is required, the projects will be programmed, budgeted, and financed as follows:

2.1.21.2.1. GOGO Facility on Military Installations. When GOGO property will be constructed on a military installation, such construction will normally be financed as a MILCON project. Construction of facilities using RDT&E appropriations is limited to $150 million per fiscal year, pursuant to 10 U.S.C. § 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than $4 million will be financed by the MILCON appropriation in accordance with section 7.

2.1.21.2.2. Government-Owned, Contractor-Operated (GOCO) Facility

2.1.21.2.2.1. When the GOCO facility is on a military installation (post, camp, station, or base), the primary funding is the MILCON appropriation. However, if the facilities are contractor-operated, and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed in Procurement or RDT&E in accordance with DoDD 4275.5 and 10 U.S.C. § 2353 criteria. New construction or improvements having general utility are not authorized under 10 U.S.C. § 2353.

2.1.21.2.2.2. When GOCO facilities are constructed on government property other than a military installation, the Procurement or RDT&E appropriation will finance the construction in accordance with DoDD 4275.5 criteria.

2.1.21.2.3. Contractor-Owned, Contractor-Operated Facility. Pursuant to 10 U.S.C. § 2353, a research or development contract may provide for the acquisition, construction, or furnishing of facilities and equipment that are necessary for the performance of the contract to the contractor. Improvements having general utility or new construction are not authorized under 10 U.S.C. § 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

2.1.21.2.3.1. A provision to reimburse the government for the fair value of the facilities;

2.1.21.2.3.2. An option for the government to acquire the underlying land; or

2.1.21.2.3.3. An alternative provision that protects the interests of the United States in the facilities.

2.1.21.2.4. All proposed RDT&E real property facilities will be identified to Congress in accordance with Volume 2, section 6.

2.1.21.2.5. The Family Housing appropriations will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

2.1.21.3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of RDT&E contractor effort at GOCO activities will be financed in RDT&E. DoDD 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities, and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a MILCON project, and in these instances, the MILCON appropriation finances the installation cost. To the extent that equipment installation occurs at a government activity and the cost exceeds $4 million, no new facility or physical outer dimension expansion to an existing facility can result from an RDT&E funded equipment installation project.

2.1.21.4. Establishment of Pilot Line and Tooling Requirements

2.1.21.4.1. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

2.1.21.4.2. When an end item under development has also been approved for procurement, operational use, or included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development items for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

2.1.21.5. Test Articles and Test Support

2.1.21.5.1. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary of Terms – RDT&E), for all RDT&E tests preceding and leading to acceptance for operational use will be RDT&E funded. Test articles and components or materials to be assembled into test articles must be budgeted in accordance with the need for them in the development and test program. Purchases of fully configured or near fully configured test articles (e.g., off-the-shelf drones) should be budgeted in accordance with the need for full units to test.

2.1.21.5.1.1. Development and preproduction prototypes (RDT&E financed) will be used for DT&E, including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget, and fund for an adequate number

of R&D articles for development, test and evaluation that will be fabricated, manufactured, or produced in a realistic preliminary production manner and thus provide such data.

2.1.21.5.1.2. Development and preproduction prototypes (RDT&E financed) will be used for OT&E. When used, they must be sufficiently representative of the expected production items to provide from OT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

2.1.21.5.1.3. Low Rate Initial Production (LRIP) assets. LRIP, as part of the Major Capability Acquisition procedures in DoD Instruction (DoDI) 5000.85, provides production-configured or representative articles for operational test (RDT&E funded; establishes an initial production base for the system (procurement funded); and permits an orderly increase in production rate for the system (procurement funded). If the asset will be used for developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. The LRIP quantity will be determined as part of the Production and Deployment approval (Milestone C). RDT&E funds will be budgeted to procure items required for operational tests to facilitate testing of LRIP assets. LRIP test articles must be specifically identified in the budget documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone C decision and a determination made at that time. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in subparagraphs 2.1.21.8.

2.1.21.5.2. Testing that is not associated with RDT&E, or testing conducted after fielding or acceptance for operational use, such as the examples noted in subparagraphs 3.13.3.5.2.1 through 3.13.3.5.2.4, will be financed in the procurement or O&M appropriations, as appropriate.

2.1.21.5.2.1. Acceptance, quality control, and surveillance testing of articles obtained for other than RDT&E purposes.

2.1.21.5.2.2. Routine testing in connection with logistic support.

2.1.21.5.2.3. Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

2.1.21.5.2.4. Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

2.1.21.5.3. The acquisition of commercial or non-developmental items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for test and evaluation of commercial and non-developmental items by field units for doctrine, operational, or organizational purposes. If the commercially available item is modified and

requires testing prior to approval for service use or inventory, it will be funded in RDT&E as are all developmental items.

2.1.21.5.4. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

2.1.21.5.5. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

2.1.21.5.6. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to RDT&E efforts).

2.1.21.6. Modification and Refurbishment of Test Articles

2.1.21.6.1. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

2.1.21.6.2. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

2.1.21.7. Product Improvement

2.1.21.7.1. Product improvement of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

2.1.21.7.1.1. Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

2.1.21.7.1.2. Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by procurement appropriations as long as no DT or OT&E by an independent operational test agency is required. If DT or OT&E by an independent operational test agency is required, RDT&E finances the improvement. The phrase "an item currently in production" implies that the item has end item procurement funding in the year the product improvement effort will take place. The determination that the improvement is “within the current performance envelope” and that “no DT or OT&E by an independent operational test and evaluation agency is required” should be determined after formal coordination with the Director, OT&E.

2.1.21.7.1.3. Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no DT or OT&E by an independent operational test agency is required. If DT or OT&E is required by an independent operational test agency, RDT&E finances the improvement. The determination that the improvement is “within the current performance envelope” and that “no DT or OT&E by an independent operational test and evaluation agency is required” should be determined after formal coordination with the Director, OT&E.

2.1.21.7.2. While existing off-the-shelf equipment may be procured with procurement funds, items that require engineering design, integration, test, or evaluation effort must be procured with RDT&E funds in sufficient numbers to support such effort.

2.1.21.7.3. Costs of fully developed and tested modification kits and associated installation costs should be financed from procurement appropriations. If DT or OT&E by an independent operational test agency is required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.

2.1.21.7.4. Aircraft engine component improvement costs are budgeted in RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas including but not limited to reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, and time-between-overhaul. Component Improvement is established at the point in time when:

2.1.21.7.4.1. There has been a Government acceptance of the first procurement funded engine, and

2.1.21.7.4.2. The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

2.1.21.7.4.2.1. Compliance with contractual specifications, performance guarantees, and military specifications, as applicable to individual Component requirements;

2.1.21.7.4.2.2. Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

2.1.21.7.4.2.3. Demonstration of prescribed performance capability; and

2.1.21.7.4.2.4. Accomplishment of prescribed durability, reliability, and environmental testing.

2.1.21.8. Ships and Ship-type Vehicles

2.1.21.8.1. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs, configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the SecWar, are included.

2.1.21.8.2. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, and the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

2.1.21.8.3. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and field activity effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

2.1.21.8.4. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

2.1.21.9. Space Systems. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.

2.1.21.9.1. Satellites. Because satellites are normally placed into operational use rather than expended in testing, the early satellites or first launch of a new design may be financed with either RDT&E or Procurement appropriations as provided below.

2.1.21.9.1.1. Funding Determination. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites will in all cases be financed with

Procurement appropriations. For programs in which multiple satellites are launched with a single rocket (including proliferated constellations), the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches will in all cases be financed with Procurement appropriations.

2.1.21.9.1.2. Full Funding and Advance Procurement. The full funding policy will apply to all satellites budgeted in Procurement appropriations. Advance procurement funding can only be used to purchase specialized long-lead components that take an exceptionally long time to build and the total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.

2.1.21.9.1.3. Exceptions. Exceptions to this policy must be submitted in writing to OUSW(C) for approval and must be signed by the Service Financial Management Executive and Service Acquisition Executive. Exception packages must identify the specific satellites for which the exception is requested and must demonstrate, with supporting evidence from the program's approved acquisition strategy, a developmental basis for RDT&E financing. Acceptable bases are limited to: (a) the satellites incorporate a new or materially modified design that has not been finalized and that requires further engineering design, integration, or developmental testing to reach the objective system; or (b) the satellites are the minimum quantity required to constitute a testable increment for the system or constellation that cannot be completed on the ground. A request to avoid the budgetary effects of the full funding policy, including funding profile or affordability considerations, does not constitute an acceptable basis. Exception packages must also state the quantity of satellites covered and the planned point of transition of the balance of the program, including replenishment units, to Procurement appropriations. For approved exceptions to policy, RDT&E budget exhibits must clearly reflect the quantity of satellites funded based on annualized quantities, blocks of satellites, or launch events.

2.1.21.9.2. Ground Control and Ground Processing Systems. The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including but not limited to off-the-shelf workstations, and power supplies, but not including MILCON) will normally be financed with RDT&E appropriations. The cost of backup ground systems must be financed with procurement appropriations, and the full funding policy applies.

2.1.21.9.3. User Terminals. User terminals for space systems transition from RDT&E to procurement in the same manner as non-space-related communications and electronics equipment.

2.1.21.10. Joint Test and Evaluation (JT&E)

2.1.21.10.1. The JT&E program provides quantitative information used for analyses of joint military capabilities and to develop potential options for increasing military effectiveness. The program is complimentary to, rather than part of the acquisition process. A JT&E project brings two or more Military Services or other Components together to: assess Service system interoperability in joint operations; evaluate joint technical and operational

concepts, and recommend improvements; increase joint mission capability, using quantitative data for analysis; validate testing methodologies that have joint applications; improve modeling and simulation validity with field exercise data; provide feedback to the acquisition and joint operations communities; and improve joint tactics, techniques, and procedures. JT&E projects focus on improving the warfighter's capability to conduct joint military operations with existing equipment. DOT&E manages the JT&E program and coordinates with Combatant Commanders, the Joint Staff, and the Services to ensure warfighter involvement.

2.1.21.10.2. DOT&E funds the costs incurred for the direction, supervision, and performance of activities that are unique to the needs of the JT&E projects. When directed as Executive Agent for a particular JT&E project, the Component, Service, or CCMD is responsible for ensuring that all resources necessary for the successful accomplishment of the JT&E project are available to the Joint Test Director (JTD). This includes administrative, management and facilities support for the JTD. The Executive Agent support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established procedures.

2.1.21.11. Manufacturing Technology. The DoW Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

2.1.21.12. Development Efforts Related to Future Leased Services. When the provider of a leased service that will ultimately be financed in O&M requires initial funding to design or develop major changes or improvements to meet the government's requirement for that service, then the costs of such development efforts will be financed in RDT&E.

2.1.21.13. Subsystem Integration into Weapon Systems. R&D necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

2.1.21.14. Engineering change orders should be funded commensurate with the level of risk in the program.

2.1.22. RDT&E - Incremental Programming and Budgeting Basis

The incremental budgeting policy provides that only those funds required for work in a given fiscal year will be included in the RDT&E budget request for that fiscal year for most classes of effort. The annual budget estimates for RDT&E projects and programs, including Director, Operational Test and Evaluation (DOT&E) programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates.) DoW Components will develop and present budget requests for DoW projects and programs in accordance with the principles and guidance in Volume 2 procedures.

2.1.22.1. There are requirements in which there is no logical way to divide the work. At times, it is clearly unfeasible to limit the contract to a shorter period, or the planned technical effort is such that no responsible contractor can be found who will accept a contract for

a less-than-completion increment. For these types of efforts that take longer than 12 months but less than 18 months, the DoW Component Comptroller may approve financing the total requirement in 1 fiscal year.

2.1.22.2. Budgeting for Termination Liability on Incrementally Funded RDT&E Contracts. The legal requirements of the Antideficiency Act and the long-standing policy of not committing a successor Congress to a course of action both make it necessary that the unliquidated obligation for an incrementally funded, multiple-year contract be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total amount budgeted for the program. It will require that the distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The distribution of funds by fiscal year will be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal year's funding increment. All programs must adhere to this policy with the following two exceptions, both of which are to be used rarely.

2.1.22.3. Special Termination Cost Clause (STCC). DoD FAR Parts 249.501-70 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the DoW Component to cover expected termination costs from unobligated balances. A recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC must be obtained from the OUSW(C) before the contract or contract modification is awarded. All STCCs, regardless of dollar amount, require prior notification of the House and Senate Appropriations Committees.

2.1.22.4. Statutory Waivers. The Department is not required to budget for, or obligate funds sufficient to cover, termination liability in connection with an incrementally-funded RDT&E contract if Congress has exempted the program or contract from that requirement. When this situation arises, the budget exhibits for the program must clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the outyears covered by the FYDP.

2.1.23. Revolving Funds - Operating Budget

The operating budget represents the annual operating costs of an activity or component, including depreciation and amortization expenses. See section 10 for additional information regarding operating budget for Revolving Funds (e.g., DWCFs).

2.1.24. Revolving Funds/DWCF – Mobilization/Surge Costs

2.1.24.1. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility of surge or readiness requirements is provided to decision makers at every level. These "mobilization" costs, although funded and justified as direct appropriations to component budgets, are elements of business area costs and must be fully justified on the SM-3 and/or Fund-30 exhibits.

2.1.24.2. Unutilized and underutilized plant capacity (UPC) that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement to be funded by appropriated funds provided by the DoW Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.

2.1.24.3. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided. The UPC Fund-30 exhibit will support the request for UPC Funding.

2.1.24.4. Refer to section 10 for additional information regarding Mobilization/ Surge Costs.

2.1.25. Revolving Funds/DWCF – War Reserve Materiel

War reserves are procured and maintained to meet wartime requirements as determined by the Strategic Planning Guidance (SPG). A direct appropriation to the Working Capital Fund in the Components' budget may provide funding instead of through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3a exhibit. In addition, the Components will prepare exhibit SM-6 War Reserve Material to justify WRM Requirements. Section 10 provides detailed requirements and guidance.

2.1.26. Revolving Funds/DWCF – Military Personnel Costs

2.1.26.1. Military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

2.1.26.2. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. The budget amount will equal the average end strength multiplied by the civilian equivalency rate

for each grade. The average end strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized end strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

2.1.26.3. Refer to Volume 2 procedures for additional information regarding budget, formulation, execution, and reimbursement procedures.

2.1.27. Revolving Funds - Full Recovery of Costs/Setting Prices

2.1.27.1. All WCF business areas are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. Except for Public-Private Partnerships at Depot Maintenance Activities and other special circumstances specified in Volumes 2 and 11, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly. Section 10 specifies pricing guidance for sales by DoW depot maintenance activities to private sector entities as part of depot maintenance public-private partnership agreements. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2.1.27.2. Prices for every DoW Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution unless fund balances require an out-of-cycle rate change. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of fund resources.

2.1.27.3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will likely have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either increase to recover actual/projected losses or decrease to return or give back actual/projected gains in the budget year(s).

2.1.27.4. An activity group may request that AOR balances be adjusted via Non-Recoverable AOR or recovered or returned in out years beyond the budget year as a Deferred AOR. Any such request must be included in the budget submission and must demonstrate that the request will not adversely affect the cash balance of the activity group. A phased recovery schedule must be provided with any Deferred AOR request. The Revolving Funds and Integration Director will provide final approval regarding Non-Recoverable or Deferred AOR requests.

2.1.27.5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

2.1.27.6. Refer to section 10 for additional information regarding full recovery of costs and the setting of prices.

2.1.28. Unplanned Gains/Losses

Under Special Circumstances, the Revolving Funds rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.

2.1.28.1. Fund Liquidity. Fund managers are expected to maintain a monthly total cash balance within their planned control limits. In general, activities will recover losses and return gains via rates set in the budget process for the budget year. However, if cash balances are projected to significantly breach the control limits, the Revolving Funds and Integration Director, or Service Fund Managers with the written permission of the Revolving Funds and Integration Director, may direct out of cycle rate adjustments or surcharges at any time to restore cash within the cash operating range. See section 10 for additional information regarding cash management policy.

2.1.28.2. Depot Maintenance Additional Requirements. Unplanned depot losses recouped in subsequent years may be financed with prior year funds from the customer provided all other criteria associated with prior year upward obligations are met.

2.1.28.3. Contingency or Emergency Operations. Fund managers may waive pricing and financing requirements to facilitate Department operations during times of war or other national emergencies. Notification of Fund Managers actions must be provided in writing to the Revolving Funds and Integration Director within 30 days of the event.

2.1.29. Public-Private Partnerships at DWCF Depot Maintenance Activities

2.1.29.1. Pricing guidance and requirements for sales of goods and services by DoW depot maintenance activities to private entities engaged in public-private partnerships are set forth in section 10. In general, such prices are subject to the requirements with the exception that the prices may be based upon the most recent actual and projected costs applicable to the workload, rather than upon approved stabilized billing rates. Rates and prices to private entity partners may also be tailored to include only those direct and indirect production overhead costs that contribute to the finished product or service. However, full General and Administrative (G&A) costs will continue to be allocated on the same basis as for DoW customers.

2.1.29.2. Fixed pricing of sales to private party entity partners, including multiyear fixed price agreements, is authorized when production costs can be reasonably predicted and the risk of future operating losses is not significant. Such fixed prices may include provisions for adjustments to accommodate the effect of scope-of-work changes, annual inflation, and specified contingencies. When future production costs or risks cannot be reasonably predicted, cost reimbursable pricing is more appropriate.

2.1.30. Revolving Funds – Capital Budgeting

2.1.30.1. Budgetary resources for capital investments will be separately identified in an approved capital budget. Capital investments, such as unspecified minor construction, automatic data processing equipment or software, and other equipment, will be justified within the capital budget. Refer to section 10 for additional information regarding capital budgeting. Once the Revolving Funds activity capitalized an asset, the asset will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. See Volume 4 for additional information regarding accounting policy for capitalization thresholds.

2.1.30.2. Depreciation. All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs. Refer to Volume 4, for additional information regarding accounting policy for depreciation.

2.1.31. Revolving Funds - Base Support

2.1.31.1. Interservice and intragovernmental support agreements, as identified in DoDI 4000.19, is reimbursable by the Revolving Fund activity to the extent that the specified support for the activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the benefit of one or more tenants. Support costs that are charged to a tenant Revolving Fund activity (i.e., reimbursable cost) must be measurable and directly attributable to the Revolving Fund activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for Revolving Funds mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

2.1.31.2. Revolving Fund activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for Revolving Funds mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) must be based on the approved stabilized rate. Other support incidental to the Revolving Fund activity's primary mission or purpose will be budgeted and reimbursed based on direct costs measurable and directly attributable to the Revolving Fund activity. Only the incremental change in cost attributable to the Revolving Fund activity (incremental direct cost) must be chargeable to the Revolving Fund activity. Indirect costs are not to be included as a cost to the Revolving Fund activity.

2.1.31.3. Refer to section 10 for additional information regarding base support budget exhibits.

2.1.32. Revolving Funds - Dual Funded Organizations

2.1.32.1. A dual funded organization is an organization that is funded (including reimbursable funding) by both Revolving Fund and other appropriations or accounts. In those instances where a function is funded with a combination of both Revolving Fund and appropriated funds, the function initially will be funded in its entirety either by the Revolving Fund or by appropriated funds. The determination of whether the particular function initially will be funded by the Revolving Fund or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include workload, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function must be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement must be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

2.1.32.2. This policy does not change the policy for reimbursement for base support services provided by the Revolving Fund to tenant activities. The DoDI 4000.19 and section 2.1.31 provide guidance for funding base support services.

2.1.33. Prohibition on Parking of Funds

10 U.S.C. § 2773b specifically prohibits a DoW officer or employee from directing the designation of funds for a particular purpose in the President's Budget submission, or in the budget justification materials submitted in support of the budget, with the knowledge or intent that such funds will not be used for the designated purpose. Further, violation of this prohibition will be treated as a violation of the Antideficiency Act.

2.1.34. Use of O&M Funds under Contingency Construction Authority (CCA)

Pursuant to 10 U.S.C. § 2804, the criteria and procedures for the use of O&M funds under CCA (also known as Section 2808 Authority) are listed in Volume 3, section 15.

2.2 Program and Budget Review Submission

2.2.1. The internal annual Planning, Programming, Budgeting, and Execution (PPBE) process will guide the Department's strategy development, identification of needs for military capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. The PPBE process will continue to be the single link throughout the DoW that integrates and influences all internal decision processes. The annual budget will include the Strategic Planning Guidance (SPG), a Joint Programming Guidance (JPG), a Program Review, and a Budget Review. Program Decision Memoranda (PDMs) will implement Program Review decisions. Program Budget Decisions (PBDs) will implement Budget Review decisions.

2.2.2. The OUSW(C) and the Director of Cost Assessment and Program Evaluation (DCAPE) guidance memorandum transmitted in the Spring of each year will provide specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. In addition, "supplementary instructions" memoranda issued

on an "as needed" basis (usually in July/August) will be limited to specific instructions which amplify guidance included in the OUSW(C) memorandum and in this volume. The use of other memoranda to transmit program and budget guidance will be restricted to new or nonrecurring requirements.

2.2.3. The Director of National Intelligence (DNI) will issue the guidance for development of the National Intelligence Program (NIP) and the NIP program and budget review submission. Additional details are found in section 16.

2.2.4. The instructions for submitting certain summary schedules are provided in the Volume 2 procedures. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent sections. Materials required by OMB Circular No. A-11, which are not otherwise required by Volume 2, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB.

2.2.5. The OUSW(C) will provide a budget work schedule on a memorandum at the beginning of each budget formulation cycle. This schedule will show the dates and processes to be used for planning the various phases involved in the formulation process.

2.2.6. Program and budget review exhibits will be identified in the program and budget review guidance for each submission cycle. In most cases, submissions will include data input through the OUSW(C) budget formulation systems. The process is addressed in Volume 2 procedures.

2.2.7. Pursuant to 31 U.S.C. § 1105, the DoW prepares in advance of the required President's Budget (PB) submission to Congress. The OUSW(C) and DCAPE provide technical guidance for the program and budget data submission requirements. These offices maintain and administer web-based applications for a timely and consistent submission process.

2.2.8. All program and budget estimates, submission formats and required exhibits are found in Volume 2 procedures.

2.3 CCMD Business Rules (Joint Task Assignment Process (JTAP))

2.3.1. Financial Management Arrangements

As a business rule governing financial management arrangements between CCMD Support Agents (CCSAs) and CCMDs, the OSW will establish initial funding for new CCMD missions. The OSW will establish and provide funding for new missions assigned by the Secretary or Deputy Secretary as part of the JTAP process and in conjunction with the PPBE processes. CCSAs must maintain funding for the directed CCMD missions and adjust CCMD accounts across the FYDP consistent with the OSW/OMB approved inflation indices. CCMDs will be subjected to a proportionate share (on a percentage basis) of total CCSA reductions from undistributed congressional and/or OSW general reductions.

2.3.2. Adjustments of Funds

All Service business and efficiency reductions require prior CCMD or OSW approval to ensure they do not impede the conduct of directed missions. CCSAs will pre-coordinate any Service-initiated reductions to CCMD resources with the CCMD s during each phase of the PPBE process for all years in the FYDP, and Service-initiated reductions will not be applied to any CCMD funds without the prior approval of the CCMD or the OSW staff. OUSW(C), OSW CAPE, Joint Staff, CCMDs and CCSAs will meet annually to validate, and adjudicate as necessary, all adjustments to CCMD resources. The OUSW(C) will review and coordinate CCSA budget exhibits that specifically pertain to CCMD resources with CCMDs prior to approval and publication to ensure that CCSAs have fully complied with PBD or PDM direction.

2.3.3. Visibility of CCMD Directed Missions and Other Costs

CCSAs must ensure adequate visibility of CCMD directed missions and other costs for each O&M funded CCMD. A minimum of two Sub Activity Groups (SAG)s within each MILDEP's active components' O&M appropriation will be established as Mission Funding (one or more SAGs) and Headquarters and Headquarters Support Funding (single SAG). Budget and execution structure for USTRANSCOM will continue to follow the normal Working Capital Fund business area structure. The United States Special Operations Command and the United States Cyber Command budget structures are not governed by the guidance in section 2.2.

3.0 MILITARY PERSONNEL APPROPRIATIONS

Military Personnel and Medicare-Eligible Retiree Health Care Fund Contribution appropriations finance statutory military pay, allowances, and entitlements; Retired Pay Accrual (RPA); Thrift Savings Plan (TSP) Service member and matching contributions; Continuation Pay (CP); special and incentive pays; permanent change of station (PCS) entitlements; and the required MERHCF contribution for Active and Reserve Component Service members. Program and budget estimates must reflect the most current military personnel strength plans provided by the Military Departments, including projected average strength for each fiscal year. Estimates must also reflect statutory pay rates, statutory formulas, and compensation policies issued by the Office of the Under Secretary of War for Personnel and Readiness. Detailed exhibit requirements are provided in the Volume 2 procedures.

4.0 OPERATION AND MAINTENANCE APPROPRIATIONS

Operation and Maintenance appropriations support baseline and overseas operations. Refer to the Volume 2 procedures for detailed guidance.

5.0 PROCUREMENT APPROPRIATIONS

5.1 Preparations

5.1.1. General Guidance. This section provides guidance for the preparation of procurement appropriation backup material required to support the Budget Estimates Submission (BES) and the President's budget request. The procurement accounts should also submit

applicable exhibits required by other sections of this volume. The Components will also submit any exhibits required by the OMB Circular No. A-11.

5.1.2. Specific Guidance. The budget justification material should be unclassified. All classified material must be submitted separately. Components must include a P-40 Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The P-40 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with 10 U.S.C. § 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (submit a one page P-40 exhibit) within unclassified justification budget materials. Refer to Volume 2 procedures for exhibit formats, templates, and additional instructions.

5.2 Transmittal Clearance

MILDEPs and Defense Agencies are responsible for clearing the justification material with the Washington Headquarters Services, Defense Office of Prepublication and Security Review, prior to transmittal to OMB and the congressional committees.

6.0 RESEARCH, DEVELOPMENT, TEST AND EVALUATION APPROPRIATIONS

6.1 General Guidance

Unless otherwise specified, this guidance applies to all RDT&E appropriations and to all budgets. The budget justification material should be unclassified. All classified material must be submitted separately. Components must include a R-2 RDT&E Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The R-2 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with 10 U.S.C. § 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (i.e., submit a one page R-2 exhibit) within unclassified justification budget materials.

6.2 RDT&E Budget Activities

The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts. The categories are provided in subparagraphs 6.2.1 through 6.2.8 below. The acquisition milestones identified in the definitions are established by DoWI 5000.02, "Operation of the Adaptive Acquisition Framework." Acquisition program developmental criteria and administrative requirements for each milestone are set forth in this instruction.

6.2.1. Budget Activity 1, Basic Research. Basic research is systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It is farsighted high payoff research that provides the basis for technological progress. Basic research may lead to: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved

military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone A efforts.

6.2.2. Budget Activity 2, Applied Research. Applied research is systematic study to understand the means to meet a recognized and specific need. It is a systematic expansion and application of knowledge to develop useful materials, devices, and systems or methods. It may be oriented, ultimately, toward the design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research may translate promising basic research into solutions for broadly defined military needs, short of system development. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated breadboard hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic is that applied research is directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters. Applied Research precedes system specific technology investigations or development. Program control of the Applied Research program element is normally exercised by general level of effort. Program elements in this category involve pre-Milestone B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need.

6.2.3. Budget Activity 3, Advanced Technology Development (ATD). This budget activity includes development of subsystems and components and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. Budget Activity 3 includes concept and technology demonstrations of components and subsystems or system models. The models may be form, fit, and function prototypes or scaled models that serve the same demonstration purpose. The results of this type of effort are proof of technological feasibility and assessment of subsystem and component operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development demonstrates the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-Milestone B efforts, such as system concept demonstration, joint and Service-specific experiments or Technology Demonstrations and generally have Technology Readiness Levels of 4, 5, or 6. (For further discussion on Technology Readiness Levels, see the Assistant Secretary of War for Research and Engineering's Technology Readiness Assessment (TRA) Guidance.) Projects in this category do not necessarily lead to subsequent development or procurement phases but should have the goal of moving out of Science and Technology (S&T) and into the acquisition process within the FYDP. Upon successful completion of projects that have military utility, the technology should be available for transition.

6.2.4. Budget Activity 4, Advanced Component Development and Prototypes (ACD&P). Efforts necessary to evaluate integrated technologies, representative modes, or prototype systems in a high fidelity and realistic operating environment are funded in this budget activity. The

ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to Milestone B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and development and/or production funding must be evident in the FYDP.

6.2.5. Budget Activity 5, System Development and Demonstration (SDD). System Development and Demonstration (SDD) programs have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. This budget activity is characterized by major line item projects, and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this budget activity involve mature system development, integration, demonstration to support Milestone C decisions, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles. A logical progression of program phases and development and production funding must be evident in the FYDP consistent with the Department's full funding policy.

6.2.6. Budget Activity 6, RDT&E Management Support. This budget activity includes management support for research, development, test, and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test, and evaluation. Test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program are funded in this budget activity. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to major development programs are included in this budget activity.

6.2.7. Budget Activity 7, Operational System Development. This budget activity includes development efforts to upgrade systems that have been fielded or have received approval for full rate production and anticipate production funding in the current or subsequent fiscal year. All items are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control is exercised by review of individual projects. Programs in this category involve systems that have received approval for Low Rate Initial Production (LRIP). A logical progression of program phases and development and production funding must be evident in the FYDP, consistent with the Department's full funding policy.

6.2.8. Budget Activity 8, Software and Digital Technology Pilot Programs

6.2.8.1. Software and Digital Technology Pilot Program requirements for funding in BA 8 include software, electronic tools, systems, applications, resources, acquisition of services, business process re-engineering activities, functional requirements development, technical evaluations, and other activities in direct support of acquiring, developing, deploying, sustaining, enhancing, and modernizing Software Digital Technology Pilot Programs.

6.2.8.2. Pilot programs may purchase Commercial off the Shelf (COTS) software, tools, and services necessary to meet the program's requirements.

6.2.8.3. Software and Digital Technology Pilot Programs may be nominated to Under Secretary of War for Acquisition and Sustainment. Approved pilot program nominations will be submitted with the President's Budget request.

6.2.8.4. A system project participating in the Pilot Program may be removed from BA 8 if the project has not been successful in meeting criteria established for the Pilot Program.

6.3 Establishing RDT&E Program Elements

6.3.1. The program element is the primary data element in the FYDP and is the major aggregation, at which RDT&E efforts are organized, budgeted, and reviewed. All funding associated with a major system new start must be identified in a unique program element. Requests to establish program elements should be forwarded to OSW CAPE for coordination and approval.

6.3.2. In general, the coding symbology identifies the RDT&E budget activity for the program element. Program elements in RDT&E budget activities 1 through 6 will have "06" in the first two positions; "06" indicates it is part of Major Force Program 6, Research and Development. The third and fourth position will identify the specific budget activity (e.g., 0602 is an RDT&E budget activity 2 program element). Program elements in RDT&E budget activity 7 reflect the Major Program of the fielded system in the first two positions (e.g., "01" indicates a strategic system).

7.0 MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS

7.1 Applicable Accounts

This section provides guidance for budget formulation and congressional justification of Military Construction (MILCON), Family Housing, Homeowners' Assistance Program (HAP), North Atlantic Treaty Organization (NATO) Security Investment Program, Family Housing Improvement Fund (FHIF), Military Unaccompanied Housing Improvement Fund (MUHIF), and Military Housing Privatization Initiative (MHPI) Investments and Credit Financing appropriations. This section also covers specific back-up material requirements for these accounts and provides additional specific guidance for the back-up material required for MILCON, Family Housing, Homeowners' Assistance Program and NATO Security Investment Program appropriations.

7.2 Family Housing Program Policies and Guidelines

7.2.1. Policy

7.2.1.1. It is DoW Policy: 1) to provide Military Family Housing for military families and for eligible civilian families only when suitable housing in the community does not exist; 2) to provide for the housing and support services, as authorized by law, that are necessary to meet the requirements of the DoW; 3) that the program must be financed and managed in the

most cost effective and efficient manner possible in order to support these requirements and to maximize the use of available program resources; 4) that the program must include the provision of assistance to all military personnel and certain eligible civilians in locating and utilizing privately owned housing including leasing; 5) that the program must include, within available resources, the provision of Government-owned or leased family housing and furnishings (referred to as Defense Family Housing Property); and 6) that the program must include the efficient and effective financial and program management of Defense Family Housing Property, including acquisition, privatization, operation, improvement, maintenance, debt financing, leasing, and family housing support programs.

7.2.1.2. The Family Housing Program encompasses Military Family Housing as defined and authorized by the provisions of 10 U.S.C. Chapter 169 and includes all DoW Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoW Components for family housing, and associated family housing support services programs.

7.2.2. Responsibilities

7.2.2.1. The USW(A&S) is responsible for program management as set forth in the DoDI 4165.63, and DoD Manual (DoDM) 4165.63, which also addresses Unaccompanied Housing. 10 U.S.C. § 2851a established the Assistant Secretary of War for Energy, Installations, and Environment (ASW(EI&E)) as the DoW Chief Housing Officer (CHO). The CHO oversees family and unaccompanied housing under the jurisdiction of the DoW or acquired or constructed under the MHPI. The Office of the Deputy Assistant Secretary of War for Housing (ODASW(H)) carries out the day-to-day responsibilities of the CHO with respect to the creation and administration of policies and processes regarding privatized, DoW-owned, and DoW-controlled family and unaccompanied housing. The ODASD(H) also has responsibility for overseeing the HAP. The USW(C) is responsible for financial management, program budget policies, program accounting policies, and financial reporting. As prescribed by the USW(C), the Director, Defense Finance and Accounting Service, is responsible for central accounting and financial reporting for the program. As prescribed by DoDI 4165.63, the Secretaries of the MILDEPs and the Directors of the Defense Agencies are responsible for execution of the program for personnel under their respective jurisdictions, including program and financial management, accounting and reporting.

7.2.2.2. In the financial management and execution of the program, DoW Components must conduct program budget formulation, presentation, and execution in accordance with the guidance and provisions contained in this section and adhere to the program accounting and financial reporting guidance and provisions contained in Volume 4.

7.2.3. Family Housing Objectives, Procedures, and the Administration / Management of Program Funds.

Refer to Volume 2 procedures for the appropriate instructions.

7.3 Uniform Budget and Fiscal Accounting Classification

7.3.1. MILCON Appropriations. Accomplish programming, budgeting, financing, and accounting for the MILCON Program under an account structure uniformly used for these purposes by all DoW Components. The uniform account structure and scope of each account prescribed for the administration of the MILCON Program are as follows:

7.3.1.1. Major Functional Category: Construction. The Immediate Subordinate Accounts include: Major Construction, Minor Construction, Design,

7.3.1.2. Major Functional Category. NATO Security Investment Program includes contributions for the United States share of the cost of multilateral programs for the acquisition and construction of military facilities and installations (including international military headquarters) and for the related expenses for the collective defense of the North Atlantic Treaty Area. 10 U.S.C. § 2806 pertains to contributions for NATO Security Investment Program.

7.3.1.3. Immediate Subordinate Account: Minor Construction. Includes any construction project not otherwise authorized by law having a cost equal to or less than $9,000,000. Minor construction projects costing more than $750,000 may not be carried out unless 10 U.S.C. § 2805 requirements are met. This includes advance approval by the Secretary concerned, and notification to the Congress if the project amount is more than $4,000,000. An unspecified MILCON project costing not more than $4,000,000 may be funded from appropriations available for O&M.

7.3.1.4. Immediate Subordinate Account: Design. Includes architectural and engineering services, construction design, working drawings, specifications and estimates for construction projects. 10 U.S.C. § 2807 pertains to architectural and engineering services and construction design.

7.3.2. Family Housing. DoW Components will use the uniform account structure established for programming, budgeting, financing and accounting for the family housing program. Administer the account structure to provide program and financial control of the family housing program consistent with applicable statutes. The uniform account structure and scope of each account for the family housing program are as follows:

7.3.2.1. Major Functional Category: Construction. The Immediate Subordinate Accounts include: New Construction (by Installation and Project), Construction Improvements (formerly Post Acquisition Construction), and Design.

7.3.2.2. Major Functional Category: O&M. The Immediate Subordinate Accounts include: Operation (Subaccounts: Management, Services, Furnishings, and Miscellaneous) Housing Privatization Support, Maintenance of Real Property Facilities, Leasing, Utilities, and Mortgage Insurance Premiums (or also known as Servicemen's Mortgage Insurance Premiums).

7.3.2.3. Major Functional Category: FHIF. Includes activities required for family housing in connection with the MHPI program planning, execution, accounting and financial

reporting, and administration of contracts entered under the authorities of 10 U.S.C. Chapter 169, Subchapter IV.

7.3.2.4. Major Functional Category: MUHIF. Includes activities required for unaccompanied housing in connection with the MHPI program planning, execution, accounting and financial reporting, and administration of contracts entered under the authorities of 10 U.S.C. Chapter 169, Subchapter IV.

7.3.3. Homeowners' Assistance Fund, Defense Responsibilities

7.3.3.1. The Department of the Army, which has been assigned the overall responsibility for the administration and management of the DoW HAP by DoDD 4165.50E, will submit budget estimates.

7.3.3.2. Each Component is responsible for including sufficient resources in its budget to fund HAP costs related to the Component's actions associated with base closures, realignments, and force reductions. Develop the level of resources required to fund HAP costs in consultation with the Army, HAP executive agent. Separately identify and submit budget estimates for HAP costs in the Component' Base Realignment and Closure (BRAC) submissions for HAP costs associated with realignments and closures and in the O&M submission for non-BRAC related HAP costs.

7.3.4. NATO Security Investment Program Responsibilities

The OUSW(A&S) has been assigned overall responsibility for the oversight and management of the NATO Security Investment Program by DoDD 2010.05, thereby responsible for submitting the corresponding budget estimates.

7.3.5. NATO Security Investment Program Expansion Costs

Refer to Volume 2 procedures for the appropriate submission and instructions.

7.3.6. FHIF/MUHIF Program

Refer to Volume 2 procedures for the appropriate submission and instructions.

7.3.7. MHPI Investments and Credit Financing

7.3.7.1. The Federal Credit Reform Act of 1990 and OMB Circular No. A-11 require credit financing and investment information for privatization projects to be reflected in the President's budget. OMB Circular No. A-11, Part 5, Section 85 (Federal Credit) explains the credit financing information required for the President's budget. On an annual basis, OMB sends out Budget Data Requests (BDR) for Credit Re-estimates, MAX Schedule updates, and Credit Supplemental Reporting information for the President's Budget (for PY, CY, and BY).

7.3.7.2. Annually, the OUSW(C), Program Budget, MPC and the ODASD(H) jointly issue a "Consolidated MHPI Data Call for the Fiscal Year 20BY President's Budget" that supports the upcoming OMB BDRs for both Federal credit and non-credit financing aspects of

MHPI, including the development of the Fiscal Year (FY) 20CY Credit Subsidy Re-estimates, Credit Supplement Report Exercise information, and OMB MAX A-11 database inputs for the FY20 BY President's Budget (PB). OUSW(C) P/B MPC will retain responsibility for providing OMB with required MHPI Federal credit and non-Federal credit data for the FY 20BY PB. ODASD(H) will perform OSD-level reviews of MHPI programmatic data and related files, providing technical instructions with corresponding templates and feedback to the Services regarding their submissions to OUSW(C) P/B MPC.

7.3.8. For procedures covering applicable appropriations/program funds in subparagraphs 7.3.1 to 7.3.7 and budget formulation, refer to the appropriate section of the Volume 2 procedures.

8.0 BASE REALIGNMENT AND CLOSURE APPROPRIATIONS

8.1 Authority

Defense Authorization Amendments and Base Closure and Realignment Act, Public Law (PL) 100-526, established the Defense Base Closure Account (Part I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. PL 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (Part II), the FY 2002 National Defense Authorization Act (NDAA) established the DoD Base Closure Account 2005 (BRAC 2005), and Section 2711 of the FY 2013 NDAA established the DoD Base Closure Account, which directed the transfer of remaining balances from all three previous BRAC accounts. Funding approved by Congress in these Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

8.2 Guidance

8.2.1. The Assistant Secretary of War (Sustainment) is responsible for issuing policy for management of the BRAC program and overseeing the DoW Components' execution of the program.

8.2.2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoW Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 097-0103 to identify the DoD Base Closure Account - Part I, 097X0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV, 097X0512 to identify DoD Base Closure Account 2005, and 097X0516 to identify DoD Base Closure Account (consolidated).

8.2.3. The USW(C) makes funds available to DoW Components based on their official financial plans. Financial plans are prepared by DoW Components in cooperation with and at the direction of the program manager, the ASW(Sustainment). The DoW Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the USW(C) in sufficient detail to support the DoW Component's financial

plan. Each DoW Component is allocated funds based upon its official budget justification and financial plan.

8.2.4. All closures and realignments must be completed no later than the end of the six-year implementation period beginning on the date on which the President transmitted to Congress the report containing the recommendations of such closures or realignments.

8.2.5. Section 2711 of FY 2013 NDAA established a new appropriation (097X0516) as DoD Base Closure Account. Funds in this account shall be available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations properly chargeable to the account under 31 U.S.C. § 1553. With the enactment of the FY 2014 NDAA (PL 113-66, dated December 26, 2013), the previous DoD BRAC accounts (097X0510 and 097X0512) remain as no-year accounts, and must be accounted for similarly to an expired appropriation. Unobligated balances from 0510 and 0512 accounts were transferred to the new BRAC account (0516) in January 2014.

8.3 Fiscal Accounting Classification

The account classification structure for the Base Closure Account, Defense is prescribed in Volume 12, section 13.

9.0 FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION

9.1 Authority

9.1.1. Facility Sustainment Restoration and Modernization is covered under the following accounts: Operation and Maintenance Appropriations, Research, Development, Test, and Evaluation Appropriations, Defense Working Capital Funds, Military Construction appropriations, Transfer or Disposal of DoD Real Property, Lease of DoD Real Property, and DoD Overseas Military Facility Investment Recovery Account.

9.1.2. For appropriation specific policy refer to appropriation section of this document. Section 4 provides guidance related to Operation and Maintenance costs and O&M exhibits. Section 6 provides guidance related to Research, Development, Test, and Evaluation appropriations, Section 7 provides guidance related to Military Construction, and Section 10 provides guidance related to the Defense Working Capital Fund.

9.1.3. Additional details are provided in Volume 2 procedures.

10.0 DEFENSE WORKING CAPITAL BUDGET JUSTIFICATION ANALYSIS

10.1 Intragovernmental Revolving Funds

The DoW operates five Defense Intragovernmental Revolving Funds, which comprises many accounts, sub-accounts, and activity groups.

10.1.1. The Intragovernmental Revolving Fund accounts consist of the:

10.1.1.1. Defense Working Capital Fund (DWCF), which includes:

Department of the Army Working Capital Fund (WCF);

Department of the Navy WCF;

Department of the Air Force WCF;

Defense Commissary Agency (DeCA) WCF;

Defense-Wide Working Capital Fund (DWWCF)

Defense Logistics Agency (DLA) WCF

Defense Information Services Agency (DISA) WCF

Defense Finance and Accounting Service (DFAS) WCF

10.1.1.2. Building Maintenance Fund (BMF);

10.1.1.3. Pentagon Reservation Maintenance Revolving Fund (PRMRF);

10.1.1.4. Defense Counterintelligence and Security Agency (DCSA) WCF; and

10.1.1.5. National Defense Stockpile Transaction Fund (NDSTF).

10.1.2. This section also applies to the s Surcharge Collections, Sales of Commissary Stores, Defense account (DeCA Surcharge Fund). This trust fund, managed by DeCA, is subject to apportionment by the OMB. The Revolving Funds Directorate administers the Annual Operating Budget (AOB) for the DeCA Surcharge Fund upon apportionment. Refer to section 11 for additional information regarding the DeCA Surcharge Fund.

10.1.3. Authoritative Guidance. The National Security Act of 1947, as amended 10 U.S.C. § 2208, and other provisions of 10 U.S.C. § 131 provide the Department's revolving fund authority. The BMF, and DCSA WCF were established under 10 U.S.C. § 2208 as separate and distinct revolving funds and therefore are not part of the DWCF. The PRMRF was established by the 1991 NDAA and codified in 10 U.S.C. § 2674. The NDSTF was codified in 50 U.S.C. § 98h while the DeCA Surcharge Fund was codified in 10 U.S.C. § 2484(d)(h).

10.2 Defense Revolving Funds

10.2.1. Cash Management Policy

10.2.1.1. Cash Balance. DoW Components must maintain a positive cash balance sufficient to meet operating, capital investment, and other justified requirements throughout the year and to support continuing requirements into the subsequent year. Each DoW Component and subordinate activity, command, or business line must establish a cash requirement based on business events, trends, activities, and risks relevant to its operations and manage that cash balance in compliance with all applicable laws and guidelines at the lowest level where transactions occur. This process is formalized through the DoW Component's required submission of budget exhibits (Fund-13, and Fund-13b) that outline plans to maintain cash balances within a required operating range and above a specified lower control limit at the end of each budget year. Cash managers at all levels should use available mitigation strategies to control cash flow, such as negotiating the timing of customer order receipts, controlling the timing of supplier disbursements; and requesting policy waivers, like an out of cycle rate adjustment, from the OUSW(C) Revolving Funds Director to maintain/or reduce the cash balance.

10.2.1.2. Cash Thresholds. All DoW Components will construct required cash plans using specific methods as outlined in the associated DoW Revolving Fund, Fund-13 Exhibit procedure guidance.

10.2.1.3. Cash Transfers. Transfers of cash between RF activities, whether directed internally by the Components, departmental guidance, or congressional direction, will be included in all the affected activities' budget (Fund-13). Cash transfers between Military Department's WCFs (e.g., Army to Air Force) or between the DWCF and appropriation-funded activities require Congressional approval.

10.2.2. Advance Billings

10.2.2.1. The total amount of advance billings executed by the Department for a fiscal year may not exceed the amount specified in 10 U.S.C. § 2208 (l) or as amended by public law. 10 U.S.C. § 2208, paragraph (l)(4) provides that advance billing for background investigations and related services performed by the Defense Counterintelligence and Security Agency is not subject to Section 2208's congressional notification requirements and dollar limitations. 10 U.S.C. § 2208, paragraph (I)(3)(B) provides that advance billing for relief efforts following a declaration of a major disaster or emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act is not subject to Section 2208's dollar limitations.

10.2.2.2. Components may use advance billings of customers as a cash mitigation strategy. The OUSW(C) or the MILDEP, as applicable, must notify Congress in writing within 30 days after the end of the month in which the advance billing occurred. The notification must explain the reasons for the advance billing, as well as an analysis of the effects of the advanced billing on both military readiness and the customer. Military Departments must send this notification directly to Congress and provide a copy to the Revolving Fund Directorate, while Defense Agencies must submit their requests to the Revolving Fund Directorate to notify Congress on their behalf.

10.2.2.3. With the exception of the DCSA, advance billing requires authorization within the activity's AOB. Components must request this authority and, if approved, the Advanced Billing Authority will be added to their AOB as a note disclosure. The note disclosure must explicitly state the amount the cumulative total of the advance billing is related to a declaration of a major disaster or emergency under the Stafford Act.

10.2.2.4. Advance payments received from non-federal entities are not subject to 10 U.S.C. § 2208, advance billing limitations, and are required by Volume 11. The billing of customers by Supply Management Activities upon shipment rather than delivery is also not subject to the advance billing limitations.

10.2.3. Capital Investment Program (CIP) Policy

10.2.3.1. The legal requirements related to the CIP are found in 10 U.S.C. § 2208, paragraphs (k), (m), and (o). The legal requirements for unspecified minor military construction projects are found in 10 U.S.C. § 2805.

10.2.3.2. With the exception of major military construction and items listed in subparagraphs 10.2.3.3, 10.2.3.4., and 10.2.3.8, acquisition of all capital assets for use by activities within the revolving funds can be financed using contract authority. Components may not use the CIP to establish a new or expand an existing organic capability except as specifically justified in the President's Budget Request (Exhibit Fund-9b, "Capital Investment Justification").

10.2.3.3. Revolving Fund activities outside the DWCF that are not authorized contract authority (e.g. the PRMRF) must build the full cost of capital investments into their rate structure to ensure funds are available prior to obligation.

10.2.3.4. The CIP consists of the following four major categories of assets: (1) Automated Data Processing Equipment (ADPE); (2) Non-ADPE Equipment; (3) Software Development, whether internally or externally developed; and 4) Minor Construction.

10.2.3.5. The RF Capital Budget specifically excludes the following items, which must be financed by appropriated funds.

10.2.3.5.1. Major Range and Test Facility (MRTF) installations (equipment and minor construction) that meet the DoW Investment capitalization criteria in accordance with 10 U.S.C. § 2208, paragraph (k);

10.2.3.5.2. Military and tenant support functions;

10.2.3.5.3. Major weapons systems (such as aircraft, ships, tanks, barges, etc.), and general-purpose passenger type vehicles;

10.2.3.5.4. Equipment and minor construction projects for mobilization requirements, but not used during peacetime operations;

10.2.3.5.5. Equipment initially procured and usually furnished as part of a weapons system and/or support system including modifications (includes initial common support equipment for depot maintenance support of new weapons systems);

10.2.3.5.6. Materiel is normally funded by appropriated funds and provided to contractors as Government-Furnished Materiel (GFM). The customer must use appropriated funds to purchase the GFM and provide it at no cost to the WCF;

10.2.3.5.7. Minor construction projects for non-RF activity or military support functions;

10.2.3.5.8. Construction and facility investment projects that exceed the amount specified in 10 U.S.C. § 2805 for funding under O&M appropriations;

10.2.3.5.9. Environmental projects financed or submitted for funding by the applicable Environmental Restoration Transfer appropriation;

10.2.3.5.10. Capital Investments for morale, welfare, and recreation activities; and

10.2.3.5.11. Such other exclusions as may be approved by the USW(C).

10.2.3.6. RF activities are authorized to use the CIP to purchase capital assets meeting the criteria in 10 U.S.C. § 2208, paragraph (k). The AOB permits an RF activity to obligate contract authority to purchase capital assets prior to receiving funded customer orders and collecting cash from customers. Those obligations must be funded by offsetting collections since cash does not come with contract authority. Unobligated Contract Authority does not carry into the subsequent fiscal year.

10.2.3.7. As an administrative control of resources subject to the rules of the Antideficiency Act, which is codified in 31 U.S.C. §§ 1341, 1342, and 1517, the AOBs provide a specific amount of contract authority for the CIP. Therefore, obligations may not exceed the amount provided on the AOB.

10.2.3.8. The RF customers may procure capital assets through direct appropriations for use by a RF activity. However, these assets remain the property of the customer and will be recorded as General Property, Plant, and Equipment (GPP&E) on the customers financial statements; the capital asset will not be recorded as GPP&E assets on revolving fund financial statements unless the asset is transferred to RF ownership.

10.2.3.9. WCF activities must recover costs to purchase capital assets by including a Capital Investment Recovery (CIR) factor in rates billed to customers. The revenue collected from the CIR is used to liquidate the contract authority used to procure the CIP asset. If the WCF activity does not have enough revenue to fully liquidate the contract authority, it must, at a minimum, liquidate enough to cover any cash outlays related to CIP. In addition to the CIR, a capital surcharge might be applied to collect cash for the capital outlay if the existing minimum balances are not sufficient to provide adequate budgetary resources to offset budgetary claims.

10.2.3.10. The following budget exhibits are required to document an activity's capital budget request: (1) Exhibit Fund-9a, "Capital Investment Summary"; (2) Exhibit Fund-9b, "Capital Investment Justification," and (3) Exhibit Fund-9c, "Capital Budget Execution."

10.2.3.11. Each proposed CIP project must be reviewed to ensure that it satisfies the required criteria for justification and backup.

10.2.3.11.1. The acquisition of a capital asset meets the Department's long-range planning and programming objectives and satisfies a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically using existing equipment and facilities or by contract.

10.2.3.11.2. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by DoDD 4275.5, "Acquisition and Management of Industrial Resources," as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

10.2.3.11.3. The workload projections used to justify capital purchases take into account the results of inter-service decisions, workload posture planning decisions, readily available commercial alternatives, and other reasonable options available for accomplishing applicable workload.

10.2.3.11.4. The acquisition of a capital asset accomplishes the objective for which it is justified. The criteria are: improved efficiency (savings) or effectiveness of operations; replacement of unsafe (locally determined by an authorized safety representative), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

10.2.3.12. A formal pre-investment economic analysis or cost comparison analysis must be completed and maintained by the originating office prior to capital budget submissions, reprogramming requests, or project substitutions across the four investment categories (ADPE, Non-ADPE, Software, and Minor Construction).

10.2.3.12.1. Formal economic analyses are required for projects of $5,000,000 or more, while cost comparison analyses are required for projects under $5,000,000.

10.2.3.12.2. Cost comparison analyses (under $5,000,000) must be prepared in constant base-year dollars, presenting yearly differential costs for up to a 6-year evaluation period.

10.2.3.12.2.1. Documentation must define objectives, functional processes, workload projections, feasible alternatives, total/differential costs, expected monetary benefits, assumptions, estimating methods, and data sources.

10.2.3.12.2.2. The payback period, expressed in tenths of years, is the primary economic ranking indicator.

10.2.3.12.3. Formal economic analyses ($5,000,000 or more) must be prepared on a net present value (NPV) basis over the project's expected economic life, displaying costs in constant, discounted, and current dollars. This analysis must comply with applicable DoW or Component guidance as well as functional program guidance.

10.2.3.12.3.1. Documentation requires the same core elements as a cost comparison analysis, plus sensitivity/uncertainty analysis of key parameters and the identification of both intangible and quantifiable benefits (outputs achieved per investment dollar).

10.2.3.12.2. The Benefit-to-Investment Ratio (BIR) is the primary ranking indicator—calculated using discounted constant dollars as an index value rounded to two decimal places, where a BIR greater than one indicates the project is cost-beneficial and larger ratios indicate greater advantage—and must compare alternatives in terms of all expected monetary benefits (including whole and partial manpower productivity savings and other cost avoidance) over the total project life under evaluation, with the payback period considered as a secondary ranking factor.

10.2.3.12.4. The Savings-to-Investment Ratio (SIR) must be calculated using discounted dollars for Automated Information Systems to compare actual budget savings against investment costs.

10.2.3.12.5. A post-investment analysis is required upon project completion to evaluate actual costs and benefits against initial projections.

10.2.3.12.6. Exemptions from these requirements apply to environmental, hazardous waste, or regulatory mandates, higher DoW or Component authority directives that preclude alternatives, or specific DoW waivers (e.g., equipment age/condition replacement criteria).

10.2.3.13. Internal Use Software as defined in DoDI 5000.76 must be budgeted and capitalized as part of the hardware it runs on. In contrast, systems application software must be budgeted for separately, either as a direct expense or as a capital investment if it meets the criteria for a capital asset, with all new acquisitions and improvements budgeted on a per-project basis. The costs associated with the software development phase are capitalized as part of the capital budget. The preliminary design (e.g., costs prior to Milestone 0, Concept Exploration and Definition, etc.) and post implementation costs (e.g., Data conversions, application maintenance, training, documentation, etc.) are expensed as part of the operating budget. Furthermore, in accordance with 10 U.S.C. § 2222 and DoDI 5000.75, those with projected spending over $250 million or more over the FYDP for Priority Defense Business Systems or $25 million or more for Fourth Estate Defense Business Systems over the FYDP, must be approved by the Defense Business Council (DBC) and obtain certification by the DoW CIO before any funds can be obligated.

10.2.3.13.1. To account for the potential unpredictability in costs and scheduling during the development phase, any software initially planned or developed outside a Revolving Fund activity may not transfer into the revolving fund until both the preliminary design and developmental phases are completed, and the software has entered full production in the post

implementation phase. This ensures that only software that is fully developed and operational is transferred into the RF. Once transferred, the fully recoverable costs will be expensed as part of the operating budget.

10.2.3.13.2. Only include those software development or acquisition efforts for the benefit of the activity in the RF capital budget submissions. Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer.

10.2.3.13.3. Software projects may be accomplished in modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, request funding for each severable module in the year that the module is started. Funding requests must be sufficient to complete the module. If several modules make up a complete ADP system, show the cost of all modules related to the system.

10.2.3.14. Unspecified minor military construction projects costing more than the threshold established in 10 U.S.C. § 2805 must be funded within the DoW Component's Military Construction appropriation.

10.2.3.14.1. However, under 10 U.S.C. § 2805(c), O&M funds can be used for unspecified minor construction projects costing not more than the threshold established therein is available for RF-funded unspecified minor construction. Projects that have estimated costs that exceed the thresholds established in 10 U.S.C. § 2208 and not been previously documented in the budget (Exhibit Fund-9b, "Activity Capital Investment Summary") must be approved through the Congressional notification process or in a subsequent budget and displayed as an adjustment on the Exhibit Fund-9c, "Capital Budget Execution." The approval will be reflected in the Component's Annual Operating Budget.

10.2.3.14.2. Laboratory Revitalization Program projects must be for the revitalization and recapitalization of Defense laboratories owned by the U.S. and under the jurisdiction of the SecWar or a MILDEP. In accordance with 10 U.S.C. § 2805, paragraph (d)(3) any projects using the Laboratory Revitalization Program requires the concerned Secretary to provide the appropriate Congressional committees a 14-day notification prior to obligation of funds. Fund activities designated to participate in the DoW Laboratory Revitalization Program must obtain prior approval from the Director or Deputy Director for Revolving Funds for all projects estimated to exceed the thresholds established in 10 U.S.C. § 2208 so that those projects can be specifically identified in the capital program within the AOB prior to project execution.

10.2.3.14.3. Capital investment costs financed in the minor construction portion of the capital budget include project planning and design costs associated with minor construction projects. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

10.2.3.15. DoW Components may reprogram RF capital funds between their sub-activities, or CIP categories and their projects within the DoW component. There is no minimum or maximum limit on this type of reprogramming. Capital reprogramming between CIP

categories and projects within the same RF sub-activity does not require the written approval of the OUSW(C) Revolving Funds Director or Deputy Director in the form of a signed AOB. The following approval levels, and dollar threshold, apply to changes to projects approved in the capital budget including reprogramming, substitutions, cancellations, and additions:

10.2.3.15.1. Fund managers may approve transfers between the ADP Equipment and Software categories or among their individual projects once they obtain certification from the approval authority as directed in the guidance displayed in DoDI 5000.75.

10.2.3.15.2. Fund managers may approve transfers between the Non-ADP Equipment and Minor Construction categories or among their individual projects.

10.2.3.15.3. CIP transfers between DWCF activities within a DoW Component (e.g., supply to non-supply) must be approved by the Director or Deputy Director for Revolving Funds, in the form of a signed AOB, before the transfer is executed.

10.2.3.15.4. Components must charge capital obligation adjustments to the program year cited in the President's Budget for the original project. The prior year capital investment program limitation is equal to actual obligations on September 30 of that fiscal year plus adjustments approved by the OUSW(C) Revolving Funds Director or Deputy Director to the prior year program. Fund managers may request approval to carry over authority for any unobligated capital projects before the end of the fiscal year.

10.2.3.15.5. Capital obligation authority may be adjusted for prior year within scope increases provided that there is contract authority available to finance the increase. Before making such increases, the Component must have equal off reductions (deobligations) of current year capital authority to finance the prior year increase. Prior approval from the Director or Deputy Director for Revolving Funds is only required if cumulative adjustments exceed 20 percent of the total CIP budget of the current fiscal year. All adjustments should be documented in the activity's next AOB but will not require a new AOB solely for such documentation.

10.2.3.15.6. For current fiscal year capital projects that will not obligate by September 30, components must request in writing permission to carry over these projects via a memo to the Director or Deputy Director for Revolving Funds. If the Director or Deputy Director for Revolving Funds approves the request in a signed memorandum, the approved carry over amounts for projects not obligated by the end of the fiscal year will be carried forward to the next fiscal year's AOB.

10.2.4. Mobilization/Surge Costs and War Reserve Materiel

10.2.4.1. War Reserve Materiel. The DWCF activities must identify all costs related to maintaining a capacity to meet mobilization requirements. These costs are not considered normal operating costs and may be reimbursed by direct appropriations so that customer rates are not burdened by contingency requirements. Obligations for the procurement of war reserve materiel must be funded by a direct appropriation to the WCF with one exception; if Congress is notified, and a cost recovery rate is included in the rates, contract authority may be used. Such appropriated amounts for secondary items must be reflected as a separate goal within

the applicable Supply Management or Commissary Resale activity AOB. Use the SM-6 "War Reserve Materiel" exhibit to justify War Reserve Materiel Requirements.

10.2.4.2. Unutilized and Underutilized Plant Capacity. Unutilized/Underutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet surge capacity needed for mobilization or war. The UPC is a mobilization requirement budgeted in and funded by Operation and Maintenance appropriated funds of the DoW Component responsible for the activity's management. Do not include UPC costs in the WCF rate structure. As a general rule, UPC funding includes the pro-rata facilities support costs for any month in which 1) mobilization facilities are not used or 2) facilities are used 20 percent or less of available workdays.

10.2.4.2.1. Mobilization expenses related to UPC may include both maintenance and labor costs related to mobilization.

10.2.4.2.2. Each non-supply DWCF activity should prepare a UPC Budget Exhibit (Fund-30). This exhibit documents total capacity, Unutilized Capacity Index, justification, and cost used in developing the request for UPC. All non-supply DWCF activities should complete the three capacity-index metrics found in Part I of the exhibit. Any non-supply activity requesting UPC funding will also complete the funded UPC line in Part I and the UPC justification in Part II of the exhibit.

10.2.4.2.3. Industrial Mobilization Costs. The Army established a category of costs that includes both UPC and underutilized facilities cost called "Industrial Mobilization Cost." The Army will use the Exhibit Fund-30, "Underutilized Plant Capacity" to justify their Industrial Mobilization Costs.

10.2.4.3. Airlift Readiness Account (ARA). The U.S. Transportation Command (USTRANSCOM) must maintain sufficient airlift capability to respond to transportation requirements for a wide variety of mobilization conditions. This requirement exists in both peacetime and contingency environments. To the extent customer revenue is insufficient to support the costs of maintaining this capability; the Air Force must provide appropriated funds from the ARA. USTRANSCOM will coordinate with military services and Combatant Commanders to understand airlift workload requirements and adjustments to workload projections on a routine basis. USTRANSCOM must provide the Air Force with the budgeted ARA amount that will be part of the Transportation Working Capital Fund Budget Estimate Submission (BES) and President's Budget with enough lead time for the Air Force to incorporate in its budget submissions. The Air Force must submit a matching amount in its BES and President's Budget submission within its Operation & Maintenance account. USTRANSCOM must submit the Fund-8, "Air Mobility Command Common User Services" exhibit to justify the ARA requirement. The USTRANSCOM will record as a funded order and revenue.

10.2.5. Military Personnel

10.2.5.1. Components must use the civilian-equivalent rates provided by the OUSW(C) Revolving Funds Director to price military labor at WCF activities. The difference

between the civilian-equivalent costs, included in the WCF budget, and the actual military personnel cost must be budgeted directly in the appropriate military personnel appropriation.

10.2.5.2. The amount expensed for military personnel by WCF activities and the amount reimbursed to the appropriate military personnel appropriation must equal the amount budgeted. No adjustments will be made to the WCF cost of operations to reflect the actual cost of military personnel employed by WCF activities. Military Departments having military personnel assigned to other Components, must provide to each Component the number of work years that should be included in the WCF budget submission. The WCF activities that augment their manpower requirements with National Guard or Reserve personnel, to include those participating in the Personnel Force Innovation program, must reimburse the appropriate military personnel appropriation at the WCF civilian-equivalency rates.

10.2.6. Full Recovery of Costs and the Setting of Prices

10.2.6.1. Managers of RF activities within each Component will set their prices based on full cost recovery, including all general and administrative support. Prices are established by the budget process and are represented at the aggregate level in the form of a composite rate. Prices and corresponding rates should remain fixed during the year of execution (exceptions are listed in Volume 11). Prior to execution, Components will conduct a review of prices changes for all National Item Identification Numbers to mitigate any unintended impact on customer buying power. Customers may request price challenges in accordance with DoDM 4140.01 Volume 9, section 6.2 and dispute bills between DoW Components in accordance with the process outlined in DoW FMR Volume 11. This stabilized price policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher -than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of RF resources.

10.2.6.2. Except in unusual circumstances, prices for the budget year will be set to break even over the long run at the sub-activity level. Generally, this means that prices will be set to achieve an AOR of zero in the budget year, provided that cash and budgetary resources are available to support the adjustments. If unusual circumstances have put a severe strain on cash such that projected cash levels are below the lower limit of the operating range, the RF activity may consider planning for a positive AOR in the budget year. However, the AOR balance will either be off-set in the budget by deferring the AOR balance into the subsequent budget year or as a nonrecoverable AOR in the Fund-14. In budget execution, activities will incur either a positive or negative operating result. Accordingly, activities will adjust their budget year prices by increasing their rates to recover actual or projected losses of budgetary resources or decreasing their rates for the customers to account for excess cash resources or projected budgetary gains to customers. An activity may request recovery of AOR outside the budget year. This request must be included in the budget submission and must demonstrate that the alternative recovery period will not adversely affect the cash balance of the activity. A phased recovery schedule must be provided with the budget.

10.2.6.3. WCF rules for pricing and operating loss recovery or gain distribution may be waived or deferred if one or more of the following conditions exist.

10.2.6.3.1. Fund Liquidity: Component fund managers must maintain a positive cash balance throughout the year. The cash requirement developed on the exhibit, Fund 13b, Cash Requirements, provides a management guide for maintaining cash sufficiency.

10.2.6.3.2. Depot Maintenance Additional Requirements: If Component cash balances are projected to be sufficient by the end of the budget year, depot maintenance activities will recoup losses and return gains in the budget year. However, if cash balances will be outside the cash operating range, an out-of-cycle rate adjustment or surcharges may be directed, to restore cash to appropriate levels, at any time in accordance with subparagraph 10.2.6.3.1. Components may recoup unplanned depot losses in subsequent years with prior year resources. Prior to employing this financing method, components must notify the OUSW(C) Revolving Funds Director in writing of actions being taken and provide evidence all other criteria for prior year upward obligations are met.

10.2.6.3.3. A WCF activity operating overseas may experience significant operating losses or gains due to changes in foreign currency exchange rates. The WCF activities are not eligible to participate directly in the Foreign Currency Fluctuations, Defense (FCF,D) (97-X-0803) and the Foreign Currency Fluctuations – Construction, Defense (FCF-C,D) (97-X-0801) accounts.

10.2.6.3.4. In addition to spreading contract costs when developing rates for all customers, the RF activities may incur and recover costs for contracts awarded specifically to fill the requirements of one customer by charging that customer an amount equivalent to the RF activity's expense in funding, awarding, and administering the contract. During the year, price changes must be in accordance with Volume 11, section 25.

10.2.6.3.5. Unbillable costs and operational losses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as costs in the fiscal year in which the costs were incurred. The resulting operating losses must be included in calculating net and accumulated operating results.

10.2.6.3.6. Unless approved in writing by the Director or Deputy Director for Revolving Funds as an out-of-cycle rate adjustment, the prices must be consistent with the rates set for all activity products, goods, or services approved during the budget review and documented in a memorandum signed by the USW(C), or designated representative.

10.2.6.3.7. Users must pay for the goods and services provided by all WCF activities, including deployment or other emergency response for military or humanitarian assistance. Consistent with this policy, third party collections for transportation provided in response to a Request-for-Assistance (RFA) from another government agency are prohibited. The Military Department that controls the equipment or personnel is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

10.2.6.3.7.1. The only exception to this policy is when the Joint Chiefs of Staff orders USTRANSCOM to transport non-U.S. equipment or personnel, such as for

non-reimbursed support to the United Nations. In these specific cases, the costs are covered by the respective military branches: the Army pays for Surface Deployment and Distribution Command, the Navy for Military Sealift Command, and the Air Force for Air Mobility Command. While billing can be centralized for convenience, invoices must be forwarded to the responsible Military Department within 30 days of the mission's start. These departments are required to pay all bills, including those for transportation, in a timely manner.

10.2.6.3.7.2. This guidance does not apply to contingency operations designated by the SecWar as a "National Contingency Operation" under 10 U.S.C. § 127. These operations are governed by separate rules, which are issued at the time of their designation

10.2.6.3.8. Base Realignment and Closure (BRAC)-Related Costs. Costs incurred in implementing the recommendations of the BRAC Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. The WCF activities may incur BRAC expenses prior to receiving an allocation of BRAC funding; however, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. The WCF activities may not expend funds prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. The BRAC account must reimburse all costs incurred by WCF activities to carry out BRAC prior to the end of the fiscal year in which costs were incurred. Prior year, current year, or budget year operating losses in WCF are not to be budgeted in the base closure accounts. Costs attributable to base closure actions at WCF activities to be budgeted in BRAC may include:

10.2.6.3.8.1. BRAC directed reductions-in-force, separation incentives, plant closures, layaway or custody costs, or other BRAC-related expenses, such as all costs not associated with a valid work order during the year of closure.

10.2.6.3.8.2. Environmental restoration and mitigation, to include reducing, removing, and recycling hazardous waste, and removing unsafe building debris.

10.2.6.3.8.3. Planning, to include conducting such advance planning and design as may be required to transfer from an activity being closed to another military installation.

10.2.6.3.8.4. Outplacement assistance in relocating, training, or providing other necessary assistance to civilian employees employed by the Department at installations being closed.

10.2.6.3.8.5. Community programs, to include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation.

10.2.6.3.9. BRAC and WCF Rates. Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components' Operation and Maintenance (O&M) appropriations. The WCF

losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, the Component responsible for the activity incurring the loss will finance, as a pass through from O&M appropriations to the WCF, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred.

10.2.6.3.10. BRAC-Related Permanent Change of Station (PCS) Moves for WCF Activities. Costs incurred to recruit and hire civilian personnel (including associated PCS costs) to fill vacant positions at an activity that is being transferred from a closing or realigning installation to another military installation in accordance with a BRAC recommendation may properly be considered BRAC costs under the Base Closure and Realignment Act of 1990. As a matter of Department policy, however, BRAC funds will not be used for such costs except in the case of WCF activities, which may temporarily charge such costs against the WCF, provided the WCF is reimbursed with BRAC or O&M funds by the end of the fiscal year in which the costs are incurred.

10.2.6.3.11. Eligible and Ineligible Costs. BRAC accounts are intended to cover specific expenses directly related to the closure or realignment, including: (a) reductions -in -force and separation incentives; (b) environmental restoration and hazard removal; (c) planning and design for transferring functions; (d) outplacement and training assistance for civilian employees; and (e) economic and planning assistance for affected communities. However, BRAC funds cannot be used to cover prior, current, or budget-year operating losses within the WCF.

10.2.6.4. Funding of Civilian Voluntary Separation Incentive Program will be financed and included in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered because of a directed BRAC action, in which case the appropriate BRAC account will fund the civilian separation incentive.

10.2.6.5. WCF activities operating as tenants must reimburse the host installation for any base support services listed in Exhibit Fund-22, but only to the extent that their presence directly increases the host's costs. This reimbursement must follow the guidelines outlined in DoDI 4000.19 for support agreements. Costs for WCF mission products and services (e.g., depot supply, depot maintenance, facility engineering services, information processing, communications, and software development) should be based on the approved stabilized rate. However, for other incidental support, the WCF activity can only be charged for the measurable, incremental direct costs it creates. Overhead costs cannot be passed on to the WCF activity. All budgeted costs for these services, whether from the host or tenant perspective, must be documented on Exhibit Fund-22 in the fall budget submission.

10.2.6.6. The labor costs for first-line supervisors – those in official positions directly overseeing non-supervisory employees – are typically charged as an indirect production cost to the cost center they manage. However, there are two exceptions. First, if a supervisor's entire time is dedicated to a single project, their costs are handled differently. Second, if a supervisor is temporarily assigned to perform direct, hands-on work, their time must be classified

as direct labor and charged to the specific job order. This policy does not apply to subordinate leaders like "crew chiefs" or "team leaders." For more detailed guidance on labor cost accounting, refer to Volume 11.

10.2.6.7. A management headquarters is a discrete organization or part of an organization that has authority over the management of the WCF activity. The OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting WCF activities that should be funded or reimbursed by the WCF activities.

10.2.6.8. Costs for discrete WCF management headquarters organizations and parts of organizations that perform direct WCF management headquarters functions can be financed directly in the WCF or reimbursed by the WCF activity (whichever is more practical). In addition, Components may allocate significant costs for common support functions, such as counsel or personnel services, at WCF management headquarters to other users based on workload percentages in those functions.

10.2.6.9. Dual-Funded Organizations are organizations that are funded (including reimbursable funding) by both the WCF and other appropriations or accounts. In instances where a non-management headquarters function is funded with a combination of WCF and General Fund (GF), the function initially will be funded in its entirety by either the WCF or GF, based on the preponderance of definable units of measure for the function (e.g., workload, productive hours, outputs, or ultimate use).

10.2.6.9.1. The entity that initially funds a shared function should be reimbursed by the other users for their proportional share of the cost. The reimbursement amount is based on the same metric (e.g., workload, hours) used to determine who paid the initial cost.

10.2.6.9.2. Initial Funding Rule. The part of the organization (or funding source provided) initially funding the function should be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved, based on the unit of measure that was used to determine which organization or funding source would provide initial funding; and the amount of reimbursement should be based on the relative portion of that unit of measure attributable to each part of the organization or funding source involved. If the part of an organization that is within the WCF accounts for more than 50 percent (e.g., 60 percent) of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the WCF portion of the organization initially would fund all of the costs of performing that function. However, the applicable part of the organization funded through General Funds would reimburse the WCF for, and be allocated, the remainder of the costs (e.g., 40 percent).

10.2.6.9.3. This policy does not apply to base support services. The reimbursement amount for these services provided by the WCF to tenant activities must be determined according to the policies outlined in DoDI 4000.19.

10.2.6.10. When an RF activity purchases a capital asset that is also used by a GF entity, the RF activity must capitalize the asset and bill the GF user at a rate that recovers both capital investment and operating costs. Conversely, if a GF entity purchases an asset that is also

used by an RF activity, the GF entity will capitalize it and may bill the RF activity for operating costs, but it is strictly prohibited from billing for the asset's depreciation.

10.2.6.11. When a work order or project is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs, the RF activity should charge the customer for the direct and indirect production costs incurred, plus the applied overhead plus costs associated with the cancellation or reduction. Volume 11 provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

10.2.6.12. Write-offs of unusual or infrequently occurring losses are not chargeable against AOR and should not be recovered through increases in customer rates unless recovery of a cash loss or outlays is required and in accordance with accounting policies. Examples of unusual or infrequently occurring losses not recovered in rates include losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; or losses associated with systematic inventory reductions by disposal of assets associated with force drawdowns. Only unusual or infrequently occurring write-offs that require a cash resource will be separately identified in the Component's budget submission using the Fund-14, "Revenue and Expenses" exhibit.

10.2.6.13. Net Operating Results (NOR) Adjustments. There are instances where additional adjustments to the Fund-14 and NOR are required. For example: Cash Transfers in and out of the fund not directly related to operational performance (Direct Appropriations associated with natural disasters, humanitarian relief, pandemics, cash infusions, and reprogramming actions e.g., transfers in/out) may use below-the-line adjustments to the NOR to adjust for transfers that are not directly related to operational performance and subsequently does not support returning or collecting AOR.

10.2.6.14. All requests (to include justification) for NOR and/or AOR non-recoverable or deferred adjustments must be submitted in writing via a memorandum format to the FMOA Director for approval prior to or concurrent with the Budget Estimate Submission.

10.2.6.15. Methods for Rate Setting for RF Activities. All DWCF activities will establish rates using the following a multiple step process detailed in Volume 2 procedures.

10.2.6.15.1. Percentage Markup on Cost. A cost recovery percentage is applied to the purchase or repair cost of secondary supply items to recover overhead costs and other pricing adjustments. This method is typically used for supply management DWCF activities.

10.2.6.15.2. Direct Labor Hour (DLH). A specific dollar value, including all direct costs, overhead, and other pricing adjustments, is charged per DLH associated with the completion of a customer order. This method is typically used for industrial DWCF activities (i.e., depot maintenance, ordnance, and research and development).

10.2.6.15.3. Specific Unit of Output. RF activities that provide services via numerous outputs that do not have a common measure for calculation will establish separate rates for each output. When multiplied by projected customer workload for each output, the rates will produce revenue that approximates, to the extent possible, recovery of the full cost, including

approved adjustments, of providing the specific outputs (e.g., transportation, finance and accounting, information systems, and base support). This includes direct systems reimbursement.

10.2.6.16. Standard Fuel Price (SFP). During the budget development cycle, the Revolving Funds Directorate will establish the standard fuel price (SFP) for use by the Defense agencies and military departments to develop their fuel estimates for the budget. The Revolving Funds Directorate will use the OMB economic assumptions (EA) and the refined product costs experienced by the department to develop the SFP. The SFP consists of the refined fuel cost and the non-product cost, which includes cost for Sustainment, Restoration and Modernization (SRM), terminal operations, transportation, operations and product losses. During the year of execution, the SFP may be set at the budgeted rate or may be adjusted due to updated economic assumptions from OMB, the latest refined product cost experienced by the Department, changes in projected product costs, or the DLA Energy cash balance. The OUSW(C) must approve the SFP that will be used for the budget and changes thereafter.

10.2.7. Public-Private Partnerships at Depot Maintenance Activities

10.2.7.1. Guidance. Conditions for the sale of goods and services to non-DoW entities must be based on specific statutory authority. Pursuant to the authority granted to the SecWar by 10 U.S.C. § 2208(h) to prescribe regulations for DWCF activities and the use of inventories, this DoW guidance clarifies existing legal authority applicable in specific circumstances. The guidance set forth in this section:

10.2.7.1.1. May not be used to compete for non-defense related work;

10.2.7.1.2. Does not apply when otherwise precluded by public law;

10.2.7.1.3. Does not apply to products or services produced under work-share arrangements in which a DoW sponsor assigns work and separately funds the DoW depot maintenance activity and the private sector entity; and

10.2.7.1.4. May be used for sales to private sector entities only when the transaction is part of an arrangement that is officially recognized as a depot maintenance public -private partnership.

10.2.7.2. Sales Prices. To minimize potential DoW operating losses or gains, sales prices to private sector entities in depot maintenance public-private partnership relationships may be tailored to the most recent actual and projected costs, rather than the approved stabilized billing rates charged to DoW customers (10 U.S.C. § 2474). Tailored rates or prices charged for sales to private sector partners, if used, must ensure full cost recovery for the work involved in producing the specific products and services. Such tailored rates and prices must include: (a) all direct costs, (b) production or shop overhead costs that contribute to the final product and (c) a full allocation of General and Administrative (G&A) overhead costs, distributed on the same basis as for DoW customers. (Since G&A overhead costs cannot be attributed to specific products or services, there is no basis to include or exclude specific items of cost from prices charged to customers.). Exceptions to DWCF pricing policy for sales to private sector parties in depot maintenance

partnership arrangements, do not change the requirement that sales prices include unfunded costs, as prescribed in Volume 11.

10.2.7.3. Fixed Pricing. The DoW is authorized to sell goods and services to private sector partners using a fixed-price model, which can include multi-year agreements, provided that the work is well-defined and costs are predictable. This practice helps private partners forecast their expenses and allows for better use of DoW maintenance depot capacity. For projects where costs are uncertain, a cost-reimbursable model is more appropriate. Additionally, the DoW may accept incremental advance payments when the scope and risk associated with a contract make it a suitable option. Multiyear fixed price agreements are authorized when future production costs can be reasonably predicted and the potential for future losses and gains are minimal. Prices may be fixed at a predetermined level taking into account future year escalation factors like pay rate changes, general inflation, and the number of units produced. Multiyear fixed price agreements may also incorporate other pricing techniques such as establishment of a base price with provisions for economic price adjustments to accommodate inflation.

10.2.8. Military Clothing Items and Individual Equipment

The DLA Supply Management Activity procures military clothing and equipment (uniforms, combat equipment, tents, tool sets and kits, hand tools, and cleaning equipment and supplies) and bills users at standard prices. The Military Services are responsible for budgeting these items through the appropriate channels: the Military Personnel appropriation for new clothing bag items and the O&M appropriation for new organizational equipment. These budgets must be sufficient to cover the initial purchase and inventory, although funds can be reprogrammed if items are needed before the budget is formally approved. A replacement item is considered "new" if its cost increases by more than 10 percent compared to the item it replaces.

10.3 Budget Justification Material

Each Revolving Fund will submit justification material to the OUSW(C), Revolving Funds Directorate, in preparation for submitting the President's budget request to the Congress following a review and approval by the OUSW(C) and the OMB. The following chart provides the required exhibits by Revolving Fund activity:

				4930.01		4930.02				4930.03				4930.04		4930.5					4932	4950	4931	4555	8164
				Army		Navy / USMC				Air Force				DeCA				DLA				WHS			
Exhibit	Exhibit Requirements	Activity*	Primary (P)/ Secondary (S)	Supp.	IO	Supp.	Depot	R&D	MSC	Depot	CSAG-S	SMAG-R	TWCF	Resale	Ops.	DFAS	DISA	SCM	Energy	Docs	DCSA	PRMRF	BMF	NDSTF	DeCA Surcharge
SM-1	Supply Management Summary by Division	S	P	X		X					X	X		X				X	X						
SM-3b	Weapon System Requirements	S	P	X		X					X														
SM-4	Inventory Status	S	P	X		X					X	X		X				X	X						
SM-5a	Markup on Materiel Cost	S	S	X		X					X	X						X							
SM-5b	OP-32 Price Change	S	S	X		X					X	X						X							
SM-6	War Reserve Materiel	S	P	X							X	X						X	X						
SM-16	Unit Cost Summary	S	S	X		X					X	X						X	X						
Fund-1	Summary of Price, Program and Other Changes All	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-1a	Details of Price, Program and Other changes (OP- 32)	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-2	Changes in Cost of Operations	NS	P		X		X	X	X	X			X		X	X	X			X	X	X	X	X	
Fund-3	Labor and Manpower Breakdown	I/D	S		X		X			X															
Fund-4	Summary of General and Administrative Costs	O	S																					X	
Fund-5	Total Cost Per Output Summary	NS	S		X		X	X	X	X			X		X	X	X			X	X				
Fund-6	Depot Maintenance 8% Capital Investment Plan	I/D	P		X		X			X															
Fund-7	Customer Rate Computations	I/D	S		X		X	X		X															
Fund-8	Air Mobility Command (USTRANSCOM)	O	S										X												
Fund-9a	Capital Investment Summary	All	P	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X		X	X			
Fund-9b	Capital Investment Justification	All	P	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X		X	X			
Fund-9c	Capital Budget Execution	All	P	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X		X	X			
Fund-11	Source of New Orders & Revenue	All	P	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Fund-11a	Carryover Calculation Reconciliation	I/D	P		X		X			X															
Fund 12	Customer Orders to Customer Funding Reconciliation	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-13	Cash Management Plan	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-13b	Cash Requirements	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-14	Revenue and Costs	All	P	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-15	Fuel Data	F	P		X		X	X	X	X			X						X						
Fund-16	Materiel Inventory Data	I/D	P		X		X			X															
Fund-19	Military Personnel by End Strength	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-23	Statement of Financial Condition	O	P																					X	
Fund-24	Summary of Personnel Data	NS	S		X		X	X	X	X			X			X	X				X				
Fund-28	Execution Performance Analysis	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Fund-30	Unutilized/Underutilized Plant Capacity	I/D	S		X					X															
CT-1	Surcharge Collections, Salesof Commissary Stores Summary	O	S																						X
PR-1	Cost of Services	O	P																			X	X		
SP-1	Stockpile Financial Status Report	O	P																					X	
OP-8	Civilian Personnel Costs	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
OP-9	Analysis of FTE Costs	O	S													X									
PB-15	Advisory and Assistance Services	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
PB-22	Headquarters Costs	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
PB-54	Civilian Personnel Hiring Plan	All	S	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		

*Activity Key: F = Fuel; I/D = Industrial Ops/ Depot Maint; NS = Non-Supply; O = Other; S = Supply

11.0 OFFSETTING RECEIPTS

11.1 Program and Budget Submission

Each MILDEP must include offsetting receipts in their annual program and budget submission. Refer to Volume 2 procedures for instructions consistent with the provisions of the OMB Circular No. A-11.

11.2 Accounting Policies

Refer to Volume 11 for guidance relating to the DoW accounting for offsetting receipts.

12.0 DEFENSE HEALTH PROGRAM

The Defense Health Program appropriation encompasses three sub-accounts: Operations and Maintenance (O&M); Procurement; and Research, Development, Test, and Evaluation (RDT&E). Program and budget estimates must reflect the most current actual execution and

rigorous projections across the three periods of availability for each fiscal year. Detailed exhibit requirements are provided in Volume 2 procedures.

13.0 DEFENSE ENVIRONMENTAL RESTORATION

13.1 Applicability

The MILDEPs and applicable Defense Agencies with Defense Environmental Restoration Program (DERP) requirements use transfer account appropriations to fund DERP eligible cleanup activities at active installations and Formerly Used Defense Sites (FUDS) properties. Base Realignment and Closure (BRAC) appropriations to fund cleanup activities are addressed in section 7.

13.2 Environmental Restoration Account

This section directs readers to applicable guidance covering program and budget formulation for the Department's combined Program and Budget Review and congressional justification for Environmental Restoration Account (ERA) appropriations. Readers are also directed to guidance for programming, budgeting, and performance data necessary to meet reporting requirements, respond to congressional concerns, and conform to OMB guidance to link the Department's budget to the DERP performance goals for active installations and FUDS properties.

13.3 Eligible Appropriations

The appropriations eligible to receive funds from the Defense Environmental Restoration Transfer Accounts and their corresponding source for specific policies are O&M, Procurement, and RDT&E.

13.4 Procedures

All program and budget estimates, submission formats and required exhibits are found in Volume 2 procedures.

14.0 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

14.1 DoW Counternarcotics Budget Activities

The DoW Counternarcotics program provides appropriation for four budget activities, as listed in sections 14.1.1 through 14.1.4. The funds are appropriated to the Department's Central Transfer Account (CTA) titled "Drug Interdiction and Counter-Drug Activities, Defense." Although appropriated as an O&M account, the CTA has the authority to transfer funds to other appropriations (e.g., RDT&E or Procurement) for execution. This centralized structure supports unified budgeting and oversight while enabling execution across the entire range of DoW MILDEPs, CCMDs, and Combat Support Agencies.

14.1.1. Counter-Narcotics Support. This budget activity includes detection and monitoring of aerial and maritime transit, and countering the production, trafficking, and use of illegal drugs into the United States.

14.1.2. Drug Demand Reduction Program. This budget activity includes prevention, education, and outreach to ensure the dangers of drug abuse and misuse within the DoW are understood, prevented, identified, and treated to keep the fighting force at the highest levels of readiness.

14.1.3. National Guard Counter-Drug Program. This budget activity support State National Guard assistance to Federal, State, tribal, and local law enforcement agencies, and community-based organizations in efforts to disrupt and degrade illicit drug production and trafficking within the United States.

14.1.4. National Guard Counter-Drug Schools. This budget activity funds the operation of five National Guard counter-drug schools, which provide counter-drug and related counter transnational organized crime courses of instruction to Federal, State, local and community-based organizations from the 50 states, three territories, and the District of Columbia.

14.2 Responsibilities

The Office of the Deputy Assistant Secretary of War (Counternarcotics and Global Threats) (ODASW(CNGT)) is responsible for all submission requirements for this program. DoW Components are responsible for providing all needed input to ODASW(CNGT), consistent with the submission requirements and due dates established by ODASW(CNGT).

14.3 Procedures

All program and budget estimates, submission formats and required exhibits are found in Volume 2 procedures.

15.0 OVERSEAS COST REPORT

Section 8125 of the Fiscal Year 1989 DoD Appropriations Act (PL 100-463), as codified in 10 U.S.C. § 113, requires that the DoW separately identify the amounts necessary for payment of all personnel, operations, maintenance, facilities, and support costs for all DoW overseas military units and the costs of supporting all dependents who accompany DoW personnel outside the United States. Refer to the Volume 2 procedures for guidance on OP-53 Exhibit (Overseas Funding) requirements.

16.0 INTELLIGENCE PROGRAMS/ACTIVITIES

16.1 National Intelligence Program (NIP)

16.1.1. NIP Scope. The NIP provides integrated intelligence that covers broad aspects of national policy and national security. The portion of the NIP contained in the DoW Budget contributes substantially to meeting Defense intelligence requirements and may also contain programs/activities in support of elements of the United States Government outside the DoW.

16.1.2. NIP Classification. The Office of the Director of National Intelligence (ODNI) determines classification of U.S. Intelligence funding and manpower information, pursuant to EO 12958, Section 1.5(c); EO 12333, Section 1.5(g), and the DNI's authorities under the National Security Act of 1947.

16.1.2.1. NIP resource information in all DoW databases must be classified as shown in subparagraphs 17.1.2.2 thru 17.1.2.5 unless other specific NIP program guidance in effect requires higher classification. NIP resource information for military construction and family housing for defense agencies are exempt and must be maintained and presented as unclassified.

16.1.2.2. Information which, standing alone or in aggregate, reveals any Program Element (PE) total or DoW Component total funding or manpower requirements of any program in the NIP will be classified SECRET.

16.1.2.3. Information that permits the disclosure of any PE total or the funding or manpower requirements of any program in the NIP, for example, through a subtractive process, will be classified SECRET.

16.1.2.4. Whenever NIP funding and manpower information is combined with other unclassified programs in such a way as to effectively mask the NIP resource PE total, such combined resource PE total may be treated as unclassified.

16.1.2.5. Forward requests for clarification of the foregoing classification guidance to the Office of the Under Secretary of War for Intelligence and Security (OUSW(I&S)). The OUSW(I&S) will coordinate questions of application with the ODNI and disseminate responses to all interested DoW Components.

16.1.3. NIP Budget Submissions. DoW Components with NIP Special Program Codes (SPCs) will prepare and provide NIP Congressional Budget Justification Books (CBJB) in accordance with guidance provided by the ODNI. Coordinate Decision Documents affecting elements of the NIP with the ODNI, the OUSW(C) and the OUSW(I&S). The OUSW(C), Program/Budget (P/B), Investment Directorate will ensure that the DNI Chief Financial Officer (CFO) has an opportunity to review and provide comments.

16.1.3.1. The DoW Components will implement ODNI's Intelligence Community Directive 104 and Military Personnel Resources Programming and Budgeting Policies and Procedures when developing NIP military personnel cost estimates for the budget submission.

16.1.3.2. The CBJB will incorporate an Intelligence Community (IC) project to PE crosswalk exhibit at the R-1, P 1, and OP-1 levels to help satisfy continuous congressional budget reconciliation and visibility requirements. DoW Components must continue to show steady, measurable progress toward achieving fully captured, whole, distinct, NIP data elements for all appropriations RDT&E; Procurement (PROC); O&M; MILCON; and Military Personnel (MILPERS)) identified by NIP SPC. NIP resources will not be shared or aligned to Non-NIP PEs.

16.1.3.3. The ODNI will deliver one hardcopy and compact disk (CD) of NIP program and budget materials prescribed by the ODNI to the OUSW(C), P/B, Investment Directorate, Pentagon, Room 3C749, at the same time they are delivered to the OMB.

16.1.4. NIP Classified Appeals

16.1.4.1. Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Prepare classified appeals at the appropriate level of classification to fully explain and justify the action. The ODNI will determine the appeals format and content.

16.1.4.2. Classified appeals will be consistent with the SecWar policy direction as articulated by the OUSW(C) and, in the case of appeals to legislative provisions, also as articulated by the Office or the General Counsel and the Deputy SecWar. Coordinate all NIP appeals with the OUSW(I&S), the OUSW(C) and the OMB before release to the House Permanent Select Committee on Intelligence (HPSCI), the Senate Select Committee on Intelligence, the House Appropriations Committee (HAC), and the Senate Appropriations Committee (SAC).

16.2 Military Intelligence Program (MIP)

16.2.1. MIP Scope. The MIP consists of programs, projects, or activities that support the SecWar's intelligence, counterintelligence, and related responsibilities as outlined in DoDD 5205.12. This includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters' operational and tactical requirements more effectively. The term excludes capabilities associated with a weapons system whose primary mission is not intelligence, along with all, programs, projects, and activities under the NIP.

16.2.2. MIP Classification. MIP projects, individual PEs and line items may be classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals. The total DoW funding for MIP is classified SECRET. Intelligence project resource data will be sorted, aggregated, and used in different ways. It is essential that DoW Components comply with DoW Financial Management Sensitive Activities Security Classification Guidance and the OUSW(I&S) and the OUSW(C) receive DoW Component current SCGs to avoid inadvertent, unauthorized disclosure of classified information. Additionally, DoW Components are responsible for reviewing and validating their project level classification and include SCG compliance statements in their Congressional Justification Book (CJB) validation memorandum submitted to OUSW(I&S).

16.2.3. MIP Budget Submissions

16.2.3.1. The OUSW(I&S) will provide complementary MIP CJB guidance. The CJB is a functional aggregation of the MIP portion of the DoW request, containing program justification and resource highlights that must be consistent with and directly auditable to all DoW justification materials (e.g., R-2, P-40, OP-5) and any other DoW justification books that address the same resources.

16.2.3.2. The OUSW(I&S) will task DoW Components annually to provide SCG for each project, along with a citation of the source of classification and any other security classification guidance unique to the organization that may be pertinent to the MIP.

16.2.3.3. Each DoW Component identified in DoDD 5205.12, with resources delineated by SPC 296, 355, 365, or 398 will prepare DoW justification materials for each appropriation. Classified justification materials will contain sufficient detail needed to fully justify the classified portion of the request, without the use of supplemental justification materials.

16.2.3.4. The CJB will incorporate a MIP project to PE crosswalk exhibit at the R-1, P 1, and O-1 levels to help satisfy continuous congressional budget reconciliation and visibility requirements. DoW Components must comply with achieving fully captured, whole, distinct, MIP data elements for all appropriations (RDT&E, PROC, O&M, MILCON, and MILPERS) identified by SPC 296, 355, 365, or 398. MIP resources will not be shared or aligned to non-MIP PEs.

16.2.3.5. DoW Components will submit one hardcopy and PDFs of their classified R-2, P-40 or OP-5 and the OUSW(I&S) will deliver one final MIP hardcopy and PDFs of all volumes directly to the OUSW(C), P/B Investment Directorate, Pentagon, Room 3C749, at the same time as the unclassified details. The OUSW(C) will review and combine all DoW Component classified exhibits (SECRET and TOP SECRET) as a classified Defense-wide volume exhibit before releasing to OMB.

16.2.4. MIP Classified Appeals

16.2.41. Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Prepare classified appeals at the appropriate level of classification necessary to fully explain and justify the action. Unclassified MIP appeals will follow normal procedures per additional guidance.

16.2.4.2. Classified Appeals will be completely consistent with the SecWar policy direction as articulated by the OUSW(C) and, in the case of appeals to legislative provisions, also as articulated by the Office of the General Counsel and the Deputy SecWar. The OUSW(I&S) will prepare classified appeals for the MIP and must coordinate with the OUSW(C), the ODNI CFO and the OMB before release to the House Armed Services Committee, Senate Armed Services Committee, HAC, and SAC, and HPSCI.

17.0 INFORMATION TECHNOLOGY (INCLUDING CYBERSPACE ACTIVITIES)

17.1 Office of Primary Responsibility

Within the office of the Chief Information Officer (CIO) of the DoW, the Deputy CIO for Resources and Analysis (DCIO(RA)) is responsible for collecting, assembling, and reporting of the Department's Information Technology and Cyberspace Activities (IT/CA) budget for the purposes of submitting complete and accurate IT/CA justification materials to the OMB and the

Congress. DoW CIO DCIO(RA) will issue annual supplemental guidance that addresses detailed and amplifying submission requirements, relevant changes, and submission due dates.

17.2 Applicability

The IT/CA budget submission materials apply to the Office of the SecWar (OSW), the MILDEPs (including their National Guard and Reserve Components), the Joint Staff, the CCMDs, the DoW Inspector General, the Defense Agencies and Field Activities, the Joint Service Schools, the Defense Health Program, and the Court of Military Appeals.

18.0 OTHER SPECIAL ANALYSES

This section introduces DoW budget formulation and congressional back-up information requirements for various special interest areas not covered in the preceding sections. The exhibit requirements cover resources crossing DoW appropriations and are generally functional in nature. Exhibits are required for program review, budget review, and congressional justification/presentation submissions. Detailed information on submission requirements, exhibit or material preparation, and special instructions on the review processes are provided in Volume 2 procedures.

18.1 Combating Terrorism

The data collected for Combating Terrorism through reporting process will be used to comply with congressional and OMB reporting requirements. The Department will also use the data to evaluate the Components' combating terrorism efforts during program and execution reviews. Office responsibilities and definitions specific to Combating Terrorism are provided in Volume 2 procedures.

18.2 Major Range and Test Facility Base

The Major Range and Test Facility Base (MRTFB) exhibit formats submitted in support of the Program and Budget Review submission are the same as those submitted to the Director, DoW Test Resource Management Center (TRMC) in support of the President's Budget except that the President's Budget submission will not include updates to any of the Direct (User) funding or MILCON information on any exhibit to include Exhibit 2D, Source of Direct Funds, in whole. This guidance applies to the activities included in the MRTFB, as defined in DoDD 3200.11. Budget estimates will be in accordance with the applicable funding policy for the required appropriation or account.

18.3 Test and Evaluation Funding

The DOT&E is charged with oversight of the DoW T&E resources and funding of T&E by each major DoW program. Modifications to the instructions in Volume 2 procedures, requests for deviations from their provisions, or requests for their clarification or applicability should be directed to and coordinated with DOT&E and OUSW(C) Program and Budget.

18.4 Financial Management Activities

Information on funding levels for financial management activities is required for oversight and review of component resources devoted to these activities and to ensure that their use is in accordance with the government-wide 5-year financial management plan prepared by OMB as required by the Chief Financial Officers Act of 1990. It fulfills the requirements outlined in OMB Circular No. A-11, Sections 130 and 150, which govern apportionment reporting and administrative control of funds.

18.5 Federal Credit Programs

Credit programs in the DoW consist of direct loans and guaranteed loans. Submission requirements and definitions specific to the DoW credit programs are provided in Volume 2 procedures. Agencies can also refer to OMB Circular No. A-11 for a more detailed explanation of terminology and budget instructions.

18.6 Other Interest Areas

The Congress or OMB has prioritized areas of special interest that require submission of additional budget justification material, with requirements extending beyond a single appropriation. The list and corresponding instructions for these exhibits are provided either in Volume 2 procedures or OUSW(C) guidance for the budget review and/or the President's Budget submission.

DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF WAR

(COMPTROLLER)

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VOLUME 3

BUDGET EXECUTION – AVAILABILITY AND USE OF BUDGETARY RESOURCES

1.0 GENERAL

1.1 Overview

1.1.1. Volume 3 provides general guidance on the execution of the budget, specifically for availability and use of the budgetary resources, for the Office of the Secretary of War (OSW). Budget policy memoranda issued throughout the year, special instructions, and nonrecurring requirements unique to that year's budget cycle will provide any necessary changes or revisions to this standing document. The provisions of Volume 3 apply to all DoW military and specified civil functions.

1.1.2. Volume 3 also provides budget policies; general guidance on supporting material, and budget execution submission formats in addition to specific guidance by appropriations, programs, and activities. Required budget exhibits and formats, corresponding instructions, procedures, and automated submission requirements can be found in the Volume 3 Supplemental Document.

1.2 Purpose

This volume provides budget execution policies, exceptions to policies, and proposed changes, specifically related to the availability and use of budgetary resources. This volume also contains guidance for governing budget execution business rules and financial management arrangements. The scope and provisions in this volume apply to the OSW, the Military Departments (MILDEPs), the Defense Agencies, the Combatant Commands, and any other Defense Agencies or DoW Field Activities (hereafter referred to as "Components") that manage program and budget resources.

1.3 Authoritative Guidance

Refer to the authoritative guidance document.

2.0 APPORTIONMENT / REAPPORTIONMENT AND FUNDS DISTRIBUTION

2.1 Responsibilities

2.1.1. Office of Management and Budget (OMB). The administrative control of all government funds is legally mandated through an apportionment process, as required by 31 U.S.C. §§ 1512 and 1513. The OMB manages and approves these apportionments at the Treasury appropriation fund symbol (TAFS) level. All appropriation requests must follow the guidance in OMB Circular No. A-11, Section 120, which also identifies certain exemptions. OMB may grant additional exemptions under its authority in 31 U.S.C. § 1516.

2.1.2. OUSW(C)/Program and Budget (P/B). Following OMB's approval, the OUSW(C) P/B allocates funds to the Military Services and Defense Agencies for execution. The OUSW(C)

P/B is responsible for the initial distribution of all funds to Military Services and Defense Agencies. This is accomplished via funds authorization documents (FADs) after the funds have been apportioned. The assigned OUSW(C) P/B analyst for each appropriation account will allocate funds to the Military Services and/or the Defense Agencies via FADs. Funds in transfer-only accounts are not available for obligation or outlay and are not distributed directly. Instead, they are moved to the recipient appropriation's FAD using the reprogramming procedures outlined in section 6 (Reprogramming of DoW Appropriated Funds).

2.1.3. OUSW(C) Program and Financial Control (P&FC) Directorate. The OUSW(C) P&FC manages the complete apportionment lifecycle. It submits all requests to OMB and processes all approved apportionments. All appropriations must be apportioned unless exempt per OMB Circular No. A-11 or 31 U.S.C. § 1516. P&FC processes authorized exemptions and maintains a comprehensive list of exempt accounts for the DoW.

2.2 Provisions

2.2.1. Accounts must be reapportioned before obligating any upward adjustment of budgetary resources that is greater than $400,000 or 2 percent, whichever is lower. Unobligated balances in unexpired accounts must be reapportioned every year. Expired accounts are not apportioned, and transfer-only accounts are generally exempt from apportionment. Refer to the OMB Circular No. A-11, Section 120. All reapportionments must be validated against the most current SF 133 (Report on Budget Execution and Budgetary Resources).

2.2.2. For Surcharge Collections, Sales of Commissary Stores - Trust Revolving Fund, the 10 U.S.C. § 2685 permits obligation of anticipated proceeds from the adjustments or surcharges authorized by 10 U.S.C. § 2685.

2.2.3. OMB automatically apportions certain funds in accordance with OMB Circular No. A-11 Section 120.41 for newly enacted appropriations in accordance with the Interim Apportionment Authority for Initial Appropriations Act.

2.2.4. If an appropriations act is not signed into law by October 1, Congress may pass a Continuing Resolution (CR) to temporarily fund government operations. Multiple CRs may be necessary, and each must be signed by the President to become law, until the final annual appropriations act is passed.

2.2.5. Apportionments to record the sale and replacement of assets under Section 21 of the Apportionments and the Arms Export Control Act require actions codified at 22 U.S.C. § 2761.

2.2.6. For rescissions and deferrals, available budgetary resources may be withheld from obligation or expenditure through impoundment, either permanently (rescission) or temporarily (deferral) under conditions set forth in 31 U.S.C. § 1512 and the Congressional Budget and Impoundment Control Act (2 U.S.C. §§ 683 and 684). Refer to OMB Circular No. A-11 for information and definitions of rescissions and deferrals.

3.0 APPROPRIATION TRANSFER AUTHORITIES

Congress grants authority for the transfer of funds between appropriations, with most DoW transfers occurring in accordance with the annual Appropriations Act and the National Defense Authorization Act (NDAA). The Secretary of War (SecWar) also possesses General Transfer Authority (GTA) for unforeseen, high-priority military needs, provided the item was not previously denied by Congress and Congress is promptly notified. OMB approval may also be required depending on the legal source of authority. To ensure timely action, the Office of the Under Secretary of War (Comptroller) (OUSW(C)) maintains and publishes periodic status reports on transfer actions.

3.1 Responsibilities and Authorizations

3.1.1. DoW Components must formally submit all proposals to transfer funds to the OUSW(C) and state the specific statutory authority that permits the action. Once approved, the originating DoW Component is fundamentally responsible for executing transfers.

3.1.2. The SecWar provides the ultimate authority and amounts for most transfers, contingent upon the existence of certain conditions as provided in DoD Directive (DoDD) 5118.03. This authority may be delegated to the USW(C). Furthermore, all transfer documents processed to the Treasury must cite the legal authority for the transfer, including any required determinations or approvals.

3.1.3. A transfer cannot be executed without the required approval from the OMB.

3.2 Authority for Transfers Affecting Budget Availability

3.2.1. Congressionally Directed Transfers. The DoW Appropriations Act provides direct authority for DoW Components to execute specified fund transfers.

3.2.2. GTA. The SecWar may transfer funds for unforeseen, high-priority military needs, provided the item was not previously denied by Congress.

3.2.3. Transfers Between Working Capital Funds. Transfers between working capital funds are permitted, but no funds may be obligated for war reserve materials without prior Congressional notification.

3.2.4. Transfer of Military Construction (MILCON) Appropriations. The SecWar has the authority to transfer MILCON funds to other MILCON or Family Housing accounts, where they must be used for the same purpose and time period.

3.2.5. Transfer Accounts. The DoW recognizes certain accounts (e.g., Environmental Restoration, Drug Interdiction and Counter-Drug Activities) established by law as dedicated "Transfer Accounts."

3.2.6. Transfer of Funds and Personnel for Functional Transfers Within the DoW. When a function is reassigned within the DoW, the necessary funds and personnel positions may also be

transferred, and the funds must be used for their original purpose as established under the authority of 10 U.S.C. §§ 125 and 126.

3.2.7. Transfer of Funds for Functional Transfers Between Government Agencies. In accordance with the authority granted by 31 U.S.C. § 1531, the DoW adheres to the legal framework governing the transfer of appropriations when a function is moved to or from another federal agency.

3.2.8. Limitation on Transfer of Funds to Other Departments and Agencies. Pursuant to 10 U.S.C. § 2215, DoW policy prohibits the transfer of funds designated for military functions to any other federal department or agency. This policy applies to transfers made under any provision of law enacted after November 29, 1989. An exception to this policy is permitted only when the transfer is certified to be in the national security interest of the United States.

3.3 Transfer Provisions

3.3.1. Reprogramming Actions. A reprogramming action (DD 1415) must be executed for any non-congressionally directed fund transfer that results in an increase or decrease between DoW appropriations.

3.3.2. Processing of Treasury Non-Expenditure Transfers (NETs). The mechanism for moving funds between accounts at the Treasury for an approved transfer is the Treasury Non-Expenditure Transfer (NET). NETs between DoW accounts will not be processed without a directing memorandum from the OUSW(C). However, this policy does not require prior OUSW(C) approval for certain exceptions, including functional transfers initiated by a non-DoW agency or transfers of obligational authority to a designated transfer account in another agency. The directing OUSW(C) memorandum serves as the official policy instrument for the transfer, must contain all information necessary for proper execution and reporting, and will confirm which office is responsible for any required Congressional notification.

3.3.3. Notification to Congress. DoW policy mandates compliance with all statutory requirements for reporting transfers to Congress. For functional transfers, a distinction applies: the transfer of funds under 10 U.S.C. § 126 does not require Congressional notification. However, the transfer of the function itself, pursuant to 10 U.S.C. § 125, must be reported to Congress if it results in the substantial reduction or elimination of a major weapons system.

3.3.4. Apportionment and Reapportionment Schedules. In accordance with OMB Circular No. A-11, DoW policy requires all transfers to be reflected on the Apportionment and Reapportionment Schedule (SF 132). While certain specified transfers (e.g., Foreign Currency Fluctuations, Environmental Restoration) result in automatic apportionment for the gaining and losing accounts, those accounts designated as "only for transfer" are exempt from apportionment, as specified in OMB Circular No. A-11, section 120.5.

3.3.5. Guidance on SF 133 Treatment. With agreement from OUSW(C) and OMB, transfers may be anticipated on the SF 133 report once all statutory requirements are met, even before the NET action is complete. This is an exception to standard guidance in OMB Circular No. A-11.

3.3.6. Funding Authorization Documents (FAD). Program adjustments from transfers must be reflected in a FAD, as determined by the OUSW(C)'s cognizant P/B appropriation director.

4.0 FUNCTIONAL TRANSFERS

4.1 Statutory Authority

Under 10 U.S.C. § 125, the SecWar is authorized to transfer, reassign, consolidate, or abolish any function within the Department. When this occurs, 10 U.S.C. § 126 permits the transfer of associated appropriations and civilian employees, provided the SecWar determines they are needed and the President grants approval (as delegated to the OMB).

4.2 Provisions

4.2.1. Fund Adjustments. DoW policy dictates that current-year functional transfer funding adjustments should primarily be reimbursable. Direct fund transfers are only to be requested when reimbursement presents serious burdens or significant financial amounts.

4.2.2. Transfer of Funds. DoW policy requires the receiving DoW Component to initiate a fund transfer request when necessitated by a functional transfer under 10 U.S.C. § 125. The request must comply with the requirements of 10 U.S.C. § 126 and be based on a mutually agreed-upon amount between the involved DoW Components.

5.0 SPECIAL MILITARY CONSTRUCTION/ FAMILY HOUSING FUND RELEASE PROCEDURES

5.1 Fund Approval

It is the policy of the DoW that fund approval for military construction and family housing construction accounts must be formally requested by the cognizant MILDEP. The cognizant MILDEP must submit a request to the OUSW(C) P/B, Military Personnel and Construction Directorate.

5.2 OUSW(C) Review

It is the policy of the OUSW(C) to issue a formal fund approval to the requesting Component after its review, granting obligational authority corresponding to the amounts approved.

5.3 Document Approval

It is a critical DoW policy that the final fund approval document limits a Component’s authority to incur obligations. No obligations may be incurred prior to the receipt of this document or in amounts that exceed the authority granted within it.

5.4 Submission Requirements

It is DoW policy that a formal fund release request is required under several specific circumstances: for the initial fund authorization, to request the release of funds previously placed on withhold by OUSW(C), and to provide support for an approved apportionment/reapportionment schedule (SF 132) or a formal above-threshold reprogramming action.

6.0 REPROGRAMMING AND DOW APPROPRIATED FUNDS

6.1 Transfer Authority

The DoW requires specific transfer authority for any movement of funds between appropriations or their legal subdivisions. This authority is established through several distinct mechanisms.

6.1.1. General Transfer Authority (GTA). This is contained in the annual DoW Appropriations Act (e.g., Section 8005 of Public Law 119-75). GTA is also authorized in the annual National Defense Authorization Act (e.g., Section 1001 of Public Law 119-60). The use of GTA is subject to the SecWar's determination that the action is in the national interest and requires approval from the Office of Management and Budget (OMB). OMB concurrence on the use of GTA is documented on a SecWar Determination letter.

6.1.2. Foreign Currency Fluctuations (FCF). Policy also provides specific FCF authority through public laws (e.g., Public Law 95-457 and 10 U.S.C. § 2779).

6.1.3. Special Transfer Authorities. Policy recognizes additional special transfer authorities for unique situations, as provided in various Sections of Title 10 U.S.C. (e.g., 10 U.S.C. § 127a), other annual defense acts, and specific authorities for Intelligence Programs.

6.2 General Reprogramming Policies

6.2.1. DoW's Three-Form Process Policy. The DD Form 1414 establishes the financial baseline, detailing the budget's complete history and footnoting all items of special congressional interest. To execute changes, the DD Form 1415 is used to either request prior congressional review for fund realignments or to document internal transfers for audit purposes. Finally, for transparency, a cumulative DD Form 1416 report is submitted to show the final program status after all adjustments; this report is provided quarterly for Procurement and RDT&E appropriations and annually for Military Personnel and Operation and Maintenance (O&M) appropriations.

6.2.2. Reprogramming Actions Submitted for Congressional Review. The DoW submits certain reprogramming actions for congressional review. These reprogramming actions enable the DoW to adapt funding to emergent, unforeseen operational requirements, urgent procurement needs, technology advancement opportunities, or other critical mission requirements in the execution of DoW programs. Further, it is expressly prohibited to request reprogramming into an effort that has been denied by Congress. However, this prohibition does not apply to the entire line-item of a congressional denial; only the specific effort. A DD Form 1415-1, Prior Approval Reprogramming, is required by DoW policy for actions that: increases the procurement quantity of a major end item (unless specifically authorized by congressional language, in which case a

DD 1415-3 is used); affects an item designated as a matter of special congressional interest; or uses GTA (unless reclassification of a program is required for proper execution of an appropriation). Pursuant to 10 U.S.C. § 2214 and the annual Appropriations Act, GTA itself has limitations and may only be used under the "higher priority" conditions. In rare instances involving the movement of funds between special interest items within the same line item, policy allows for a letter notification to Congress instead of a formal DD 1415-1

6.2.3. Internal Reprogramming Actions. The DoW must use a DD Form 1415-3, Internal Reprogramming, as an audit-trail document for several types of internal fund movements that do not require prior congressional review. This policy applies to three main areas.

6.2.3.1. First, it applies to the reclassification of funds to a different line item, program element, or appropriation for proper execution, so long as the substance of the program remains unchanged. If such a reclassification uses GTA (as defined in the annual appropriation bill), then the signed Letter Apportionment satisfies the same intent as a Secretary of War Determination Letter and OMB concurrence is satisfied through the approved apportionment.

6.2.3.2. Second, it applies to reprogramming funds to or from designated Transfer Accounts, such as Environmental Restoration, Drug Interdiction and Counter-Drug Activities, and Foreign Currency Fluctuations, which are generally exempt from the use of GTA.

6.2.3.3. Third, policy dictates the use of a DD 1415-3 for approving increases to procurement quantities for major end items when the action falls below the threshold for a prior review reprogramming.

6.3 Congressional Notification

6.3.1. Letter Notifications to Congress. The DoW requires advance letter notification to Congress before initiating certain below-threshold actions that do not otherwise require a formal prior review reprogramming. This policy applies to:

6.3.1.1. The creation of new procurement line items or development programs costing less than $20 million and $10 million, respectively;

6.3.1.2. The initiation of safety programs or modifications costing less than $20 million; and

6.3.1.3. The termination of procurement or RDT&E programs that also fall below these same $20 million and $10 million thresholds, as long as the parent program element or line item is not entirely eliminated.

6.3.1.4. This policy also extends to identifying specific line items to satisfy other congressionally established transfer notification requirements.

6.3.2. Failure to Provide Proper Notification. Recurring general provisions in DoW Appropriations Acts prohibit the use of reprogrammed funds to initiate a new program, project, or activity. An exception is made only if the program must be undertaken immediately in the interest

of national security and after prior written notification is provided to the congressional defense committees.

6.4 Approvals and Responsibilities

6.4.1. Congressional Committee Approval of DD 1415 Requests. As a matter of policy, DoW requires congressional defense committees' review before a Prior Approval Reprogramming Action (DD 1415-1) can be implemented. A critical aspect of this policy is the strict prohibition against obligating or committing funds for a requested reprogramming prior to receiving this congressional review. Furthermore, DoW policy prohibits using a series of below-threshold reprogramming actions as a workaround to finance an increase that was specifically denied by Congress. However, policy does permit the use of below-threshold authority to finance increases that were approved by Congress but could not be funded during the initial implementation due to a lack of approved sources, provided the action does not violate other reprogramming limitations.

6.4.2. OMB Approval. For prior approval actions, OMB must approve the transmittal before it is sent to the congressional defense committees.

6.4.3. OUSW(C), Deputy Comptroller, Program/Budget (P/B). The SecWar's determination authority on transfers due to national interest is delegated to the Deputy Comptroller, P/B. The OUSW(C) sends OMB-approved transmittals to the congressional defense committees. After Congress responds and implementation is finalized, the OUSW(C) is responsible for obtaining the formal OMB apportionment for the transfer and issuing a formal implementation memorandum to the DoW Components to document the action and authorize its execution. This policy ensures that a clear, official record exists before any funds are moved and that all necessary documentation, such as transfer authorizations and approval documents, are properly disseminated.

6.4.2. DoW Components. The DoW Assistant Secretary (Financial Management and Comptroller) of a MILDEP or the Comptroller of a Defense Agency must formally submit all proposed DD 1415 reprogramming actions. Policy dictates that these actions must be submitted electronically and are due by the 5th workday of the month for inclusion in the monthly submission. DoW Components must address the following requirements:

6.4.2.1. Required DD Forms, Formats, and Templates. The SecWar has delegated the authority to signal reprogramming actions to the USW(C). The OUSW(C) Program and Financial Control Directorate manages the reprogramming process. Refer to the Supplemental Document for the required DD Forms, formats, and templates.

6.4.2.2. Notification – Investment Programs. When a prior approval reprogramming for investment programs is required to initiate a new start or to terminate a program, a copy should also be provided to the Office of the Under Secretary of War for Acquisition and Sustainment. The following DoW policies apply when considering a prior approval for a new start.

6.4.2.2.1. RDT&E. A new start program for RDT&E involves the creation of a new program element or project, or major component thereof, not previously justified by the Department and funded by Congress through the normal budget process.

6.4.2.2.2. Procurement. A new start program for Procurement involves the creation of a new procurement line item or major component thereof, not previously justified by the Department and funded by Congress through the normal budget process.

6.4.2.2.3. MILPERS and O&M. Due to the characteristics of Military Personnel and Operation and Maintenance programs, new starts seldom occur in those appropriations. New starts in these appropriations would be significant new programs, efforts, or activities that have not been explicitly justified to the Congress in budget justification material.

6.4.2.2.4. Follow-on Funding. The Department will not approve a new start reprogramming request unless follow-on funding for the subsequent fiscal years is already budgeted or programmed.

6.4.2.2.5. Extension Exception. Extending an ongoing, previously justified RDT&E or Procurement effort into a subsequent fiscal year does not constitute a new start; rather it is treated as a continuation of the prior-year program.

6.4.2.3. Notification – National Intelligence Program (NIP) or Military Intelligence Program (MIP). For any reprogramming action that involves NIP or MIP resources, policy requires coordination with the Office of the Director for National Intelligence (ODNI) and the Under Secretary of War for Intelligence and Security. Pursuant to 50 U.S.C. § 3024(d)(1)(B), consultation with the ODNI Chief Financial Officer is required before reprogramming funds are made available for the MIP. To ensure transparency without compromising security, any reprogramming action posted publicly must not identify intelligence resources. A separate statement in the transmittal letter must clarify if such resources are affected.

6.4.2.4. Annual Omnibus. Any reprogramming actions submitted outside of the annual Omnibus must be limited to critical, unforeseen, and time-sensitive requirements.

6.4.2.5. Clearance for Public Posting. Since all reprogramming actions are posted on the public website after implementation is complete, the final documents (i.e., DD 1415-1 Prior Approval, DD 1415-3 Internal Reprogramming, and Letter Notifications to Congress) must receive clearance from the Defense Office of Prepublication and Security Review.

6.5 Other DoW Reprogramming Policies

6.5.1. Alternate Letters or Revised Actions for New Sources. The DoW allows for the submission of new funding sources if a congressional committee concurs with a reprogramming increase but denies the proposed sources. However, policy strictly prohibits submitting alternate sources for increases that were denied by the committees, except in the most unusual circumstances. The USW(C) has the authority to appeal a committee's decision on a reprogramming action. Any subsequent action related to a reprogramming, including appeals or proposals for new sources, is subject to the same formal procedures as the original submission.

6.5.2. Withdrawal of Reprogramming Actions. It is the policy of the DoW that if a reprogramming action submitted to Congress is no longer required, it may be formally withdrawn from consideration. This policy applies when circumstances change, such as when too much time has passed for the action to be executed or when the proposed funding sources are needed for

higher-priority reprogramming. Policy dictates that the withdrawal notification must provide a sufficient rationale to the congressional committees to justify retracting the original request.

6.5.3. DD 1416, Report of Programs. The DD Form 1416, Report of Programs, is the official DoW report reflecting the status of all programs after enacted budgets, supplementals, rescissions, and all reprogramming actions are incorporated. To ensure financial consistency, DD 1416 data must reconcile with the DD 1002 report. For procurement programs aggregated into an "Items Less Than $5 Million" line item, any cost growth must be accommodated within that line's total below-threshold reprogramming authority (not to exceed the $20 million or 20 percent limit). The basis for calculating below-threshold percentage decreases in Procurement and RDT&E appropriations is the original appropriation adjusted for any enacted supplementals and rescissions. Reimbursable program or order amounts are not required unless reimbursable funding was used for the direct program.

6.5.4. Reprogramming of Intelligence Resources. DoW policy for reprogramming intelligence resources is divided into two categories:

6.5.4.1. NIP. Pursuant to 50 U.S.C. § 3024, the DNI has final approval authority to approve fund transfers and all such actions require prior approval from the House Permanent Select Committee on Intelligence (HPSCI), Senate Select Committee on Intelligence (SSCI), House Appropriations Committee (HAC), and Senate Appropriations Committee (SAC).

6.5.4.2. MIP. Standard DoW reprogramming policies apply, with additional specific guidance in DoDD 5205.12. Pursuant to 50 U.S.C. § 3024(d)(1)(B), OUSW(C) must consult with the DNI's Chief Financial Officer before reprogramming any MIP funds, Finally, to satisfy 50 U.S.C. § 3094 and as a matter of committee relations, the Department provides the SSCI with information copies of any reprogramming actions occurring into or within the MIP.

6.5.5. Reprogramming of Special Access Programs (SAP). The annual DoW Appropriations Act states: "Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 calendar days in session in advance to the congressional defense committees." This means that to start a new SAP, the DoW must inform the relevant congressional committees at least 30 legislative days before doing so.

6.5.6. Below-Threshold Reprogramming Actions. DoW policy allows Components to use below-threshold reprogramming for unforeseen, high-priority requirements. These cumulative actions must net to zero and are prohibited from exceeding established monetary thresholds or initiating new start programs. Using this authority to fund an increase specifically denied by Congress is prohibited. However, it may be used to fund an increase that Congress approved but could not be implemented due to a lack of sources, provided this is done with advance written notification and does not violate other limitations. A policy exception to the normal thresholds also exists for funding adjustments related to canceled accounts, as governed by 31 U.S.C. § 1551 et seq.

6.5.7. Replacement Of Items Sold From Inventory. This section is applicable to items sold to foreign governments under the Arms Export Control Act, 22 U.S.C. § 2761. Sales to domestic

buyers (Federal or non-Federal) are governed by Title 41 of the Code of Federal Regulations (CFR) Part 102-39.

6.5.7.1. Current budget policy prohibits using proceeds from asset sales to acquire a non-like replacement item (one not of identical type, model, and series) without obtaining congressional review. The DoW secures this requisite approval by submitting a prior approval reprogramming action to the congressional defense committees.

6.5.7.2. The DoW treats the replacement of certain small-dollar-value items sold from inventory as a "like replacement," even if the replacement is not of the identical type, model, and series. This policy applies only if all of the following conditions are met: the original item has a unit cost of less than $5,000; the replacement is an improved model of the same end item that performs the same warfighting capability; and procuring the replacement does not cause the inventory objective presented to Congress to be exceeded. This policy is intended to reduce unnecessary paperwork. Finally, policy dictates that the amount applied toward the replacement item may not be increased beyond the proceeds generated from the sale of the original item.

6.5.7.3. It is the policy of the DoW that a prior approval reprogramming action is required when an item sold from inventory is replaced with an item that is not identical (i.e., not a "like replacement"). Policy permits such a replacement only if the new item is a later series or modified version of the same basic model, or if it is an acceptable substitute used against the same inventory objective. If congressional review is obtained, the offsetting collections from the sale may then be used to procure the replacement. Furthermore, in accordance with OMB Circular No. A-11, the procurement of such a replacement item must be classified as a direct obligation.

6.5.7.4. When seeking congressional concurrence to use proceeds for non-like replacement items, Components must submit the DD 1415-1 as a distinct, stand-alone reprogramming request. This can be done either as a separate submission or as a separate part within the regular monthly reprogramming action, but it must not be combined with other types of reprogramming requirements.

6.5.8. Reprogramming Policy for Closing Appropriation Accounts (31 U.S.C. § 1551 et seq).

6.5.8.1. Out-of-Scope Contract Changes. It is DoW policy that when currently available appropriations are used to fund out-of-scope contract changes, normal reprogramming procedures and thresholds apply. Policy dictates that these changes be funded from the current corresponding program line. If no such line exists, a new one will be created, and the standard reprogramming threshold procedures for new starts will apply. Any existing line item can serve as the funding source, but it will also be subject to normal reprogramming thresholds.

6.5.8.2. Canceled Appropriation Accounts. DoW policy allows currently available appropriations to fund obligations that would have been properly chargeable to a now-canceled account. This is strictly limited by policy to one percent of the current appropriation or the unexpended balance of the canceled account, whichever is lower. Critically, policy dictates that normal reprogramming procedures and thresholds do not apply to these specific actions. All such

charges must be reflected in a line item titled "Canceled Appropriation Account Adjustments" on the DD 1416, Report of Programs.

6.5.8.3. Expired Appropriations. It is DoW policy that an expired appropriation remains available for recording, adjusting, and liquidating obligations properly chargeable to it until the account is officially closed under the authority of 31 U.S.C. § 1552. This includes funding within-scope contract changes. Pursuant to 10 U.S.C. § 8683, specific policy, allows expired O&M, Navy appropriations to be used for certain scope changes in ship overhaul and repair. For the Shipbuilding and Conversion, Navy (SCN) appropriation, policy allows for additional obligations to be incurred after the normal 5-year availability period for final-stage construction work, as typically provided by language in the annual DoW Appropriations Act (e.g., Section 8075 of Public Law 113-235). Further, investment appropriations lose their line-item character in the expired period. Therefore, upward obligation adjustments may be made citing sources from other line-items within the same appropriation.

7.0 REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS

7.1 General Policy

The DoW has flexibility from Congress to adjust funding for approved military construction and family housing programs to meet changing conditions. However, the DoW must seek approval from the relevant congressional committees for these reprogramming actions. Such adjustments are typically required to respond to emergencies, replace damaged facilities, accommodate price increases, or implement specific congressional provisions. This process ensures that while DoW missions are supported, the use of appropriations remains consistent with congressional intent.

7.2 Authority and Approval

7.2.1. The OUSW(C) must approve all proposed reprogramming actions for military construction and family housing.

7.2.2. Prior congressional approval is mandatory for significant actions, including cost increases that exceed 25 percent of the project's base or $6 million (whichever is less), any funding increase to a project previously reduced in scope by Congress, and for specific circumstances like emergency construction under 10 U.S.C. § 2803 or the restoration of damaged facilities under 10 U.S.C. § 2854.

7.2.3. Prior approval is generally not required for actions below the thresholds specified in Section 7.2.2, projects funded by Environmental Restoration accounts, when cost increases are solely due to final contractor claim settlements, or when reprograming funds between or among family housing operation and maintenance accounts (though a new FAD for family housing remains required under specific conditions).

7.2.4. The policy strictly prohibits reprogramming requests for projects that are unauthorized, have been specifically denied by Congress, or attempt to initiate major unauthorized programs.

7.2.5. The policy also permits split-year funding, allowing a project to be financed with funds from multiple program years, and provides a mechanism for the OUSW(C) to appeal unfavorable congressional committee decisions.

7.3 Procedures

Refer to Volume 3 Supplemental Document for guidance on the appropriate submission and instructions.

8.0 STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS

This section prescribes the requirements for determining the amount and accounting period in which commitments and obligations must be recorded under various circumstances. Departmental standards for recording transactions in the execution level budgetary accounts are in Section 12.

8.1 Recording of Commitments

A commitment must cite a Standard Line of Accounting (SLOA) in accordance with Volume 1 and must be recorded in the general ledger in accordance with the United States Standard General Ledger (USSGL) Standard Financial Information Structure ***(SFIS)*** Transaction Library in Volume 1.

8.2 Validating Commitments

When drafting contracts, procurement officials may modify the description of deliverable goods and services or contract line-item structure used on a funded purchase request. However, if these changes are substantial, there is a risk the goods and services procured no longer align with the purpose set forth in the purchase request for which the commitment was certified. To mitigate this risk, certifying officials must conduct an automated pre-award validation with the contract issuing organizations to validate that committed funds remain available and suitable for the draft award's intended purpose. This check must also ensure that the data in the accounting and procurement systems are sufficiently aligned to facilitate line-item traceability between commitments and obligations, to facilitate payment. The structure must support posting obligations and line items with different accounting treatments that must be segregated. This transaction may be performed via the Global Exchange system using system agnostic data standards.

8.3 Obligation Responsibilities

31 U.S.C. § 1501, "Documentary Evidence Requirement for Government Obligations," directs that amounts must be recorded as obligations only when supported by documented evidence. The office that incurs an obligation must provide, within five calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation must record the obligation in the official accounting records within five calendar days of receipt of such documentation, information, or data. Timely

and accurate recording of obligations facilitates the disbursing officer's ability to verify fund availability before authorizing a timely payment.

8.4 Recording Obligations

8.4.1. All business and financial events resulting in an obligation must cite a SLOA in accordance with Volume 1 and must be recorded in the general ledger in accordance with the SFIS Transaction Library in accordance with Volume 1.

8.4.2. When recording obligations under this section, utilize the following principles:

8.4.2.1. Documented Evidence. An amount must be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement must be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be feasibly ascertained at the time it is recorded, the best estimate must be used. Document the best estimate to include relevant inputs, assumptions, and calculations. In accordance with Volume 1, retain evidence to support the transaction.

8.4.2.2. Ten-Day Rule. Record obligations in the official accounting records at the time a legal obligation is incurred, i.e., contract is signed. In all instances, obligations must be recorded within 10 calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Notwithstanding the ten-day rule, record all obligations (per line of accounting) in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, follow section 8.16.

8.5 Recording Contract Obligations

Offices generating contract obligations in the form of a contract, order, or modification; must provide official evidence of the obligations, and other supporting documents, to the office responsible for recording the obligation, via electronic format as defined in the Defense Federal Acquisition Regulation Supplement (***DFARS***) Procedures, Guidance, and Information ***(PGI) 204.201***, and in accordance with the SFIS data elements required in Volume 1, and posting logic in Volume 1. Load obligations manually, within five calendar days from the signature date on the contract or contract modification, based on the official obligating documents in the Electronic Document Access System, if the transactions fail to upload electronically. If the contract contains errors, omissions or deficiencies that prevent posting, a Contract Deficiency Report must be created to document the deficiency and request corrective action in accordance with ***PGI 204 270-2.***

8.5.1. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoW Components must determine that the goods, supplies, or services required under contracts, or orders placed obligating an annual or multiple year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. Additionally, a buying activity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the buying activity and not that of the selling/performing activity. A selling activity must refuse to accept a project order if it is obvious the project order does not serve a need existing in the fiscal

year in which issued. Such determinations must consider estimated current consumption; the requirements that may be foreseen for future years based upon the procurement lead-time; authorized stock levels; and authorized mobilization reserves. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. If, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, such as the bona fide needs rule, period of availability, and type of funds. See Volume 11.

8.5.1.1. Execution Requirements Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services must be executed only with bona fide intent that the contractor (or other performing activity) must commence work and perform the contract without unnecessary delay.

8.5.1.2. Execution of Standard Commercial Items. For standard commercial items readily available from other sources, the bona fide needs rule cannot be satisfied based on the delivery, production or manufacturing lead-time exception to the bona fide needs rule if the materials were obtainable by another source before funds expired. See Volume 11.

8.5.1.3. Delivery Withhold. If the contractor is directed to withhold delivery until after the lead-time, then there is not a bona fide need for the item in the current fiscal year and funds for the next fiscal year must be used.

8.5.2. Service Contracts. Service contracts may be either severable or non-severable. Services are generally chargeable to the appropriation current at the time the services are rendered. The contract is thereby, established in a manner that defines the contractors level of responsibility to provide a specified level of effort for a stated period. The determination to charge the appropriation current on the date the contract is let, or to charge the funds current at the time services are rendered, depends upon whether the services are "severable" or "entire." A contract that is considered entire or non-severable is charged to the fiscal year current when it was let even though performance may extend into the next fiscal year. Service contracts that are considered severable must be charged to the fiscal year in which the services are rendered and may not cross fiscal years, absent statutory authority. There is no precise formula or rule that determines whether a contract is severable or entire. Each case must be determined by the terms and circumstances involved. Non-severable services may occur at a contract line item level as defined in ***DFARS 204.7101.*** Refer to the Volume 3 Supplemental Document for severable and non-severable services guidance.

8.6 Determining Scope of Work Changes

8.6.1. Responsibilities for Making Determinations. In making a determination, the contracting officer must apply appropriate provisions of the FAR, the DFARS, legal principles applicable to scope changes, and the provisions of this Regulation.

8.6.2. Standards for Making Determinations. Statutes and DoW policies for the use of appropriations limit the period of availability to fund new obligations.

8.6.3. Increases in Quantities. Changes in the quantity of the major items called for in a contract generally are a change in contract scope and not authorized under the "Changes" clause.

8.6.4. Increases in Required Levels of Service Performance. Any modification of a service contract requiring additional deliverable services is a change in scope.

8.7 Due Diligence

Fund holders, entrusted by components (buyer/receiving organizations) with administrative subdivisions of funds, ensure appropriated funds are used consistently with the intent, time, purpose, amount, and bona fide need for which the funds were provided. Fund holders must exercise due diligence in committing, obligating, de-committing, and de-obligating funds and generating inter- and intra-governmental orders through prescribed practices and oversight of documentation including contract, invoice, disbursement, and relevant supporting information. Fund holders must effectively collaborate with mission stakeholders including accountants, contracting officers, program managers, and logistics personnel.

8.8 Recording Judgment Fund Obligations

The Judgment Fund is available for court judgments and Justice Department compromise settlements of actual or imminent litigation against the government. Judgment Fund awards and settlement must be funded on a non-reimbursable basis for various types of litigation identified in ***31 U.S.C. § 1304,*** "Judgments, Awards, and Compromise Settlements." Section 1304 and the Contract Disputes Act of 1978, ***41 U.S.C. § 7108*****, "**Payment of Claims," provide that awards and settlements involving appropriated fund contracts are payable from the Judgment Fund, subject to reimbursement from agency appropriations. The Fund also is available for awards and settlements involving discriminatory conduct by an Agency (such as DoW) under statutes identified in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002*,"* commonly known as the No FEAR Act. Reimbursement of No FEAR Act Judgments. As provided for in 5 CFR § 724, Subpart A, DoW Components must reimburse the Judgment Fund for all judgments resulting from discrimination and No FEAR Act claims covered under authority of ***5 U.S.C. § 2301***. Reimbursements under the No FEAR Act include reimbursements for payments of judgments, awards, or settlements with respect to discrimination and whistleblower protection cases.

8.9 Recording Government-Wide Commercial Purchase Card Obligations

Record obligations for Government-Wide Commercial Purchase Cards in the amounts placed for orders for goods or services. For additional information on purchase cards, see the DoW Government Charge Card Guide.

8.10 Intra-Governmental Requisitions and Orders Placed with DoW Components or Other U.S. Government Agencies

The Treasury's ***G-Invoicing*** system is used to negotiate, broker, and electronically store the General Terms and Conditions (GT&C) and activity between buyers and sellers for inter- and intra-governmental reimbursable transactions. The standard Interagency Agreement form is comprised of two forms, the GT&C (FS Form 7600A) and the Order Requirements and Funding Information (Order) (FS Form 7600B). When trading partners enter orders in the G-Invoicing system, the partners leverage data in the common repository to improve accuracy in accounting and reporting. Refer to the Volume 3 Supplemental for guidance on Reimbursable Procurement, Direct Cite Procurements, Reimbursable Orders with other DoW Activities, and Modifying Reimbursable Orders.

8.11 Orders Placed with (Or Through) Defense Working Capital Fund Activities

The DoW has authority under ***10 U.S.C. § 2208*** and ***2210***, to establish Defense Working Capital Fund (DWCF) activities to finance inventories of its supply chain management business areas and provide working capital for industrial and commercial type activities. Activities funded through DWCFs perform work for others under several different authorities. These authorities include the Project Order Act for depots, the Economy Act for reimbursable and direct citation procurements, and supply management operations (stock fund operations) that use DWCF contract authority to acquire assigned items of supply for other DoW Components. Direct citation orders placed with a DWCF must adhere to Volume 11 requirements. DWCF activities performing commercial type services charge stabilized rates rather than charges based on Economy Act actual cost methodologies. Activities performing DWCF operations can identify the transactional authority for work performed for others. Under 10 U.S.C. § 2208 and 2210, the DWCF is used for two different types of activities to include stock funds (supplies) plus goods and services. An order placed with a DWCF activity may only be for a bona fide need of the period for which the buying activity's appropriation is available.

8.12 Personal Services and Benefits Obligations

8.12.1. Obligations Recorded for Payments to Military and Civilian Employees. Record obligations for the amounts payable to military services members and civilian employees in the month in which earned. These obligations must be supported by written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records .

8.12.2. Obligations Recorded for Subsistence In Kind. Record an obligation for subsistence in kind based on requisitions and orders, or on a written administrative determination of the estimated cost of subsistence furnished by others.

8.12.3. Obligations Recorded for Annual and Sick Leave of DoW Employees. Obligate annual leave for Department employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave is obligated, costed, and paid when used.

8.12.4. Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees. Record obligations for severance pay for U.S. Government civilian employees and foreign national employees (such as those German nationals covered by the German Tariff Agreement) on a pay period by pay period basis; that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

8.12.5. Obligations Recorded for Severance Pay Under Specified Conditions

8.12.5.1. Record obligations for severance pay after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals is responsible for recording and reporting the severance pay obligation. If the liability for any form of severance pay is significant, reasonable estimates must be made and an unfunded liability recorded and reported in accordance with the Governmentwide Treasury Account Symbol Adjusted Trial Balance System.

8.12.5.2. In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called "severance pay" in some contracts and agreements, from inception of or during their employment. See the Volume 3 Supplemental for information.

8.13 Permanent Change of Station Obligations Recorded

At the time Permanent Change of Station (PCS) orders are issued for civilian and military personnel, record obligations against current appropriations for all U.S. Government authorized reimbursable expenses incidental to relocation and for estimated bookings of household goods movement and storage. The only exception is the obligation of costs for non-temporary contract commercial storage of household goods, which must be obligated either in the period in which the service is rendered or to the appropriation current at the contract award. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

8.14 Temporary Duty Travel Obligations Recorded

Tentative obligations for temporary duty travel must be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month must not exceed the estimate of the travel expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple year appropriation, the amount of the recorded obligation must be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

8.15 Other Obligations

8.15.1. Loan Agreements. As required by ***2 U.S.C. § 661***, new direct loan obligations may be incurred only to the extent that budget authority to cover costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long-term cost of the loan to the government) is obligated against the "program account" established for the loan program. Actual funding of the direct loan is made through a revolving, non-budget "financing account." Refer to Treasury's BFS, USSGL ***Credit Reform Accounting*** guidance for detailed guidance covering obligation and disbursement of funds for direct and guaranteed loans.

8.15.2. Grants and Subsidies Obligations Recorded. Record the obligation amount of a grant or subsidy when supported by documentary evidence as directed in the Volume 3 Supplemental.

8.15.3. Bid Protests or Other Challenges. Pursuant to the provisions of ***31 U.S.C. § 1558,*** funds available at the time of protest or other action filed in connection with a solicitation for, proposed award of, or award of such contract, remain available for obligation for 100 calendar days after the date on which the final ruling is made on the protest or other action. See The Volume 3 Supplemental Document for more information on bid protests and other challenges.

8.15.4. Foreign Currency Fluctuations.

8.15.4.1. The Foreign Currency Fluctuations Appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from rates used in budget formulation. DWCF foreign currency fluctuations are absorbed by the incurring DWCF business area, not the foreign currency account. Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved. See Volume 6.

8.15.4.2. When foreign currencies not specified in the Foreign Currency Fluctuations Appropriation account are involved, any adjustments to cost at the time of payment must be supplemented with adjustments made at year-end and may be made at any other time a significant change occurs in order to avoid over or under obligation of an allotment.

8.15.5. Security Guard and Firefighting Services

8.15.5.1. ***10 U.S.C. § 2465*** prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the U.S., including Alaska and Hawaii. See the Volume 3 Supplemental Document for exceptions to this prohibition.

8.15.5.2. ***10 U.S.C. § 2687***, the Defense Base Closure and Realignment Act of 1990, as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

8.16 Unrecorded Obligations

8.16.1. Dollar Threshold for Obligations Identified as Not Recorded. Apply the following guidance when the accounting office identifies an obligation incurred but not recorded in the official accounting records, and the accounting office is in possession of a valid obligating document (as specified in paragraph 8.16.2).

8.16.2. Document Verification

8.16.2.1. The accounting office must verify the document was not previously recorded under the applicable obligation reference number indicated.

8.16.2.2. The accounting office must verify if the obligation was recorded at an amount less than the face value of the obligating document or Electronic Data Interchange (EDI) representation.

8.16.3. Recording

8.16.3.1. DFAS must immediately record an obligation if the dollar amount is $2,500 or less.

8.16.3.2. If the dollar amount is greater than $2,500, the accounting office must provide the appropriate DoW Component financial manager with a copy of the obligating document(s) via e-mail, fax, upload, or use other means (retaining proof of transmission and receipt of the notification), to document the official document repository. Allow 10 calendar days for the financial manager to record the obligation or demonstrate the obligation was previously recorded. The accounting office must record the obligation on behalf of the financial manager if, within 10 calendar days, the financial manager has accounted for the obligation, the obligation is accurate, the applicable obligation was not previously recorded, or has not recorded the obligation in the accounting records.

8.16.3.3. Whenever the accounting office records an obligation for any amount, the appropriate funds holder must be notified immediately but not later than 10 calendar days of the obligation being recorded. This notification must be via e-mail, fax, electronic upload, or other documented means used for the document repository. Additionally, whenever the accounting office records an obligation, the recording must be uniquely identified, formally approved by the individual designated to provide approval authority, and cross-referenced to the obligating document. The processed obligating document must be similarly annotated. It is acceptable for an automated system to identify the source of a DFAS recorded obligation.

8.16.3.4. DoW Components must promptly record all obligations consistent with standards set forth in section 3.0. The over-recording and under-recording of obligated amounts is equally improper, as either makes it impossible to determine the actual status of an appropriation and may lead to violations of the Antideficiency Act. Over-recording and under-recording will also call into question the accuracy of agency financial statements and the propriety certifications on reports of obligations provided to Congress pursuant to ***31 U.S.C. § 1108(c)*** and ***1501(b).***

8.16.4. Expired Funds. If the agency has incurred a valid, unrecorded obligation in the prior year, prior year funds must be used. Current appropriations are not available to fund this obligation. If insufficient funds remain in the prior years' appropriation, the agency must seek a supplemental or deficiency appropriation and must further consider the possibility the Antideficiency Act (31 U.S.C. § 1341) has been violated.

8.17 Internal Controls

8.17.1. Departmental Responsibilities. In accordance with its responsibility for implementing effective internal controls, the Assistant Secretaries and Comptrollers must establish standard procedures for Departmental/Agency level monitoring and review of all obligations and commitments. These reviews must be formally documented in Standard Operating Procedures (SOP).

8.17.2. Funds Holder Responsibilities

8.17.2.1. For the buyer/receiving component, the funds holder must review and validate commitments and obligations as financial transactions occur.

8.17.2.2. Quarterly, the fund holder must reconcile all obligations incurred during the period to include amounts recorded in the general ledger to contracting system records and/or obligating documents such as contracts and modifications.

8.17.2.2.1. The fund holder must document and investigate all differences.

8.17.2.2.2. The fund holder must alert the financial managers of any variances. The financial manager must review the funds holder's documentation and assess whether an adjustment to the general ledger is required.

8.17.2.3. The use of "bulk" (estimated) obligations requires periodic monitoring and reconciliation of estimated obligations to the related disbursement transactions and the recording of appropriate adjustments to the estimated obligations based on the disbursement amounts. Limit the use of bulk obligations as Antideficiency Act violations may occur in the absence of adequate procedures for monitoring and reconciling disbursements.

8.17.2.3.1. Bulk obligations must not be used for materiel requisitioned by Defense Logistics Management Standards or Military Standard Logistics Systems transaction processing. Establishing an obligation for the proper amount for each line item under a unique requisition document number is essential for the timely and automated processing of interfund and non-interfund bills at the detail, line item level. Failure to do so may delay processing and increase workload for both DFAS and Component personnel.

8.17.2.3.2. DoW Components that establish business processes for requisitioning outside their customer's Component sponsored supply system, via internet ordering applications, must provide automated processes for their customers to record line item obligations for each requisition. DoW Components that authorize personnel to initiate orders outside of the Component sponsored supply system must incorporate source of supply automated processes for establishing line item obligations for each requisition.

8.17.3. Supporting Documentation. Prior to recording an obligation, the financial manager responsible for the official accounting records of the funds holder must have supporting documentation. Information on supporting documentation can be found in the Volume 3 Supplemental Document.

8.17.4. Segregation of Duties. To ensure proper internal controls within the responsible financial management office, the duty of approving, certifying, and recording an obligation or order acceptance must be separate from posting a receiving report(s) and certifying acceptance and payment(s) for that obligation. In instances where Management determines that segregation of duties is not practical, additional mitigating controls must be identified and implemented in accordance with Volume 5.

8.17.5. Antideficiency Act Violations. When the financial manager records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately must initiate research to include consulting with the funds holder. See the Volume 3 Supplemental for more guidance.

8.18 Review of Dormant Accounts

8.18.1. 31 U.S.C. § 1554 mandates an annual certification of unliquidated obligations (ULOs). DoW Components will implement and maintain a documented internal process for the regular, risk-based review of dormant commitments and ULOs. The risk-based review aligns our internal controls with federal law, which mandates an annual certification of ULOs, and with the risk-based assessment principles championed by the Office of Management and Budget (OMB) and the Government Accountability Office (GAO). DoW Components must also review their Unfilled Customer Orders (UFCOs). UFCOs reviews are to monitor your reimbursable activities.

8.18.2. While Components have the flexibility to design their own procedures, the process must, at a minimum, prioritize the review of dormant transactions based on risk factors such as:

Age: Transactions with no activity for more than 90 days; Materiality: High-dollar value transactions relative to the Component's overall ULO and UFCO balance; Other Risk Indicators: Transactions with known issues, problematic contract types, or those approaching their expiration or cancellation date.

8.18.3. Documentation: Components are not required to submit a report of this activity to OUSW(C) but must maintain sufficient documentation of their risk-based review process and remediation actions for audit purposes.

9.0 ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

9.1 Expired Accounts

Both the obligated and unobligated balances of an expired DoW appropriation must remain available for the purpose of recording, adjusting, and liquidating obligations that are properly chargeable to that specific account until it is officially closed.

9.2 Closed/Cancelled Accounts

In accordance with 31 U.S.C. § 1552(a), any collections authorized for a DoW appropriation but not received before the account is closed must be deposited in the Treasury as miscellaneous receipts. For indefinite appropriations, policy derived from 31 U.S.C. § 1555 dictates that the account must be closed if no disbursements have been made for two consecutive fiscal years and the President or SecWar determines its purpose has been fulfilled.

9.3 Contract Change Provisions

The DoW must differentiate between contract changes and other obligation adjustments. Adjustments for items such as incentive fees or inflation are not considered contract changes and may be charged to applicable expired (but not yet canceled) accounts. For contract changes resulting from a contracting officer's final decision under the Contract Disputes Act, the policy is to apply the specific obligation adjustment rules. If a litigation judgment is paid from the Judgment Fund, it creates a new agency obligation to reimburse the fund. A specific policy, authorized by 10 U.S.C. § 8683, permits the use of expired appropriations for new obligations to cover unusual cost overruns on ship overhauls, maintenance, and repair. This authority is limited and cannot be used beyond the fifth fiscal year following the appropriation's expiration.

9.4 Shipbuilding and Conversion, Navy

The DoW Shipbuilding and Conversion, Navy (SCN) appropriation, while normally available for obligation for five years, is subject to a period of "extended availability." This policy, established through language in the annual appropriation act, allows for new obligations to be incurred after the initial five-year period for limited purposes, such as engineering services, tests, and other work required in the final stages of ship construction. The official period of availability for the entire appropriation is ultimately determined by the latest Obligation Work Limiting Date (OWLD) for the last vessel funded by that specific SCN appropriation. After this date, the appropriation enters a standard five-year expired status before cancellation.

9.5 Obligation Adjustment for a Contract Change Greater Than $4 Million

An obligation must be adjusted for a contract change on an expired appropriation, where the contractor must perform additional work, and can only be incurred after approval from the Under Secretary of War (Comptroller) (USW(C)). This approval is required if the obligation would cause the total charges for a single program, project, or activity to exceed $4 million in a fiscal year. Policy grants a specific exception for the Secretary of the Navy, who may treat this limitation as $10 million for Navy Operation and Maintenance funds used for ship overhauls.

9.6 Obligation Adjustment for a Contract Change Equal to or Greater than $25 Million

It is the policy of the DoW that any obligation adjustment of $25 million or more in a fiscal year, which is for a contract change on an expired appropriation requiring additional contractor work, is subject to special handling. This policy requires that the USW(C), as the designee of the SecWar, must first submit a formal notice of intention to the Armed Services and Appropriations Committees of both the Senate and the House of Representatives. The obligation may not be incurred until 30 days have passed from the submission of this notice, provided no committee has

registered a disapproval. The policy also mandates that this notice must include the legal basis and policy reasons for making the obligation.

9.7 Replacement Contracts

The DoW must permit the use of expired funds to finance a replacement contract only if a specific set of conditions is met. First, there must be a continuing bona fide need for the goods or services, and the original contract must have been made in good faith. Second, the original contract must have been terminated either for default or for the convenience of the Government under specific circumstances (e.g., a court order or a formal determination that the award was improper due to explicit evidence that the award was erroneous and the determination is documented with appropriate findings of fact and of law). Third, the replacement contract must be for the same size and scope as the original and must be executed without undue delay. If any of these conditions are not met, policy dictates that current year funds must be used. Furthermore, if a replacement action will cause the obligation to exceed the unliquidated balance of the original contract by $4 million, it is policy that the action must first be approved by the USW(C). If the excess amount is $25 million or more, policy requires that a notice of intention be submitted to the congressional oversight committees at least 30 days prior to obligating the funds.

9.8 Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

The DoW must use a sub-class account when using current appropriations to pay for obligations from a closed/canceled account. This policy mandates that such obligations are only recorded in the current account when payment is imminent in the current fiscal year. To ensure transparency, these adjustments must be clearly identified on the DD 1416, "Report of Programs." However, policy dictates that no formal reprogramming action is required for these specific adjustments, even if they cause a line item to exceed its normal reprogramming threshold.

9.9 Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

If an expired appropriation has a negative unliquidated balance (insufficient funds), an obligation or adjustment may be charged by the DoW to a current appropriation for the same purpose. However, policy strictly prohibits charging a current appropriation if a sufficient balance actually exists in the expired account. If a subsequent review finds that sufficient funds were, in fact, available in the expired account, any charge made against the current account must be reversed. Furthermore, policy dictates that this action can only be taken if the obligation is not properly chargeable to any other current DoW appropriation under the transitional provisions of 31 U.S.C. § 1553(b)(1). Finally, the total amount charged to a current appropriation under this policy may not exceed an amount equal to one percent of the total appropriation for that current account.

9.10 Collection Credits After an Account is Closed/Cancelled

Valid accounts receivables with negative unliquidated obligations must not be written off simply because an associated appropriation has closed or canceled. Policy dictates that these proprietary accounts must be maintained until the debt is either settled by the debtor or properly

closed in accordance with the guidance in Volume 4. Furthermore, as required by 31 U.S.C. § 1552, if collections that were authorized to be credited to an account are received after that account has closed, it is policy that those funds must be deposited into the Treasury as miscellaneous receipts.

9.11 Exceptions to an Account's Period of Availability for Adjusting and Liquidating Obligations

9.11.1. All appropriation accounts are subject to standard closure and cancellation requirements unless specifically exempted by statute. In accordance with 31 U.S.C. § 1557, a provision in an appropriations act can exempt an account and fix its period of availability for expenditure only for a specific FY. To be valid, such a statutory provision must identify the specific account, state that it remains available for recording and adjusting obligations and explicitly extend the availability of its obligated balances. Policy dictates that this special authority should only be requested when historical data shows that paying old balances from current funds would regularly exceed the one percent limitation or would severely impact the current program. In the absence of a specific legislative extension, it is DoW policy that Components may request a re-appropriation of closed/canceled balances, and any resulting re-appropriation is to be treated as new budget authority.

9.11.2. Availability for expenditure of a specific account may be changed only through specific legislation. This authority should only be requested when historical data shows that paying old balances from unexpired funds would regularly exceed the one percent limitation or would severely impact a current program. In the absence of specific legislative authority to extend an account, it is DoW policy that Components may request a re-appropriation of closed/canceled balances. Policy dictates that the receipt of a re-appropriation is to be treated as adding new budget authority.

9.12 Antideficiency Act Violations

DoW Components must investigate and report potential Antideficiency Act (ADA) violations when limitations are exceeded. An ADA violation can occur when an obligation from an expired account with insufficient funds is charged to a current appropriation. Detailed ADA investigation and reporting policy is specified in Volume 14.

9.13 Control, Reporting, and Certification Requirements

9.13.1. In accordance with 31 U.S.C. § 1554(a), any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation continues to apply even after its period of availability for new obligations has expired and after the account has been officially closed. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. DoW policy also mandates that Components must establish and test internal controls to ensure an adequate review of obligated balances, as required by OMB Circular No. A-123, Appendix A. Proper general ledger controls must be maintained for all valid unpaid obligations and accounts receivable in closed/canceled accounts. Policy dictates that closed/canceled obligations can only be posted to unexpired accounts when a

disbursement is imminent in the current year. All related records must be maintained according to the policy in Volume 1.

9.13.2. Under the provisions of 31 U.S.C. § 1554, the SecWar (or his designee) must submit a comprehensive annual report to the President and the Secretary of the Treasury concerning the status of appropriation accounts (unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments). This report must include an itemization of appropriation accounts, a descriptive list of each appropriation, details of payments made from current accounts for closed account obligations (per 31 U.S.C. § 1553), and identification of all balances that were closed/canceled on September 30th (per 31 U.S.C. § 1552(a)). The report must also identify any indefinite appropriations that were closed because their purpose was fulfilled (per 31 U.S.C. § 1555). A key policy element is the requirement for a certification from the DoW Components that all obligated balances reflect properly existing obligations and that all expenditures were proper.

9.14 Other Requirements

9.14.1. Apportionment Procedures. The SF 132, "Apportionment and Reapportionment Schedule," must include a footnote stating that up to one percent of the original appropriation or the unobligated balance, whichever is less, may be used for obligation adjustments from closed/canceled accounts. If a supplemental appropriation is enacted, a reapportionment of this one percent amount may be requested.

9.14.2. Unliquidated Obligations. All unliquidated balances in expired accounts must be reviewed prior to an account's closure, and any amount not supported by documentary evidence must be de-obligated. Financial and program managers at all levels are responsible for ensuring all transactions are appropriately concluded. This includes ensuring that if services or materials remain undelivered at the time of expiration, they are subsequently delivered or, if not, that action is taken to terminate the contractual obligations to maintain the integrity of the funds. Furthermore, policy requires that uncompleted contracts, uncollected receivables, and uncollected travel or pay advances must be actively reviewed to ensure their validity.

9.14.3. Payments After Closure/Cancellation of Appropriations. Payment against a closed/canceled appropriation is prohibited until the disbursing office obtains a currently available appropriation from the funding activity. Finally, the write-off of an uncollectible reimbursement receivable is treated as a reclassification to a direct program obligation, and the specific accounting entries can be found in the DoW USSGL Transaction Library.

9.14.4. Closing/Cancelling an Account with a Negative Balance. DoW Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

9.14.5. Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts. When an appropriation account is closed or canceled, the corresponding budgetary accounts for its accounts receivable must also be closed, and this action does not change the total obligations within those budgetary accounts. A key policy is the treatment of uncollectible receivables: the

write-off of an uncollectible reimbursement receivable must be treated as a reclassification of that obligation from the reimbursable program to a direct program obligation.

9.14.6. Correction of Reporting Errors in Closed/Cancelled Accounts. The DoW must permit the correction of two specific categories of errors in closed/canceled accounts: clerical errors (such as misplaced decimals or transposed digits) and errors made in classifying a payment prior to account closure that were not discovered until after. In accordance with OMB Circular No. A-11, section 130.16, policy requires that certain complex correction requests must be supported by a written, standalone legal opinion from the Component's Office of General Counsel. This applies when the request involves the redistribution of offsetting collections or gross outlays between a closed Treasury Appropriation Fund Symbol (TAFS) and an expired TAFS.

10.0 UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS

10.1 Matching Disbursements to Obligation

A disbursement must be matched to its corresponding, detail-level obligation and recorded as promptly as current systems and business practices permit. Many obligations and disbursements are matched automatically via the Department's various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to non-automated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement results in a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation results in a NULO. After performing due diligence research IAW section 1105, obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed regardless of the date that the disbursement was made. Fund holders must participate in the resolution of both UMDs and NULOs as both affect funds availability and have Antideficiency Act (ADA) implications. UMDs and NULOs must be also be included in the Dormant Accounts Review.

10.1.1. UMD and NULO Research Requirement. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office and the fund holder must reject the disbursement. If a matching obligation is recorded under an incorrect document number, the fund holder must immediately correct the document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation must be performed IAW Volume 10.

10.1.2. Record an Obligation for Unresolved UMDs and NULOs. Immediately notify the fund holder of applicable UMDs or NULOs. If research efforts fail and the condition is not corrected, advise the fund holder of the requirement to establish a matching obligation within the

timeframes delineated in paragraph 110501. If the fund holder fails to record an obligation, the accounting office must elevate the issue IAW subparagraphs 110501.A.3 or 110501.B.4 as applicable.

10.1.3. Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. After performing due research, obligations recorded for UMDs and NULOs must be recorded at the detail transaction level as follows:

10.1.3.1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

10.1.3.2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

10.2 Overaged UMDs/NULOs

10.2.1. Current and Expired Accounts

10.2.1.1. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of the current and expired accounts. New obligations, or new upward obligation adjustments, may be executed only when and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs (if they are obligated) when added to obligated balances, would exceed the availability in such accounts.

10.2.1.2. DoW Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential ADA violation.

10.2.1.3. If an account is obligated fully (but not overobligated) and has unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments may continue, provided the account is not in danger of exceeding the unexpended balance (resulting in an overdisbursement). If an overdisbursement occurs, payments from the account must stop immediately, and the DoW Component involved must accomplish actions required for a potential ADA violation IAW Volume 14.

10.2.1.4. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources.

10.2.1.5. Must not be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential ADA violation that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

10.2.3. Accounts Closed/Scheduled to Close at Fiscal Year-End

10.2.3.1. Obligations must be established no later than September 30 by all DoW Components for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

10.2.3.2. If such obligations result in obligations in an excess of available funds, the DoW Components must resolve the negative balance and report to Treasury within two months but no later than the end of the current fiscal year.

10.2.3.3. If the account is not returned to a positive balance within 60 days, the DoW Component involved must accomplish actions required for initial identification and investigation of a potential ADA violation IAW Volume 14.

10.2.3.4. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual ADA violation. A DoW Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6 regarding the level of reporting on the *Appropriation Status by Fiscal Year Program and Subaccounts (Accounting Report Monthly 1002)*.

10.2.3.5. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

10.2.3.5.1. Unexpended balance of the closed appropriation.

10.2.3.5.2. Unobligated balance of the currently available appropriation charged.

10.2.3.5.3. One percent limitation, discussed in subparagraph 110402.F.

10.2.3.6. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed one percent of the total amount appropriated to the currently available appropriation being charged. If it exceeds the one percent limit, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller (FM&C) or Defense Agency Comptroller for referral to the OUSW(C), Deputy Chief Financial Officer (DCFO) for appropriate disposition.

10.2.3.7. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the Treasury miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

10.2.3.8. Inter- and intra-appropriation adjustments to correct accounting records must not be accomplished by using a cash disbursement or cash collection.

10.2.3.9. A potential ADA violation must be reported and a preliminary investigation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided. See Volume 14 for ADA investigations and reporting requirements.

10.2.3.10. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. If the unobligated balance or unexpended balance in a closed appropriation is negative, a potential ADA violation has occurred and must be reported and investigated.

10.2.3.11. All disbursements and collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation is not reported to Treasury.

10.2.4. Expenditure Controls. The DoW Components must work with accounting and disbursing offices to implement effective controls to prevent over-expenditures in accounts that may be in an over-obligated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the obligations.

10.3 Request to Discontinue UMD/NULO Research

10.3.1. Research Decision

UMDs and NULOs may continue to be researched notwithstanding the obligation of funds. For transactions of $2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over $2,500, the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller, may require the fund holder to continue research action. If continued research is required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller for transactions over $2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, DFAS must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

10.3.2. Reporting Continued Research Efforts

After the research is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.

10.4 Correction/Posting Disbursements – Foreign Military Sales Trust Fund

Special Notification Requirements

10.4.1. If the accounting office has not been able to resolve the transactions after discovery of the UMD or NULO condition, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder must be involved in the resolution. Notify the fund holder that he or she must fund the transaction if the transaction is not properly matched within the specified timeframes. If required, prepare a draft case modification for DSCA countersignature.

10.4.2. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with DFAS. DFAS will establish notification and approval procedures.

10.5 Processing In-Transit Disbursements

Required Documentation

10.5.1. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable disbursing center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, it is not necessary to forward paper copies unless specifically requested for a particular transaction.

10.5.2. The applicable disbursing office or entitlement activity must ensure that each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, sub-allocation holder identifier, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

10.6 Reporting Requirements

10.6.1. Data Collection Requirements. DFAS is responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

10.6.2. Monthly Reporting Requirements. The DoW Component accounting offices must transmit a status report identifying all disbursement transactions that have not been matched to an obligation to DFAS Headquarters monthly. DFAS will specify the format and detail reporting requirements.

10.7 Record Retention

DoW Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes but is not limited to determinations that selected transactions meet the criteria for discontinuing further

research, and detail and summary records of adjustments. Components must maintain these records to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department. See Volume 1 for DoW policy on record retention.

11.0 POLICIES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. § 6301)

11.1 General Policies

11.1.1. 41 U.S.C. § 6301 authorizes MILDEPs to incur obligations for certain necessities (e.g., clothing, subsistence, medical supplies) beyond available appropriations, not exceeding current fiscal year needs.

11.1.2. 10 U.S.C. § 2204 requires the SecWar to approve scheduled obligation rates to prevent overdrafts and deficiencies, though it does not prohibit legally authorized deficiencies.

11.1.3. Volume 14 (implementing 31 U.S.C. § 1517(a)) establishes the basic administrative control system for appropriations. This system aims to restrict obligations and expenditures to available amounts or apportionments, and to fix responsibility for violations.

11.2 Provisions

11.2.1. The DoW must strictly limit its use of the authority granted by 41 U.S.C. § 6301 to emergency circumstances only. The demands of these circumstances must be such that immediate action is imperative and cannot be delayed long enough to obtain sufficient funds through normal means. Furthermore, this emergency authority will not be used to circumvent the system of administrative controls for appropriations established under 31 U.S.C. § 1517(a).

11.2.2. It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. § 6301 will be used must be determined on a case-by-case basis.

11.3 Funds Administration

Funds will be administered according to the system of administrative controls in Volume 14. This ensures that responsible officials can take timely action to prevent over-obligation of any fund subdivision, regardless of the authority granted by 41 U.S.C. § 6301.

11.4 Over-obligation

11.4.1. The over-obligation of any apportioned appropriation or fund, or any subdivision thereof, for procurement of those items in paragraph 11.1 is considered a violation of the Antideficiency Act. Two exceptions include over-obligations made during an emergency in accordance with established provisions, provided that: (1) procurements do not exceed the necessities required to relieve the emergency, and (2) these necessities do not exceed the needs of the current fiscal year.

11.4.2. When the authority of 41 U.S.C. § 6301 is used to create an over-obligation, the responsible individual must certify in writing that three specific conditions existed. These conditions are: an emergency existed within the spirit and intent of 41 U.S.C. § 6301; the over-obligation was created to meet the necessities of the period; and it was not feasible to obtain sufficient funds in advance.

11.4.3. The over-obligation must be certified and fully disclosed in the fiscal reports to the next higher level of command, indicating that the over-obligation was incurred under authority of 41 U.S.C. § 6301.

11.5 Reporting Procedures

Refer to the Supplemental Document for details on reporting all obligations incurred under 41 U.S.C. § 6301.

12.0 RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENT LEVEL

12.1 Appropriations

Congress grants appropriations as the legal authority to incur obligations and make Treasury payments for specified purposes. An appropriations act is the most common form of budget authority and must be explicitly stated, not inferred. The availability of an appropriation is determined by its period of availability, phase of availability, and the specified amount.

12.1.1. Period of Availability. The time in which budget authority is available to incur new obligations. This period of availability is categorized into several types. One-Year (Annual) Authority is the budget authority that is available for obligation only during a single, specified fiscal year, such as that for most Operations and Maintenance appropriations. Multiple Year (Multi-Year) Authority is budget authority that is available for a period longer than one fiscal year, such as for RDT&E (most are 2 years) or Procurement (3 years), Shipbuilding and Conversion, Navy appropriation (5 years), and Military construction appropriations (5 years). No-year Authority is budget authority which remains available for obligation indefinitely and Congressionally Directed Spending, which occurs when Congress designates a portion of an appropriation for a particular purpose through legislative language within an appropriation.

12.1.2. Phases of Availability. All annual and multi-year appropriations pass through three distinct phases of availability. First is the current or unexpired phase, during which the budget authority is available for incurring new obligations, making new grants, signing new contracts, and making disbursements to liquidate the obligations. The current or unexpired phase continues for the set period of availability. No-year authority remains current until fully obligated and disbursed or returned to the general fund of the Treasury. This is followed by the expired phase, a five-year period where funds are no longer available for new obligations but can be used to adjust and liquidate existing ones, although legislation can extend this period. Finally, the appropriation enters the canceled phase. At this point, no payments can be made from the canceled appropriation, and any remaining balance is canceled. On September 30 of the fifth fiscal year after the period of availability for obligation ends for a fixed appropriation account, the account must be closed and any remaining balance is canceled (whether obligated or unobligated). Policy

does allow for an exception, per 31 U.S.C. § 1553, where valid obligations from a canceled account may be paid from a current appropriation, if these payments are strictly limited to one percent of the total current appropriation or are not chargeable to another expired account.

12.1.3. Determination of Amount. DoW policy recognizes that the amount of budget authority is determined by legislative language and falls into two categories. Definite Authority is the most common and is granted as a specific sum or a "not to exceed" amount. Indefinite Authority does not state a specific sum; instead, the amount is determined by a variable factor, such as the receipts collected from a certain source, the specific amount of which is determinable only at some future date, or it may appropriate such sums as may be necessary for a given purpose.

12.1.4. Reappropriations. Statutory authority that extends the availability of unobligated budget authority that has expired or is about to expire.

12.1.5. Exceptions. Contract authority is an exception to the general rule that appropriations provide budget authority for new obligations. It allows obligations for a specific purpose, time, and amount, as defined by statute, but remains unfunded and lacks a Treasury cash balance. Agencies must always replace or liquidate contract authority using subsequent budgetary resources, typically through offsetting collections credited to the Defense Working Capital Fund (DWCF). The liquidating appropriation itself does not grant new obligational authority.

12.1.6. Continuing Resolution (CR). A continuing resolution (CR) is a joint resolution that provides continuing appropriations for a fiscal year when regular appropriation bills have not been passed and a program's appropriations are about to or have expired, or when the President has vetoed congressionally passed appropriations bills. A CR does not appropriate a specific sum but instead makes funds available under the same terms and conditions as the prior year's appropriation act, though it may establish new conditions. Funding is available for obligation only until the CR's specified end date or until the regular appropriation is enacted, whichever comes first. For detailed guidance, refer to OMB Circular No. A-11, Section 123.

12.1.7. Funding Lapse or Gap. A lapse in an agency’s appropriations occurs when Congress fails to enact regular appropriations, a CR, or needed supplemental appropriations.

12.1.8. Appropriation Warrants. The DoW must recognize that an Appropriation Warrant, issued by the Secretary of the Treasury, is the official document that establishes the amount and period of availability of funds an agency is authorized to withdraw from the Treasury following the enactment of an appropriation. Policy dictates that under a Continuing Resolution (CR), warrants are generally not issued until the regular appropriation bill is passed. An exception to this policy is made for long-term or full-year CRs, or for those covering specific mandatory federal payments, as detailed in the Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 2000.

12.1.9. Classification of Appropriations. All departmental-level appropriations and other budgetary resources must be classified by appropriation account, fiscal year, and any obligation or expenditure limitations. This classification must be at the level of detail required by OSW for appropriation and fund status reporting, as specified in Volume 6. The policy is to classify appropriations in various ways based on their purpose, such as by time period, spending limits, or

authorized programs and availability to incur obligations. The official representation of this classification is the appropriation account symbol.

12.1.10. Recording an Appropriation. DoW policy states that an appropriation is not available as a financing source or budgetary resource until it has been apportioned by OMB. As soon as funds are made available for apportionment (even if a Treasury Warrant has not been issued or the full amount has not been apportioned), it is policy to recognize them in the capital as "unexpended appropriations" and among assets as "funds with Treasury." Policy further dictates that this "unexpended appropriations" account should be reduced as appropriations are used and adjusted for any other changes, such as rescissions or transfers. These accounting principles are governed by the Federal Accounting Standards Advisory Board (FASAB) Handbook, specifically the Statement of Federal Financial Accounting Standards (SFFAS) 7.

12.2 Apportionments and Reapportionments

12.2.1. The DoW must adhere to the apportionment process, which is the OMB-approved plan to allocate budgetary resources as defined by 31 U.S.C. § 1513(b). An apportionment is legally binding, and policy dictates that any obligation or expenditure that exceeds an apportionment is an Antideficiency Act violation (per 31 U.S.C. § 1517) and must be reported. Policy also requires that apportionments cannot be obligated until the amounts have been formally allotted according to OMB-approved funds control regulations. Programs must be apportioned and executed in accordance with all applicable laws, and obligations must be reconciled against the fiscal year in which the expenses were incurred. Not all appropriations are apportioned. Policy recognizes that some budgetary resources may be withheld pending rescission, deferred, or are otherwise exempt.

12.2.2. Special Circumstances. During a Continuing Resolution (CR), policy requires agencies to adhere to OMB apportionments in the same way they do for regular appropriations. Typically, OMB will automatically apportion funds under a CR. For indefinite budget authority, if actual available amounts are less than anticipated, it is policy to deduct the difference from the apportioned amounts unless a different treatment is specified or a reapportionment is initiated. Per OMB Circular No. A-11 (Section 120), a downward reapportionment for reduced budgetary resources is not required unless OMB specifically directs it.

12.3 Contract Authority – Other Budgetary Authorizations

12.3.1. Congress finances federal programs by granting budgetary authority, which enables agencies to incur financial obligations that lead to government outlays. As defined by the Congressional Budget Act, budgetary authority encompasses not only appropriations but also contract authority, borrowing authority, and spending authority from offsetting collections.

12.3.2. Contract authority, granted by Congress through an authorizing statute, allows an agency to incur obligations in advance of an appropriation. These obligations are typically liquidated by anticipated receipts or offsetting collections. Per 41 U.S.C. § 6301, no expenditures can be made against these obligations until funds are either specifically appropriated or otherwise become available. Contract authority can be current or permanent, definite or indefinite, and its period of availability will align with the fiscal year covered by the appropriation act. Definite

authority is a legally prescribed amount of new authority for the fiscal year. Authority is considered definite when the law provides a specific ceiling or a "not to exceed" amount. Indefinite authority is not predetermined; instead, the amount of authority is equal to the new obligations incurred during the fiscal year. Though typically accounted for through a no-year appropriation, it must be apportioned each fiscal year. Current authority requires congressional appropriations action on the request for new budget authority for the year involved. Permanent authority becomes available through standing law without further congressional appropriation once the budget is transmitted. Permanent indefinite authority is open-ended in both period and amount, with examples including 31 U.S.C. § 1304 (Payment of Judgments) and 31 U.S.C. § 1322(b)(2) (Refunding Erroneous Collections). Guidance for emergency military procurement (per 41 U.S.C. § 6301 and FAR), Working Capital Fund authority, and foreign military sales also fall under this category.

12.4 Transfer of Funds

When legally authorized, budgetary authority can be withdrawn from one appropriation and credited to another account or a working fund. Such a transfer is recorded as either an expenditure transfer (involving an outlay) or a nonexpenditure transfer (not involving an outlay). These transfers between appropriations, which must always be authorized by law, are used to redistribute unobligated balances for reasons such as reorganizations, congressionally authorized funding changes, or shifts in the purpose of the funds.

12.4.1. Anticipated Transfers. Appropriation transfers can be anticipated and recorded in advance. An anticipated transfer itself grants no obligation authority; it is treated as authority available for apportionment and prior-year authority and current-year authority are kept separate. Obligation authority only becomes available after the transfer is accomplished and the funds are apportioned by OMB. An agreement must be maintained between the transferring and receiving accounts, and both must record the transfer in the same accounting period. Once a transfer is accomplished, budgetary and proprietary control shifts to the receiving appropriation.

12.4.2. Expenditure Transfer. This is a transfer typically made when it benefits the transferring account. Policy dictates how these transfers are recorded: as an obligation and an outlay in the transferring account, and as an offsetting collection or receipt in the receiving account. Since expenditure transfers are treated as payments and collections, they are not applicable to departmental-level accounting entities. An expenditure transfer includes withdrawals and credits not defined as nonexpenditure, transfers between budgetary and nonbudgetary Treasury accounts such as general fund accounts and deposit accounts, and adjustments to correct errors in previous expenditure transactions.

12.4.3. Nonexpenditure Transfers. This is a transaction that does not involve an outlay but is instead recorded as a decrease in budget authority or unobligated balances in the transferring account and a corresponding increase in the budgetary authority or unobligated balances gaining account. This type of transfer category includes two specific types of actions: a transfer of estimates, which is a proposal to shift the funding of an activity between budget accounts without transferring the actual budgetary resources, and an allocation, which is a legally authorized delegation of authority from one agency to another to obligate funds.

12.4.4. Reprogramming. Shifting of funds for purposes other than those originally specified by Congress or to reclassify funds for proper execution.

12.4.4.1. Below Threshold Reprogramming Action. Action that provides DoW Components with the flexibility to realign funds within congressionally prescribed limits, and approved funding to satisfy unfunded requirements.

12.4.4.2. Above Threshold Reprogramming Actions. Action of reallocating funds when established congressional approval thresholds are exceeded, which requires prior approval from congressional committees. In addition, the Department uses internal reprogramming actions to transfer funds from various accounts that Congress has established with its own specific transfer authority (e.g., Environmental Restoration) or to realign/transfer funds for proper execution of a congressionally approved program.

12.5 Reappropriations

Congressional action that continues the availability of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. Policy dictates that reappropriations of expired balances are to be recorded as new budget authority in the year they become available. If the balance in the losing appropriation is insufficient to cover the transfer, the reappropriation may be delayed or canceled. Decisions to delay or not make a reappropriation transfer require written notification to the USW(C), within five working days of the determination. It is also policy that reappropriations providing funds to a fiscal year for which they were not previously available constitute new budget authority and therefore require a Treasury Warrant. Reappropriations of unexpired balances or those that take effect in a future fiscal year are reported as balance transfers in the year they become newly available for obligation. Unobligated balances must be withdrawn in the losing accounts from operating activities. However, an exception is made when the operating activity includes both the gaining and losing accounts and the intent is simply to extend the availability of funds for the same purpose. In this case, a formal withdrawal is not required.

12.6 Internal Fund Distributions

Apportionments are subdivided and formally distributed through a hierarchy of allotments, sub allotments, allocations, and suballocations. Detailed requirements for these subdivision levels are established in Volume 14, in accordance with OMB Circular No. A-11, Appendix H. A critical policy is that any formal subdivision of funds must carry with it all the same statutory and other limitations that were applicable to the original apportionment. Policy also requires that all formal distributions of funds must be made in writing, with the specific format determined by the issuing entity.

12.7 Interagency Distributions

For distributions of budgetary resources between agencies (interagency distributions), it is policy to use separate accounts to track the distribution and ensure the recipient agency is responsive to the issuing agency. From a consolidated accounting standpoint, policy mandates that both the issuing and receiving agencies must record the distribution in the same accounting

period. Reference Volume 11 for overarching policies regarding policies work performed or materials provided between the DoW and other Federal Agencies.

12.8 Withdrawals and Expired Balances

Withdrawal as an administrative action to remove unobligated funds from availability, as distinct from a legal rescission by Congress. A Restoration is the administrative action to make those withdrawn funds available again. A key policy, based on 31 U.S.C. § 1555, is that funds can only be withdrawn when an account closes; budget authority cannot be withdrawn from open accounts.

12.8.1. Expired Balances. Expired balances retain their fiscal year identity for five years. During this time, it is policy that the unobligated balance can only be used to adjust obligations that were incurred when the appropriation was available; it cannot be used for new obligations. After the five-year period, any remaining balances must be transferred to account 4350, Canceled Authority. A strict policy is that canceled amounts cannot be restored.

12.8.2. Nature of Expired Authority Account. Account 465000, Allotments – Expired Authority, is not a fund balance. Its purpose is to serve as a budgetary resource to ensure valid obligations from expired accounts can be met without requiring new congressional action. While transfers in and out of this account do not affect the Treasury's cash position, related proprietary transactions do impact the Fund Balance with Treasury (account 101000).

12.9 Indefinite Appropriations

It is the policy of the DoW to recognize indefinite appropriations as a type of appropriation where a definite amount is not stated but is instead determined by subsequent events, such as the collection of receipts. An example of this is the receipts under the Federal Account Symbol and Title 5095.001, Sale of Hunting and Fishing Permits, Military Reservations, are permanently appropriated for the Army to spend under appropriation account 21X5095, Wildlife Conservation, Military Reservations, Army. Policy dictates that these funds, even if based on the collection of receipts, cannot be accessed until the Treasury issues a warrant or the authorized amount may be specified as the amount obligated for a specific purpose. It is also policy that anticipated amounts from indefinite appropriations must be reported as "anticipated budgetary resources" until the funds are realized. A critical element of this policy is that these anticipated balances, while reported on the SF 133, should not be recorded as currently available for obligation.

12.10 Other Account Adjustments and Closing

12.10.1. Account Adjustments. At the end of the availability period, all undistributed or unobligated budget authority at the execution level must be returned to the departmental level for financial reporting.

12.10.2. Notification from Lower Levels. It is the policy of the DoW that the departmental-level accounting entity must be informed of specific adjustments and account balances from intermediate and execution levels for financial reporting purposes, as specified in Volume 6. This policy ensures transparency and accuracy in financial reporting across all levels.

12.10.3. Account Closing. At year-end, the Treasury requires specific post-closing entries to be made to certain accounts. These closing transactions are critical for financial management, serving to establish beginning balances for accounts with no fiscal year activity and to zero out balances that recorded current-year activity. For direct funds, record unobligated budget authority for unexpired appropriations, close unobligated balances to expired authority, reduce realized appropriations by rescinded appropriations, and close both accomplished and realized appropriation transfers. No closing entries must be made for the reimbursable program at the departmental level.

13.0 RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES INTERMEDIATE-LEVEL

13.1 Standards for Recording and Distribution

Many DoW Components, like the Military Departments, are structured in three or more echelons. Budget authority for General Fund direct appropriations is recorded at the Department level (Headquarters), issued to intermediate-level organizations (Major Commands), and then distributed to execution-level organizations (field level) for program implementation. This section sets the standards for recording the receipt and distribution of direct budgetary resources using intermediate-level accounts. These accounts track fund distributions (like allotments) from the Department level to intermediate organizations and then down to execution activities. The guidance in this section does not apply to two-tiered structures (e.g., Defense-wide appropriations) or to reimbursable budget authority, which is covered in Volume 11.

13.2 Required Notification and Reporting

The intermediate-level accounting activity must notify the department-level accounting entity of direct program authority that is not distributed to the execution-level (account 456000, Funds Available for Allotment). After preparation of the prescribed budget execution reports, accounting entries must be made, at the expiration of the period of availability (PoA) for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

14.0 RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL

Execution-level budgetary and proprietary accounts track the receipt of funds from higher authorities, such as the OSW, and their subsequent distribution, including the subdivision of the allotment (sub allotment, allocation, or suballocation) between a major command and an execution-level activity or among execution-level activities. This section establishes the standards for recording these financial activities, including allotments, commitments, and obligations, which often require entries in both budgetary and proprietary accounts. This section outlines the accounting standards for receiving and executing allotments, commitments, obligations, reimbursements, and borrowing authority.

14.1 Budget Execution Requirements

According to DoW policy, formal subdivisions of budgetary authority, such as allotments, sub allotments, allocations, and suballocations authorize the receiving entity to incur obligations up to a specified amount. These subdivisions must include the same statutory limitations and availability constraints as the original apportionment from the OMB. To ensure congressional intent is met, accounting entities are required to track the obligations and expenditures of any funds designated for a specific purpose.

14.2 Budgetary Commitments

An agreement with the OMB requires commitment accounting for Procurement, Military Construction, and Research, Development, Test, and Evaluation (RDT&E) appropriations. However, this is not required for small purchases if they are not significant to the overall management of funds. While commitment accounting is optional for Operation and Maintenance, military personnel, and revolving fund accounts, agencies may use it if it proves cost-effective. All commitments represent an administrative reservation of funds, and any outstanding commitments must be closed or canceled by the end of the period when the appropriation is available for new obligations, as they cannot exist in an expired appropriation account.

14.3 Obligations

Obligations are legally binding commitments that will require payments. They represent the amounts of orders placed, contracts awarded, and services received which will require payment in the same or future period. These amounts also include obligations that organizations did not previously record and adjustments for any differences between previously recorded obligations and the actual payments made to liquidate them. Furthermore, any reductions or cancellations of prior-year obligations in no-year and unexpired multi-year accounts must be reported in budget execution reports, see Volume 6.

14.4 Reimbursements and Refunds

14.4.1. Reimbursable obligations are those financed by offsetting collections for goods and services provided, which must be authorized by law to be credited to a specific appropriation or fund account. The USW(C) authorizes this reimbursable authority through budget formulation and statutory authorization of the budget. Generally, unless an exception applies, collections are deposited into the Treasury as miscellaneous receipts. To record an obligation and an outlay in the current fiscal year for returned cash advances, other offsetting collections, or special or trust fund receipts received in a prior fiscal year, follow the guidelines in OMB Circular No. A-11.

14.4.2. Refunds, such as those for overpayments or payments made in error, are treated as reductions to previously recorded expenditures. Any amounts collected that exceed the refund amount, such as interest or penalties, must be deposited in the Treasury as miscellaneous receipts. It is important to note that items returned to Defense Working Capital Fund (DWCF) supply activities are classified as recoveries, not refunds. Except for refunds, agencies must deposit such collections in the Treasury as miscellaneous receipts unless a law authorizes the deposit to an appropriation or fund. Agencies may credit refunds related to the use of Government purchase and travel cards, as well as Government travel arranged by Government Contracted Travel

Management Centers, to the Operation and Maintenance and Research, Development, Test, and Evaluation accounts that are current when they receive the refunds. Volume 11 contains the general policy statements regarding work performed or materials provided between the DoW and other Federal agencies.

14.4.3. Anticipated Reimbursements. Anticipated reimbursements are estimates of funds expected to be earned during the fiscal year and are subject to OMB apportionment based on customer orders or services received or provided. This authority does not grant the power to incur obligations; a customer order must be formally accepted to create obligational authority, unless specifically authorized by statute. The allotment of anticipated reimbursable authority only provides the authority to accept reimbursable orders, not to obligate funds. It is the accepted customer order that provides the actual obligation authority. With written approval from the OMB a DoW Component can treat its reimbursable authority as "automatic," which removes the need for it to be specifically allotted. OMB approval is granted when the criteria for automatic apportionment are met, as outlined in Volume 3.

14.4.4. Customer Orders. Obligational authority is established only when a customer order is formally accepted in writing. Volume 11outlines the written requirements used to document these requests and acceptances. Unfilled customer orders represent the value of accepted agreements within the U.S. Government to provide goods and services on a reimbursable basis. While an allotment of reimbursable authority is necessary to accept orders, it does not grant obligational authority on its own. For transactions with the public, payment must be collected in advance unless a specific statute permits otherwise. When handling reimbursable orders between federal agencies, if both entities use multi-year appropriations, the performing agency must record the obligation against its own multi-year account with a corresponding period of availability. However, if the agencies' appropriation accounts have different lifecycles (e.g., a one-year appropriation filling a multi-year order), the transaction must be handled in accordance with OMB Circular No. A-11. For specific guidance on Economy Act orders, refer to Volume 11.

14.4.5. Unearned Revenue. Unearned revenue is payment received before goods or services are delivered.

14.5 Earned Reimbursements

An earned reimbursement is recognized when a performing organization renders actual or constructive performance on a reimbursable order. At this point, compound entries are made to record performance and earnings in both budgetary and proprietary accounts. Generally, all cost elements outlined in Volume 11 must be recovered through these reimbursements, although other DoW issuances may authorize different billing prices.

14.6 Borrowing Authority

Borrowing authority is a form of budget authority that allows an entity to incur obligations and make payments for specified purposes using borrowed money. When the U.S. Government acquires property subject to a mortgage, the mortgage balance is included in the accrued expenditures. Conversely, when it sells a property and a buyer assumes the mortgage, that balance is included in accrued revenues. The government may also hold a second mortgage, which is

treated as revenue from the sale. Officials must ensure that the total acquisition cost of the property and the mortgage assumed align with Volume 6.

14.7 Account Adjustments

14.7.1. At the end of the fiscal year, DoW Components must ensure their obligational authority and recorded obligations are accurately stated based on the most current information available. This involves a thorough review and adjustment of all open financial transactions.

14.7.2. Adjustments to Expiring Accounts. At fiscal year-end, all outstanding commitments in expiring appropriation accounts must be canceled, as commitments are not permitted in expired accounts. For completed customer orders, any obligational authority from reimbursable authority that exceeded the actual cost of performance must be restored. Any earned amounts that remain uncollected from an expiring account must be moved to a miscellaneous receipt account for future deposit. Additionally, any unused cash advances from non-Federal customers must be returned.

14.7.3. Adjustments to Canceled Appropriation Accounts. Officials must cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements before making normal closing entries.

14.7.4. Report Preparation and Closing. After completing all adjustments, prepare budget execution reports as specified in Volume 6. Once the reports are finished, close the obligational and reimbursable authority.

14.8 Expired and Canceled Accounts

For five years after an appropriation expires for new obligations, its remaining balances can be used to adjust and liquidate obligations properly chargeable to that account. On September 30th of the fifth fiscal year, any remaining obligated and unobligated balances must be canceled, rendering them unavailable for any purpose. If an obligation needs to be paid from a canceled appropriation, it can be charged to a current appropriation available for the same purpose. However, the total of all such payments from the current appropriation is limited to the lesser of the unexpended balance of the canceled, the unexpired, unobligated balance of the currently available appropriation, or one percent of the original amount of the current appropriation.

14.9 Expired Authority

Expired authority includes both unobligated balances and obligated but unliquidated balances in appropriations where the period for incurring new obligations has ended. Separate accounts must be maintained for each expired appropriation for five years after its period of availability for obligation ends.

14.10 Canceled Authority

On September 30th of the fifth fiscal year after an appropriation's period of availability ends, the agency must close the fixed appropriation account and cancel any remaining balance (whether obligated or unobligated) in the account must be closed, and any remaining balance is

canceled. After this point, the funds are no longer available for any obligation or expenditure. However, the obligational status of the canceled account must be continuously maintained. Any collections that were authorized but not received before the account was closed must be deposited into the Treasury as miscellaneous receipts. If it becomes necessary to pay an obligation from a canceled account, a current appropriation available for the same purpose may be used. When using a current appropriation to pay for an obligation from a canceled appropriation, the payment is limited to the lesser of: The unexpended balance of the canceled appropriation; the unexpired, unobligated balance of the current appropriation; or one percent of the current appropriation being charged. If payments exceed this 1 percent limit, the agency must seek additional authority from Congress. Furthermore, if cash collections do not cover reimbursable obligations from a canceled account, those obligations must be paid using the direct unobligated authority that existed in the account when it was closed.

15.0 ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

A military construction project encompasses all necessary work to create a complete and usable facility or a complete and usable improvement to an existing facility, including any portion specifically authorized by law. The authority to carry out such a project includes a broad scope of activities, such as surveys and site preparation; the acquisition, conversion, rehabilitation, and installation of facilities; the acquisition and installation of equipment and appurtenances integral to the project; the acquisition and installation of supporting facilities like utilities; and all planning, supervision, administration, and overhead incident to the project.

15.1 Authorization Requests

Guidance for submitting military construction projects for authorization is provided by the Assistant Secretary of War for Energy, Installations, and Environment (ASW(Sustainment)), in conjunction with the OUSW(C). Authorization requests are limited to work expected to be executed within the requested fiscal year. These requests must be supported by detailed data on the project's physical capacity, estimated costs, and location. This information must be accompanied by comparative data on existing property and future projects, along with details on approved missions and forces. Finally, the request must distinguish the portion of the project for immediate authorization from any portion being deferred.

15.2 Authorization Guidance and Restrictions

Congressional authorization acts for major construction programs typically set cost limits for each installation or type of work. Overruns may be authorized within stated percentages, provided the total appropriation is not exceeded. Major construction projects require specific authorization in a military construction authorization act unless the work is carried out under other legal authorities, such as those provided in 10 U.S.C. § 2803-2805. Conversely, minor military construction projects cannot exceed the statutory cost limits defined in 10 U.S.C. § 2805 without specific Congressional approval. The general authority to carry out a military construction project is provided by 10 U.S.C. § 2802.

15.3 Appropriation Requests

The authorization and appropriation process for individual Military Family Housing projects is governed by 10 U.S.C. Chapter 169, Subchapter II. Military construction appropriations are generally available for obligation for five fiscal years. All appropriation requests must be consistent with existing or pending authorizations and must include specific budget estimates for projects requiring legislative authorization. For reprogramming, all requests must align with the amounts appropriated for specific projects, and the total reprogrammed amount cannot exceed the total annual appropriation. Funds may be sourced from projects completed under budget; however, the amount available for reprogramming from any single project is limited to the new total cost that was included in the estimate provided to Congress.

15.4 Obligation and Expenditure Restrictions

In accordance with DoW policy, all appropriated funds are subject to regulations regarding the administrative control of funds and the provisions of the Antideficiency Act. An adequate system of funds control must be established to ensure projects are executed consistently with their authorized purpose and within available funding. While the cost estimate for a project approved by Congress is not a separate statutory cost limitation, any major physical or financial changes to previously approved projects must be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and OMB. Limitations are applied at the project level for major construction and at the budget activity level for minor construction, planning, and design. DoW Components have limited authority to realign resources between projects, and all separate cost limitations imposed by congressional or administrative action must be observed at every level of program execution.

15.4.1. Intergovernmental Construction Work or Services

15.4.1.1. When performing construction or services for another DoW Component or federal agency, Military Departments must use reimbursable agreements under the Economy Act whenever practical. This requires using the latest versions of the standard Interagency Agreement forms (FS Form 7600A and FS Form 7600B), which must mandate periodic billings supported by cost documentation. All DoW Components must also comply with Federal Intragovernmental Data Standards, whether using Treasury's G-Invoicing system, other enterprise systems, or completing the forms manually.

15.4.1.2. In accordance with DoW policy, any Construction Agent wishing to use suballotments instead of the standard FS Forms 7600A/B must first submit a detailed action plan to the Deputy Chief Financial Officer (DCFO) and receive approval. If approved, the agent is then required to adhere to strict financial management and reporting standards to ensure financial integrity, auditability, and proper accounting for all project costs from funding receipt through asset transfer and contract close-out. This includes using independently validated financial systems, providing complete and reconciled monthly trial balances to customers and the Defense Finance and Accounting Service (DFAS), and maintaining full transparency of their end-to-end business processes for all military construction projects.

15.4.1.2.1. To ensure financial integrity, use independently validated financial management systems that are compliant with both the Federal Information System Controls Audit Manual (FISCAM) and the Federal Financial Management Improvement Act (FFMIA). The system must meet all relevant control objectives, including both Information Technology General Controls and application controls to be FISCAM Compliant. The system must meet federal financial management system requirements (e.g., the OMB Circulars A-127 and A-130), applicable federal accounting standards (e.g., SFFAS, OMB Bulletin 19-03), and the U.S. Standard General Ledger (USSGL) at the transaction level to be FFMIA Compliant.

15.4.1.2.2. Monthly, U.S. Standard General Ledger (USSGL) and Standard Financial Information Structure (SFIS) compliant trial balances must be provided to each customer and to the Defense Finance and Accounting Service (DFAS), which include both budgetary and proprietary accounts. These trial balances must be reconciled to the suballotment universe of transactions; end-to-end feeder systems such as contract writing, entitlement, and Accountable Property Systems of Record; the Defense Departmental Reporting System (DDRS) unadjusted and adjusted trial balances; and Program Budget Accounting System funding authorizations.

15.4.1.2.3. For both major and minor Military Construction projects, you must provide comprehensive end-to-end business process and system walkthroughs, including process flows and narratives. This documentation must cover the entire project lifecycle, from the receipt of funding through the final asset transfer and contract close-out. Crucially, the process must demonstrate how all direct and indirect costs are accumulated in a construction-in-progress account, in accordance with SFFAS 6, "Accounting for Property, Plant, and Equipment." Furthermore, you must provide supporting transaction documents, such as contracts, invoices, or receiving documents, rate settlement calculations, DoD **(DD) Form 1354**, Transfer and Acceptance of DoW Real Property, and support for DDRS or accounting system Journal Vouchers, within five days of a customer request. Finally, you are required to work with customer auditors to identify and correct any audit findings, including those related to the system.

15.4.1.3. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation at least monthly.

15.4.1.4. DoW Construction Agents may perform work or services for another DoW Component or other Federal agency (i.e. Federal Emergency Management Agency) when construction or services work is a response to an emergency, under suballotments.

15.4.1.5. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e. direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

15.4.2. When work is performed on a reimbursable basis under a construction appropriation, all activities must conform to established policies. Reimbursements earned are considered an additional source of obligational authority for the appropriate budget program. Cost limitations for the performance of work must be strictly observed as defined by the terms of the customer orders received. The management and control of reimbursable programs, including budgeting and use of funds, is retained at the Military Department level.

15.4.3. The authority for the Army, Navy, and Air Force to procure architectural and engineering (A&E) services for public works and utilities projects is provided by 10 U.S.C. § 7540, 8612, and 9540. These statutes limit the cost of A&E services from outside sources to no more than 10 percent of the project's estimated cost. This 10 percent limitation excludes costs for activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

15.5 Planning and Design

Under 10 U.S.C. § 2807, the Secretary is authorized to obtain architectural and engineering (A&E) services and perform construction design for military construction, family housing projects, and projects undertaken in connection with the authority provided under 10 U.S.C. § 2854 not otherwise authorized by law. These design activities can proceed without specific congressional authorization for the project, as long as the estimated design costs do not exceed $1 million. If the estimated costs for these services exceed $1 million, the Secretary must notify the appropriate congressional committees before obligating funds. The funds can only be obligated after a 14-day waiting period following this notification pursuant to 10 U.S.C. § 480. This requirement applies to both active and reserve components.

15.6 Scope of a Military Construction Project

In accordance with DoW policy, all land acquisitions, regardless of their cost, are categorized as military construction projects. A military construction project encompasses all construction or authorized contributions required to create a complete, usable facility or an improvement to an existing one, as specifically authorized by law. Military construction project funding includes only equipment that is installed in and becomes a permanent part of the real property. All production equipment and movable equipment are specifically excluded from military construction project funding.

15.6.1. Construction work must be consolidated into single projects under specific conditions. All construction on a real property facility that serves the same or a related functional purpose must be treated as a single project. For multi-use facilities, all concurrent construction in contiguous areas must also be treated as a single project, even if the functions are unrelated. Similarly, any construction common to the facility as a whole or to areas with related purposes is considered one project. An exception exists for multi-use facilities, where construction may be divided into separate projects, but only if each resulting project can be clearly defined and produces a complete and usable facility.

15.6.2. When construction is performed concurrently with repair or maintenance work as part of an integrated undertaking, the construction portion may be treated as a separate project. When this occurs, the construction portion becomes subject to all cost limitations, notification requirements, and other regulations that apply to standard construction projects.

15.6.3. In accordance with DoW policy, the decision to define related construction efforts as either a single project or multiple projects requires formal approval at the highest level within

the respective Military Department. This ensures strategic oversight and proper scoping of construction work.

15.7 Certifications of Costs

A formal certification of costs is required for all military construction projects. This document must detail the project's total cost, with breakdowns for each structure and by category: planning and design, supervision, construction, and real property installed equipment (RPIE). It must also identify the funding sources, including the fund type and lines of accounting, and the responsible funding organization. To formally transfer accountability, the certification must be signed by authorized representatives from both the construction agent and the acquiring entity, typically the Real Property Accountable Officer. A copy of the completed certification must be retained for record-keeping.

15.8 Project Files

A project file must be maintained for every construction project, serving as a complete historical record from its inception to completion. The construction agent is responsible for holding these historical project files and is required to provide copies to the acquiring entity.

15.9 Military Construction Projects

Specified military construction projects, or "major military construction," include any acquisition, construction, addition, expansion, extension, conversion, alteration, or replacement of facilities that exceed the legal maximum for a minor construction project, or any project, regardless of cost, approved as a specific line item in the Military Construction budget request. A major construction project includes surveys, demolition, and site preparation; the acquisition, conversion, rehabilitation and installation of facilities and integral equipment; the installation of supporting facilities and utilities; and all associated supervision, administration, overhead, and design support. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

15.10 Unspecified Minor Military Construction

15.10.1. Projects involving acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation to permanent or temporary facilities (excluding family quarters) are considered minor construction when their cost does not exceed the statutory limits specified in 10 U.S.C. § 2805 (Active Components) or 10 U.S.C. § 18233a (Reserve Components), and they are not included as a specific line item in the budget request.

15.10.2. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements.

15.10.3. Minor construction projects previously disapproved or deleted by Congress from being proposed under minor construction authority. Each project must result in a complete real property facility or improvement. The policy also mandates that, to the maximum extent possible, each project must align with the installation master plan. Full disclosure of the project's relationship to the master plan and any further planned construction is required. Lastly, the policy strictly prohibits incremental construction through a series of minor projects.

15.10.4. Congressional notification is required before starting certain minor construction projects. For projects exceeding the cost limits in 10 U.S.C. § 18233a, funds cannot be obligated until the appropriate congressional committee approves the project. For unspecified minor construction projects costing more than $2 million, as defined in 10 U.S.C. § 2805, the Secretary concerned must notify the appropriate committees of Congress of the decision to undertake the project, including its justification and estimated cost. A mandatory waiting period must be observed after notification before work can begin.

15.10.5. When determining if a project qualifies as minor construction under 10 U.S.C. § 2805, planning and design costs are excluded. DoW Components cannot use materials, supplies, items of installed capital equipment on a non-reimbursable basis for their own minor construction projects. Prerequisites for establishing a project include identifying the result and its correlation with the installation master plan. While absolute criteria for defining a separate minor construction project are not prescribed, any project undertaken must be consistent with the statute's intent.

15.11 Emergency and Contingency Construction

In accordance with DoW policy, 10 U.S.C. § 2808 grants the SecWar the authority to undertake military construction projects during a declared war or a national emergency that requires the use of the Armed Forces. These projects must be necessary to support the use of the Armed Forces and may only be funded using the total amount of unobligated military construction funds, including those for family housing. The Chairman of the Joint Chiefs of Staff must certify that any such project is consistent with theater basing plans and operational requirements. Any subsequent increases to the estimated project costs require coordination with the OUSW(C). This emergency authority automatically terminates at the end of the war or national emergency. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

15.11.1. Emergency Construction. Under the authority of 10 U.S.C. § 2803 and as further guided by DoDD 4270.5, the Secretaries of the Military Departments and Directors of Defense Agencies may carry out emergency major construction projects after notifying Congress. This authority is strictly reserved for projects that are vital to national security, health, safety, or the environment, and where the urgency is so great that deferral to the next Military Construction Authorization Act would be inconsistent with those interests. Emergency construction projects must be financed with unobligated military construction funds, and the maximum amount that can be obligated by each Military Department in a fiscal year is established in 10 U.S.C. § 2803. These projects are subject to the same restrictions and cost treatment as major construction projects. It is important to note that there is no provision for emergency construction for the Reserve Components.

15.11.2. Contingency Construction. 10 U.S.C. § 2804 and annual Military Construction Appropriation Acts authorize projects of an urgent nature to be funded from the Contingency Construction Account without specific prior congressional authorization. A project financed under this authority requires a determination that deferring it to the next Military Construction Authorization Act would be inconsistent with national security or the national interest. The use of this authority requires approval by the SecWar and written notification to the appropriate committees of Congress. Additional policy guidance is contained in DoDD 4270.5, and further requirements for the use of these funds in the U.S. Central Command and U.S. Africa Command Areas of Responsibility are prescribed in an OUSW(C) policy memorandum.

15.12 Environmental Response Actions

In accordance with DoW policy, the authority for environmental response actions is provided under 10 U.S.C. Chapter 160. The SecWar or the Secretary of a Military Department may carry out an environmental restoration project if it is determined to be necessary under Chapter 160 or the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). Any construction, development, conversion, or extension of a structure, and any installation of equipment, included in an environmental restoration project may not be considered military construction. The sole source of funds for these activities is the Environmental Restoration Account (Treasury Fund Symbol ***X0810), except for certain Base Realignment and Closure (BRAC) sites, which must use the applicable DoW base closure account. It is policy that funds from an Environmental Restoration Account cannot be used for the payment of fines or penalties except as provided in 10 U.S.C. § 2703.

15.13 Restoration or Replacement of Damaged or Destroyed Facilities

Under the authority of 10 U.S.C. § 2854, the Secretaries of the Military Departments and the SecWar may repair, restore, or replace a facility that has been damaged or destroyed, even if specific legislative authorization and appropriation have not been provided for that purpose. These restoration or replacement projects must be financed using unobligated funds from existing appropriations.

15.14 Defense Access Roads

Under the authority of 23 U.S.C. § 210, the defense access roads program allows the federal government to fund its fair share of highway improvements essential for national defense. This includes providing access to military reservations and defense industry sites, replacing public highways closed by military activities, and repairing highway damage caused by military maneuvers or the construction of missile sites. The program also covers ensuring missile routes can support transporter-erector vehicles and repairing damage from recurrent flooding and sea-level fluctuation that impacts access to a military installation. Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the SecWar or such other official as the President may designate. However, roads located entirely within the boundaries of a military reservation are not eligible for these funds and must be financed through other military construction programs, emergency construction, or

minor construction programs, as applicable. Similarly, projects on the regular Federal-Aid Primary System are generally not eligible.

15.15 Relocatable Buildings

Under DoD Instruction 4165.56, relocatable buildings may be acquired and used within DoW when they are the most feasible and economical solution for short-term facility needs (typically 5 years or less) arising from peak missions, deployments, or other urgent requirements. They may also be used when the duration of a requirement is uncertain or when a recurring mobile need exists, such as the need to move a field office to different sites on a training range. Relocatable buildings can be classified as either personal property (equipment) or real property. As Personal Property, they are acquired with O&M, RDT&E, or Procurement funds. Costs for setup, disassembly, maintenance, and transport are treated as expenses and charged to appropriate appropriations. As Real Property, they are funded with either O&M or Military Construction funds, depending on the total acquisition cost, which includes the completely assembled building and all site work. Buildings that do not meet the definition of "relocatable" must be acquired as military construction. Site preparation for relocatable buildings that results in real property improvements is classified as construction.

15.16 Efforts Financed by Military Construction Appropriations

15.16.1. Funded Costs. In accordance with DoW policy, major design and construction costs are funded from applicable military construction appropriations. These costs include all materials, services, transportation, and labor (excluding U.S. military labor) relevant to the project. This funding also covers Real Property Installed Equipment (RPIE), unless it was obtained on a non-reimbursable basis from another federal entity. Additionally, identifiable installation overhead, supervision and inspection charges from USACE or NAVFAC, travel and per diem for personnel, planning and design costs for specified major construction projects, and the cost of remediating unknown environmental contamination within the project's footprint are all included. The policy also allows for the inclusion of costs for the operation and maintenance of government equipment used on the project.

15.16.2. Overhead Expenses. All military construction program overhead expenses, including work for others, are initially financed from the performing military construction appropriation and then distributed to the respective projects. This overhead includes costs for personal services and support, contract administration, program and project management (including post-construction evaluation), technical direction, land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange, and any other project management and administration costs not otherwise specified.

15.16.3. Reimbursable Project Costs. In accordance with DoW policy, the appropriation that is financing a construction project is required to reimburse any other appropriation that initially covered its costs. This ensures that all project costs are ultimately charged to the correct funding source.

15.17 Related Costs Financed by Other than Military Construction Appropriations

15.17.1. Unfunded Costs. Unfunded costs" that contribute to a military construction project must be capitalized as part of the property's value, even though they are financed by appropriations other than military construction and are not reimbursed. These unfunded costs include expenses financed from military personnel appropriations, the depreciation of government-owned equipment calculated at an hourly rate per Volume 11, and unfunded civilian fringe benefits as prescribed in Volume 11. They also encompass gifts, in-kind considerations, and materials or Real Property Installed Equipment (RPIE) obtained as non-reimbursable from other federal entities. However, DoW Components are prohibited from using their own materials or equipment on their own minor construction projects on a non-reimbursable basis. Additionally, when determining compliance with cost limits for minor construction projects under 10 U.S.C. § 2805, planning and design costs are specifically excluded.

15.17.2. Advance Planning. Activities are performed before a construction project receives its funding and design authorization of a construction project by the military component. These activities are not to be performed under the authority for military construction project planning and design (such as 10 U.S.C. § 2807). Advance planning costs are explicitly excluded when determining compliance with cost limits for minor construction projects. For accounting purposes, advance planning costs are to be expensed in the period they are incurred. Advance planning activities include, but are not limited to: Developing project requirements and master plans; Exploring project alternatives and creating rough drawings; Conducting management studies, conceptual analyses, and site studies; Developing and validating project documentation; and Preparing engineering analyses and environmental impact assessments.

15.17.3. Minor Construction. For minor construction projects (excluding family housing) that cost less than the limit in 10 U.S.C. § 2805, funding must come from appropriate sources such as unspecified minor construction, O&M, RDT&E, or working capital fund appropriations.

15.17.4. Family Housing. All family housing construction projects must be funded from applicable family housing appropriations. Refer to Volume 2.

15.17.5. Equipment and Relocatable Items. Items classified as movable equipment, not integral to a facility, must be financed from O&M, RDT&E, Procurement, or working capital fund appropriations. This includes production, technical, and training equipment, as well as relocatable items like prefabricated screens, partitions, and false floors. The cost of any building alterations required to install this movable equipment, including temporary wall or roof removal and secondary utility connections, must also be funded from these same appropriation sources.

15.17.6. Recycling Programs. Projects for pollution abatement, energy conservation, and occupational safety and health may be funded from sources other than the military construction appropriation. This is permissible when the project cost is derived from recyclable material sales, as per Volume 11 and 10 U.S.C. § 2577, and does not exceed 50 percent of the statutory maximum for minor construction projects.

15.18 Recognition and Reporting Requirements

15.18.1. Acceptance of Real Property. The acceptance and transfer of real property, both within DoW and between other federal agencies, must be formally documented. The DD Form 1354 is designated as the basic source document for this process. To execute this policy, the process for documenting real property acceptance and transfer is detailed in Unified Facilities Criteria (UFC) 1-300-08.

15.18.2. Accounting Recognition. Under DoW policy, capitalization is the process of recognizing the total costs of property, plant, and equipment in the financial records. An asset is capitalized if it has an estimated useful life of two years or more, is not intended for sale in the ordinary course of operations, is acquired or constructed for use by the entity, and its recorded cost meets or exceeds the DoW capitalization threshold (Refer to Volume 4). All significant costs related to the construction or acquisition of an asset, including unfunded costs and all costs incurred after project approval and funding authorization, must be capitalized. The source of funding has no bearing on this requirement. Costs incurred during the advance planning phase are not capitalized; they must be expensed in the period they are incurred. Similarly, if a project is abandoned, all costs incurred up to that point must be expensed.

15.19 Financial Reporting

15.19.1. Accounting Entries. The U.S. Standard General Ledger (USSGL) must be used in all DoW accounting systems to summarize and report costs and obligations for all appropriations and funds. The management of any activity performing a construction project is responsible for ensuring that all significant costs, both funded and unfunded, are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts property records, and reports submitted to the OSW and the Congress. The policy also mandates that cost accounting systems for construction projects must be integrated as a subsidiary ledger of the general accounting system. Furthermore, policy for managerial cost accounting is prescribed in Volume 4.

15.19.2. Financial Reports. DoW policy requires that accounting records be designed to allow for the accurate and timely summarization of financial transactions from a single, unified system of accounts. The data produced must be in the formats prescribed for official budget and financial reports. Additionally, these records must be designed and maintained in a way that facilitates audits of project amounts.

16.0 TRUST FUNDS

16.1 Applicability and General Information

This section highlights the policies applicable to trust funds. Current accounts include the (1) National Security Education Trust Fund and the (2) Surcharge Collections, Sales of Commissary Stores, Defense. The complete list of fund accounts and titles is available via the Federal Account Symbols and Titles (The FAST Book) at: https://fiscal.treasury.gov/accounting/fast-book. Section 20 of OMB Circular No. A-11 provides additional information on related terms and concepts. Refer to the Supplemental Documents for DoW execution responsibilities and other requirements.

16.2 Authority

Trust Funds are authorized to incur obligations and expend receipts that OMB has exempted from apportionment. However, the National Security Education Trust Fund and the Surcharge Collections, Sales of Commissary Stores, Defense trust revolving fund, are subject to apportionment by OMB. Each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Trust funds have been assigned account symbols between 8000 and 8999. Within this range, trust revolving funds have been assigned symbols between 8400 and 8499.

16.3 Provisions

16.3.1. The Corpus. The term "corpus" commonly refers to the resources available as capital in a fund. Capital resources are provided to commence or increase the size of a fund. The initial corpus is usually provided by a direct appropriation to form a nucleus of resources used to acquire items needed to perform the mission of a fund. Existing resources, transferred as capitalized assets, may also serve the same purpose as an appropriation to start, increase the size, or replace significant losses of a public enterprise or trust fund.

16.3.2. Revenues. DoW trust funds generate revenues from the sale of goods or services to customers. Customer reimbursements replenish the corpus for resources obligated and expended to fulfill the customers' orders.

16.3.3. Apportionment. For trust funds that OMB apportioned, the ability to incur obligations is limited to the amount officially apportioned. Budgetary resources and authority available for apportionment include new budget authority, unobligated balances available from the prior fiscal year, spending authority from offsetting collections, recoveries of prior year obligations, restorations, and contract authority.

16.3.3.1. The apportionment of spending authority, commonly referred to as "reimbursable authority," reflects anticipated reimbursements. It does not authorize a trust fund to obligate its apportioned reimbursable program in excess of the funded orders received from within the Federal Government and advances received for orders outside the Federal Government.

16.3.3.2. Assets. Physical assets such as inventories or buildings and equipment are not budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (i.e., obligations). Therefore, such assets do not increase the amount of obligation authority available when calculating unobligated balances.

16.3.3.3. Contract Authority. Contract authority provides legal authority to enter into contracts and incur obligations before budgetary resources are available. Obligations incurred using contract authority may not be liquidated until funded by offsetting collections or other budgetary resources. The apportionment limits the amount of contract authority available for obligation.

16.3.3.4. Antideficiency Act. Incurring or authorizing obligations in excess of apportioned budgetary resources is a potential violation of the Antideficiency Act that must be

reported with DoDD 7200.1. This reporting requirement applies even if the fund holds other unapportioned resources or other assets greater than the amount of the deficiency.

16.3.3.4. To avoid these violations, each DoW Component using a fund to finance activities is responsible for maintaining a positive cash balance and restricting obligations to the amount authorized in its AOB or FAD. The OUSW(C) will evaluate Component requests to adjust obligation limits based on the merit of the justification, as long as Congress has not imposed a specific limitation. When a fund's financial execution deviates significantly from its plan, management actions must be taken to either bring execution back into alignment with the plan or revise the plan to reflect more realistic expectations.

17.0 DEFENSE WORKING CAPITAL FUNDS

17.1 General Purpose and Sources of Funds

Under the authority of 10 U.S.C. § 2208, the Defense Working Capital Fund (DWCF) is established to provide goods and services to other DoW activities and authorized non-DoW entities. The customers of the DWCF may include any DoW element, non-DoW federal agencies, and, when authorized by law, private parties, foreign governments, state and local governments, and certain U.S. manufacturers assemblers, or developers authorized by 10 U.S.C. §§ 2208(h), 2563, and 7543. Direct appropriations (such as Procurement or O&M) may be used to start a DWCF activity, fund readiness costs not related to its operating mission, or to increase its size or replace significant losses. Direct appropriations can also be provided for specific purposes like war reserve materiel or overseas contingency operations and expanded inventory requirements, or other purposes as approved by the OUSW(C) Director, Revolving Funds and Integration (RFI). While a direct appropriation increases the Fund Balance with Treasury (FBwT) and budgetary resources, it does not impact the cumulative results of operations. These direct appropriations may be available for obligation in subsequent fiscal years. Alternatively, existing resources from other accounts may be transferred to a working capital fund as capitalized assets for the same purposes. The receipt of the appropriation provides an immediate infusion of cash to the FBwT and the appropriation amount used must be accounted for and reflected on accounting records (AR 1307) and budgetary reports (SF 133).

17.2 Revenues

The DWCF generates revenues predominantly from appropriations used by federal agencies to purchase goods or services. The DWCF uses the revenue collected from these "customers" to pay for the resources required to produce the specific goods or service documented on the customer order. That is, the DWCF uses resources from funded customer orders to replenish its corpus for resources expended to fulfill those customer orders.

17.3 Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority. Budgetary resources are recognized from customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities. Customers ordering

from the DWCF must adhere to all statutory limitations on their appropriated funds. Placing an order with the DWCF does not expand or change the original appropriation's availability, and customers cannot use the DWCF to indirectly perform actions they are not permitted to do directly. The ordering activity holds the primary responsibility for determining the applicability of the funds they cite on an order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation citation. 10 U.S.C. § 2208 restricts cash advances to the DWCF from federal government activities to $1 billion and only when operating resources significantly fall below outlay requirements.

17.4 Obligation authority

Obligation authority is the authority to incur costs, on behalf of the federal government, that will result in a disbursement from the FBwT. The OMB apportions obligation authority to the OUSW(C) via an SF 132, Apportionment and Reapportionment Schedule. This authority, which is limited to the amount approved during the budget review plus any in-year amendments, is requested by the OUSW(C) RFI Directorate. The approved apportionment restricts the authority to incur obligations and serves as the source document for the Annual Operating Budget (AOB). Budgetary resources available for apportionment include budget authority (direct appropriations), unobligated balances brought forward (i.e., unfilled customer orders), spending authority from offsetting collections (i.e., Reimbursements for goods and services provided and/or other income), recoveries of prior year obligations, restorations, and contract authority.

17.4.1. When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and report separately the transactions relating to each type of source (per OMB Circular No. A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

17.4.2. Federal customer orders and cash advances generate spending authority from offsetting collections (Reimbursable Authority). These budgetary resources are apportioned from the OMB to DWCF non-supply management activities for operating costs. The acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. The apportionment of reimbursable authority applies to DWCF (97X4930) non-supply activities and all other DoW Revolving Funds.

17.4.2.1. The apportionment of reimbursable authority is considered “anticipated” and a DWCF non-supply management activity may not obligate more than the total amount of orders received from Federal entities plus advances received for orders from authorized entities external to the Federal government (i.e. state, local, and foreign governments). Specific authorization to obligate above orders received and cash advances may be approved by a signed AOB if other resources are available at the DWCF sub-account level. A DWCF activity should not obligate above all resources available to that specific entity without prior approval of the OUSW(C) Director, RFI, to ensure that budgetary resources are available at the sub-account level.

17.4.2.2. The anticipated reimbursable program authority does not provide obligation authority. Therefore, a non-supply activity should not obligate more than what has been accepted in customer orders and other financing resources available. Recording anticipated reimbursable program authority only documents that reimbursable orders will be accepted. The accepted reimbursable order provides obligation authority. The total amount of anticipated reimbursable authority is recorded on the AOB for reconciling purposes.

17.4.2.3. The AOB does not restrict the amount of reimbursable orders that can be accepted. Reimbursable orders may exceed the anticipated amount without recording a negative anticipated order on the SF 133. Activities should request a new AOB when customer orders in the year of execution are expected to exceed the anticipated amount or obligations are expected to exceed the current authorization.

17.4.2.4. With respect to DWCF budget execution, contract authority is only used in supply management operations and capital investment programs. Contract authority must be apportioned. For supply management operations, if reimbursements from offsetting collections exceed apportioned contract authority, the difference cannot be obligated unless additional contract authority is issued by OMB because such operations are not provided automatically apportioned reimbursable authority. This may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The unapportioned balance preserves a portion of the fund's capital so it may continue to revolve or represent those resources not scheduled for obligation within a fiscal year. Prior year de-obligations of contract authority are automatically re-apportioned to the DWCF in the current year. Prior year de-obligation of contract authority used for a capital investment program (CIP) may only be used to cover additional costs in programs for that specific fiscal year and may not be used to cover additional current year costs unless approved in writing by the OUSW(C) Director, RFI.

17.5 Antideficiency Act

The incurring of obligations (or authorizing the incurrence of obligations) in excess of apportioned budgetary resources and other financing resources must be reported as a potential violation of the Antideficiency Act, as required in Volume 14.

17.5.1. Commitments for goods or services to be obligated in the following year may be incurred in excess of apportioned budgetary resources only if obligations are not incurred in excess of apportioned budgetary resources. There is no restriction on commitment amounts for DoW revolving fund activities.

17.5.2. The AOB also includes administrative restrictions on the use of obligation authority specific to that activity's operation.

17.6 Assets

Physical assets such as inventories or buildings and equipment are not considered budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances. Changes in inventory valuation and unexpected gains in inventory (such as items being found on an installation) do not

generate budgetary resources but are currently accounted for in the Net Operating Result (NOR) on the (AR) 1307 report. The NOR for budget purposes must reconcile budgetary resources and claims against those resources (obligations).

17.7 Execution Requirements

17.7.1. SF 132 Apportionment. The SF 132 provides the legal authority to incur obligations against the receipt of customer orders or contract authority in anticipation of receipt of customer orders. Details and explanations on preparing the SF 132 can be found in OMB Circular No. A-11, Preparation, Submission and Execution of the Budget.

17.7.1.1. The DWCF is apportioned new budget authority in the form of direct appropriations, unobligated balances brought forward, spending authority from offsetting collections and contract authority. The FBwT is not apportioned because the financing resources have already been encumbered by obligations and the unencumbered balance is factored into unobligated balances brought forward.

17.7.1.2. All other revolving funds outside of the DWCF are apportioned spending authority from offsetting collections and unobligated balances brought forward.

17.7.2. Contract Authority. Contract authority is the legal authority to enter into contracts and incur obligations ***before*** budgetary resources are available. The initial apportionment of contract authority for a fiscal year is typically the operating budget for supply management activities, and for both supply and non-supply management activities is the CIP reflected in the budget year column of last year's President's budget.

17.7.2.1. Supply management activities receive contract authority for a variability target, which represents an amount of contract authority to be held in reserve by the OUSW(C) to ensure continuity of operations for fluctuations in materiel costs and/or increased customer orders. The OUSW(C) provides requested adjustments from the initial apportionment to OMB, reflecting revised estimates displayed in the current year column of the President's budget submission most recently provided to Congress. The OUSW(C) may also request other adjustments that reflect significant changes experienced in budget execution.

17.7.2.2. Contract authority is available for obligation within the fiscal year for which it is provided. Contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections or other resources credited to the DWCF. Contract authority does not authorize outlays; the activity reports it on the SF 133 to ensure obligations do not exceed apportioned amounts from OMB. Budgetary resources should be sufficient at the DWCF activity level to ensure disbursements are funded.

17.7.3. Annual Operating Budget. The OUSW(C) RFI Directorate issues initial AOBs for each Component's DWCF activities prior to the beginning of the fiscal year. The AOB identifies an operating budget, operating results, unit cost targets, and capital investment limitations (subject to 31 U.S.C. § 1517) for each DWCF activity.

17.7.3.1. Each Component/Agency is responsible for taking actions to remain solvent and allow operations (disbursements) to continue. It is a potential violation of the Antideficiency Act (31 U.S.C. § 1517) if the FBwT is below zero at the sub-account level.

17.7.3.2. Non-supply management activities will maintain a positive budgetary resource balance (i.e., obligations will not exceed budgetary resources). Obligations exceeding total budgetary resources available to non-supply management activities, and obligations exceeding issued contract authority on the AOB, are potential violations of the Antideficiency Act (31 U.S.C. § 1517).

17.7.3.3. Cash balances may be used when negative operating results are authorized on the AOB or by action of the OUSW(C) RFI Directorate. However, the AOB of a DWCF activity does not authorize it to use cash balances associated with another DWCF activity financed within the same DWCF sub-account. It is the responsibility of the DoW Component to ensure that adequate financing or budgetary resources have been allocated to a specific DWCF activity, and to obtain timely authorization for negative operating results for non-supply management activities.

17.7.3.4. In addition to statutory restrictions, the Department may further restrict budget authority through apportionment or administrative action. These administrative limitations cannot alter statutory restrictions but can only further constrain the purpose, amount, or time for which budgetary resources may be used. DoW Components must adhere to these administrative divisions of resources and/or a subdivision of budgetary resources provided to a DWCF activity. When an administrative limitation is imposed, obligations must remain below that limit even if they are lower than the total available budgetary resources. Any such limitation must be clearly stated in a signed, written document.

17.7.3.5. If a DWCF activity has insufficient budgetary resources, the manager cannot assume that funds exist elsewhere within the sub-account. Instead, the manager must request an increase in authority from the OUSW(C) Director, RFI, and defer any additional obligations until sufficient resources are available.

17.7.3.6. Segregation of Budgetary Resources. When an activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source.

17.7.3.7. Claims Against Budgetary Resources. To accurately determine budgetary resources available for obligation, a DWCF entity must use its budgetary accounts, as proprietary accounts alone are insufficient. Non-budgetary assets like inventory and even a positive FBwT do not guarantee availability, as these resources may be encumbered by existing claims such as accounts payable or undelivered orders and unpaid accrued expenditures. Similarly, some budgetary accounts, like anticipated customer orders, do not represent a budgetary resource available for obligation. The true balance of budgetary resources available for obligation, which accounts for administrative restrictions and other withheld amounts, can be determined from the data reported on the SF 133.

17.7.4. Budgetary Resources. Key principles govern the management of budgetary resources within the DWCF. Earned reimbursements are the amount of customer orders that have been filled. In the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders and letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations. It is also a policy that obligations cannot be incurred unless available resources—such as apportioned contract authority, direct appropriations, or accepted customer orders—exceed the proposed obligation. Incurring obligations beyond available resources may constitute a violation of the Antideficiency Act. Finally, when authorized, non-expenditure transfers of funds will either increase or decrease the available budgetary resources, depending on the direction of the transfer. Detailed guidance on the Report of Budgetary Execution and Budgetary Resources (SF 133) can be found in Appendix F of OMB Circular No. A-11.

17.7.5. DFAS Reporting. The DFAS Accounting Report (AR) 1307 is the official internal document for financial accounting and the source for annual financial statements. The amounts on its Statement of Financial Position and Statement of Cash Flows must reconcile to the SF 133. For supply activities, Part VII of the report provides budgetary, accounting, and inventory data used to develop internal benchmarks and metrics for operational effectiveness and efficiency.

17.7.6. Execution Review. The financial performance of each DWCF activity is subject to formal review by OUSW(C) leadership. This review compares the activity's operational results to its plans for disbursements, collections, revenue, expenses, net operating results, and unit costs. The purpose of this policy is to ensure that financial operations are proceeding according to plan. If significant deviations are identified, management action may be required to either bring execution back into line with the plan or revise the plan to be more consistent with current and realistic financial expectations.

17.7.7. Adjusting Component Resources. Components may request adjustments to their targets or capital budget limitations from the OUSW(C) RFI Directorate based on budget execution. These requests will be evaluated on their merits, and unless precluded by congressional limitations, will be approved or disapproved.

DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 4: "ACCOUNTING POLICY"

UNDER SECRETARY OF WAR (COMPTROLLER)

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VOLUME 4

ACCOUNTING POLICY

1.0 GENERAL

1.1 Purpose

Volume 4 provides accounting policies, general guidance on supporting material, and specific guidance by appropriations, programs, and activities for the Office of the Secretary of War (OSW). Accounting policy memoranda issued throughout the year, special instructions, and nonrecurring requirements unique to that year's budget cycle will provide any necessary changes or revisions to this standing document. The provisions of Volume 4 apply to the OSW, the Military Departments, the Defense Agencies, the Combatant Commands, and any other Defense Field Offices or Activities (hereafter referred to as "Components") that manage programs. Volume 4 Supplemental contains corresponding instructions and procedures.

1.2 Authoritative Guidance

Refer to the Volume 4 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary on the FMR webpage.

1.4 Procedures

Refer to the Supplemental document listed throughout this volume.

2.0 FINANCIAL CONTROL OF ASSETS

2.1 Asset Characteristics

An asset has two essential characteristics: it embodies probable future economic benefits or services, and the Department of War (DoW) owns or controls access to these benefits, allowing it to obtain, deny, or regulate access for other entities. The Component must record entries for accounting events for assets simultaneously in both the proprietary and budgetary accounts.

2.2 Noncash Assets

Noncash assets are valued promptly, once DoW acquires, takes possession, or exercises accounting control. For purposes of this paragraph, promptly means by the entity's fiscal year-end.

2.3 Entity Versus Non-Entity Assets

DoW Components report entity assets separately from non-entity assets in the financial statements. DoW Components use entity assets in their operations. The DoW Component determines how entity assets are used and must use them to meet statutory obligations. DoW Components may hold non-entity assets but not use them in their operations. A DoW Component may act as a fiduciary by maintaining non-entity assets for the Treasury, other government agencies, or non-federal entities. DoW Components must report both entity and custodial or managed non-entity assets in the financial statements. However, DoD Components must not recognize fiduciary non-entity assets on the Balance Sheet, according to SFFAS 31; refer to the Volume 4 Supplemental for more information.

2.4 Intragovernmental Versus Public Transactions

Transactions with other Non-DoW Federal Agencies and other DoW Components create intragovernmental assets. Similarly, transactions with non-federal entities create public assets, where "public" refers to domestic and foreign persons and organizations outside the U.S. Government.

3.0 ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY

3.1 Cash

Recognize cash, including imprest funds, as an asset in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 1. The Component must translate foreign currencies into U.S. dollars at the exchange rate on the financial statement date. Use the appropriate accounts to record transactions for Fund Balance with Treasury (FBwT) or foreign currency transactions. Refer to the USSGL Treasury Financial Manual (TFM) Supplement and the DoW USSGL Transaction Library.

3.2 Funds Held Outside of Treasury (FHOT)

Cash and Investments Held Outside of the Treasury (CIHO), also known as FHOT. Report entity and non-entity cash in accordance with SFFAS 1. Deposit funds from non-federal sources in anticipation of an order (that is, an advance) should be classified in accordance with SFFAS 31.

3.3 Restricted Cash

Laws, regulations, or agreements impose cash deposit restrictions. All non-entity cash has restrictions. Entity cash may also be subject to restrictions for specific purposes, and financial reports must disclose the reasons and nature of these restrictions.

3.4 Foreign Currency

Account for foreign currencies in subsidiary accounts separate from U.S. currency.

Report foreign currencies at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. Disclose in the financial statement notes that foreign currency is

not freely exchangeable. Accounting entities may prepare financial statements for their use. These entity-level statements will be translated into U.S. dollars when used to prepare departmental financial statements. See Volume 6 for additional foreign currency information.

3.5 Reconciliation

3.5.1. All federal agencies must reconcile their FBwT account with the detailed transactions posted to the general ledger on a regular and recurring basis. Additionally, all federal agencies must compare the FBwT balance with the available funds recorded on the Central Accounting Reporting System (CARS) Account Statement. This ensures all disbursements, collections, and intragovernmental transactions in CARS have supporting Agency Location Code (ALC)/ Disbursing Station Symbol Numbers (DSSN) details. This policy ensures the integrity and accuracy of the FBwT balance, which represents the available funds authorizing an entity to make expenditures and pay liabilities. Agencies must promptly disclose, identify, resolve, and correct all errors, losses, and gains. They can consider the reconciliation complete only after they identify all differences, assign accountability, explain any differences, and record the necessary adjustments.

3.5.2. Undistributed amounts are amounts reported to the Treasury that have not been posted to the appropriate obligation in a Component's general ledger or vice versa. Undistributed amounts can result from timing, invalid LOA, or invalid TAS information, among other reasons. Unsupported undistributed amounts are not yet researched/reconciled to supporting documentation. A "forced balance entry" made into a suspense account to match the Treasury's control total cannot be considered by an agency as an adequate reconciliation of the FBwT USSGL accounts 101000 and 109000. Policy strictly requires that personnel research all differences at the detail-voucher level to identify the underlying causes. For further guidance, refer to the Financial Audit Manual, Volume 2; Office of Management and Budget (OMB) Circular No. A-136; and the Volume 4 Supplemental.

3.6 Universe of Transactions (UoT)

The FBwT UoT comprises all valid funding, disbursements, collections, and transfers within a specific period. These transactions directly affect appropriation account balances as reported to Treasury, recorded in the entity's general ledger, and presented in its financial reports.

3.7 Deposit Fund Activity

Deposit fund activities are external to the budget process and are reviewed by Auditors during the DoW's FBwT reconciliation. Collections for these funds originate from the public and are unrelated to prior U.S. Government obligations. The DoW Treasury Index (TI) (defined in the Federal Account Symbols and Titles (FAST Book) designates the entity responsible for reporting the deposit fund liability, irrespective of the funds' source. To support accurate DoW financial statements and prevent commingling of rights or obligations, the Treasury component holding the funds must report the liability.

3.8 TI-97 Deposit Fund Liabilities Account

DoW Components must review deposit fund accounts quarterly to ensure the funds align with legal authority and maintain a positive balance, taking corrective action when necessary. If a disbursing officer over-disburses a fund, they must promptly report an Antideficiency Act (ADA) violation to OMB. When establishing deposit accounts with the Treasury, the responsible DoW entity must track, reconcile, and report all activity on the standalone financial statements of TI-97 Components. This requirement applies if the activity meets Treasury criteria, is material to a Component that prepares standalone financial statements (per OMB Bulletin 24-01 or statute), and has support from a unique statutory authorization. The DoW Office of Inspector General (OIG) will track, reconcile, report, and audit any deposit fund activity not meeting these criteria as part of the DoW consolidated audit. Refer to the Volume 4 Supplemental for more information.

3.9 Accounting for Cash and Investments Held Outside of Treasury

DoW policy, guided by TFM Chapter 3400 (FHOT), dictates the accounting and reporting for all CIHO. Components may temporarily hold cash using any DoW Treasury Appropriation Fund Symbol, subject to the restrictions noted in TFM Chapter 3400 and Volume 5. They must record all CIHO transactions, including Burden Sharing funds, using USSGL transaction code B150 and the FHOT Business Event Type Code, and report them on financial statements per Volume 6. Components are responsible for the oversight and monitoring of all FHOT. In this reconciliation, the Component must align the cash it reports on the Statement of Accountability with the CARS Account Statement and its own internal accounting records and financial statements. Component-level Standard Operating Procedures (SOPs) must detail the roles of service providers.

3.10 Cash Audits and Reviews

Managers supervising personnel who handle cash must maintain appropriate accounting and internal controls to ensure that all disbursements and collections are lawful, proper, and accurate. Policy requires auditors to conduct both announced and unannounced audits to verify personnel properly account for funds, do not exceed requirements, and protect them from loss or misuse. It is management's responsibility to assess vulnerability and determine audit frequency in accordance with DoD Instruction (DoDI) 5010.40. Furthermore, policy mandates that managers must investigate and report any unauthorized use, irregularity, or improper accounting for a cash fund.

3.11 Defense Revolving Fund

The Defense Working Capital Funds (DWCF) FBwT (account 097X4930) is an intragovernmental revolving fund with five Treasury sub-accounts. Each sub-account entity and the activities below it must report their FBwT. The Defense-wide DWCF centralizes funds for Defense Agencies: entities with excess collections contribute to the pool, while those with excess disbursements draw from it. Additional cash management policy is in Volume 2. Program Managers may realign DWCF balances to activity or installation levels but are strictly prohibited from transferring more than the available balance at the transferring DWCF Sub-Allocation Holder Identifier (SAHI). Cash at the Treasury account level must always be sufficient to pay liabilities.

Revolving fund cash management responsibilities are detailed in Volume 2. Personnel must immediately investigate and report any transaction causing a negative balance as a possible ADA violation as prescribed in Volume 14 and 31 United States Code (U.S.C.) § 1341.

3.12 FBwT Transactions

3.12.1. The current FBwT equals the fiscal year's (FY) opening balance plus cumulative collections, appropriations, and transfers-in, minus cumulative withdrawals, transfers-out, and disbursements. Record a collection or disbursement when documentary evidence, such as a Treasury Statement of Differences (SOD) or a voucher, provides support. For Revolving Fund activities, 10 U.S.C. § 2208(m) mandates that Components segregate cash collections and disbursements between operating programs and capital programs. (Refer to Volume 2 for more details).

3.12.2. Record customer advances or prepayments as a liability, per SFFAS 1 and OMB Circular No. A-11. Offsetting collections credited to expenditure accounts automatically offset outlays and budget authority. For more information, refer to Volume 3.

3.13 Reconciliation Roles and Responsibilities.

3.13.1. Under Secretary of War (Comptroller) (OUSW(C)) ODCFO, Financial Systems Modernization and Innovation (FSM&I) Directorate is responsible for the design, development, operation, and maintenance of the Advana FBwT application (see Volume 1).

3.13.2. Defense Finance and Accounting Service (DFAS) is responsible for ensuring the accuracy and integrity of FBwT reporting and reconciliation. This includes a policy mandate for DFAS to ensure that information submitted to Treasury on the Standard Form (SF) 224 and SF 1219 for ALC/DSSNs where DFAS is the Designated Agent matches Treasury records. A key policy is that all Cash Management Report (CMR) reconciling items and variances must be cleared within 60 business days unless they are deemed immaterial in total, with materiality being defined by SFFAS 1 as an omission or misstatement likely to influence a reasonable person's judgment.

3.13.3. Components are responsible for the accurate management of their FBwT. This includes ensuring the accuracy of transaction information reported to Treasury on forms such as the SF 224 and SF 1219 for ALCs that serve as the Designated Agent. A fundamental policy is to ensure a valid LOA is present on all original obligating documents throughout the procure-to-pay process. Furthermore, the relationship between Components, FSM&I, and DFAS must be formalized through documented support agreements, such as Memorandums of Agreement (MOAs) or Service Level Agreements, in accordance with DoDI 4000.19.

3.13.4. Reconciliation Requirements

3.13.4.1. Treasury requires monthly reconciliation of FBwT accounts to Treasury-reported as outlined in TFM Volume I, Part 2, Chapter 5100 and its Supplement. At the same time,

audit issue guidance is provided in the Government Accountability Office (GAO)/ Council of the Inspectors General on Integrity and Efficiency Financial Audit Manual.

3.13.4.2. DoW Components, in conjunction with DFAS, must perform detailed monthly reconciliations of their FBwT accounts (USSGL 101000 and 109000). This reconciliation must be comprehensive, performed at the voucher level, and encompass all fiscal years, all fund types, all TI-097 SAHIs, and all activity, including suspense accounts. Policy dictates that Components acting as ALC Designated Agents are responsible for correcting any differences between their submissions to Treasury and DFAS within 15 business days of being notified. Furthermore, a key policy is that both DFAS and DoW Components must demonstrate they have effective controls in place to ensure that amounts reported to Treasury reconcile with both disbursing and accounting systems.

3.13.5. Treasury Budget Clearing (Suspense) Accounts

Budget Clearing Accounts are temporary TAS established by the Bureau of the Fiscal Service (BFS) to temporarily hold unidentified transactions with a reasonable presumption that the funds belong to a federal agency. A critical policy is that effective FBwT reconciliations depend on the timely clearing of these Treasury suspense accounts. Policy also dictates that DoW Components are ultimately responsible for maintaining transaction records in general ledgers.

3.13.6. Reconciliation of FBwT for Comparison of Transactions

3.13.6.1. The DoW must compare transactions at a detailed level sufficient to specifically identify differences when reconciling FBwT to support accurate FBwT general ledger accounts and Treasury totals.

3.13.6.2. Components must comply with all operational requirements and deadlines for transaction reconciliation. A monthly, voucher-level reconciliation is mandatory, with a strict deadline of 30 calendar days following the end of the month being reconciled. Policy requires that Components have established processes to assign, track, age, research, and resolve all differences monthly at the voucher-level detail. A key policy is that all undistributed amounts, suspense items, and SOD balances must be cleared within 60 business days. For any items exceeding this timeframe, it is policy that the reason for the delay must be investigated and documented. Finally, policy mandates that both Service Provider supervisory and Component reviews and approvals must be completed within 10 business days after all identified differences are resolved.

3.13.6.3. Components are required to address all critical areas and key control points in the end-to-end FBwT reconciliation process. A key performance indicator for this policy is that Components must achieve a 99 percent complete match rate each month for each of these key control points.

3.13.7. FBwT – CARS Account Statement Reconciliation

Component must reconcile transactions to the beginning balance, net activity, and ending balance on the CARS Account Statement. However, this specific policy requirement does not

currently apply to Defense Agencies and Field Activities that are part of shared TAS. For those TI-97 components, the policy is that they must reconcile their FBwT balances individually to the internal TI-97 CMR, with support from DFAS as their service provider. It is DFAS's responsibility under this policy to reconcile the totals of all TI-97 components to the Treasury.

3.13.8. Undistributed Collections and Undistributed Disbursements

3.13.8.1. Undistributed collections and undistributed disbursements must be recorded and reported at the lowest organizational level.

3.13.8.2. Undistributed transactions at the sub-account level must be researched and cleared within 60 business days, with no unidentified balances remaining at year-end. Policy also dictates that Component-level undistributed adjustments should be limited at year-end by completing all necessary research and reconciliation.

3.13.8.3. It is the policy of the DoW that DFAS must identify all collections and disbursements at the lowest identifiable level.

3.13.8.4. Undistributed collections and disbursements must accurately reflect the proper FBwT as contained in finance network reports.

3.13.9. Requirement for Written Procedures

Components must maintain current written SOPs, narratives, and process maps in accordance with the Managers' Internal Control Program (as outlined in DoDI 5010.40). This policy ensures the proper documentation of reconciliation processes. A key policy also requires that these SOPs include evidence of dated supervisory review and approval, certifying that it is correct and accurate. Furthermore, policy mandates that written procedures differentiate the journal entry for unsupported undistributed amounts from those that can be supported, as this practice is essential for efficient cash reconciliation management and audit support.

3.13.10. Expenditure and Receipt Accounts Annual Review

All expenditure and receipt accounts reported by the Treasury must be reviewed and validated annually to ensure the TAS are valid.

3.14 TI-97 Deposit Fund Liabilities

TI-97 Deposit Fund Liabilities Account Structures. Refer to the Volume 4 Supplemental.

3.15 FBwT Balances Brought Forward

Supporting FBwT Balances Brought Forward (formerly Annex 1). Refer to the Volume 4 Supplemental.

4.0 INVESTMENTS AND OTHER ASSETS

4.1 Accounting Policy for Investments and Other Assets

DoW investments and other assets must be recognized and recorded in accordance with SFFAS 1. Accounting events must be reported according to the requirements in TFM Chapter 4300 and OMB Circular A-136 using the accounting entries specified in the DoW Standard Chart of Accounts (SCOA) and Standard Financial Information Structure (SFIS) Transaction Library, unless otherwise stated.

4.2 Investments and Other Assets

DoW is authorized to invest in Federal securities, which include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal entities. Use "Other Assets" to record the value of assets not otherwise classifiable to a specific asset account. Establish applicable subsidiary accounts as necessary to meet management and reporting needs. Source documents for entries to this account include receiving reports and journal vouchers.

4.3 Nonmarketable Par Value Treasury Securities

Nonmarketable par value Treasury securities are special-issue debt securities that the U.S. Treasury issues to federal entities at face value (par value).

4.4 Market-Based Treasury Securities Expected to Be Held to Maturity

Market-based Treasury securities expected to be held to maturity are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Their prices and interest rates mimic the terms of marketable Treasury securities.

4.5 Market-Based Treasury Securities

Marketable Treasury securities, including Treasury bills, notes, and bonds, are initially offered to the public by the Treasury and can then be bought and sold on securities exchanges. Their bid and ask prices are publicly quoted by the marketplace.

4.6 Recognition of Investments in Federal Securities

The policy for accounting for securities dictates that when an acquisition is made in exchange for nonmonetary assets, the acquired securities must be recognized at the fair market value (FMV) of either the securities acquired or the assets given up, whichever is more definitively determinable. If the acquisition cost differs from the security's face value, it must be recorded at the acquisition cost, with any premium or discount treated as a contra account to the debt security. Specifically, Treasury securities are to be carried at their acquisition cost, adjusted for any amortization as explained in SFFAS 1. For all other investments, the policy mandates they be carried on the Balance Sheet at acquisition cost adjusted for the amortization of any premium or

discount, with two exceptions: market value must be used if there is an intent to sell the securities before maturity or if there has been a reduction in value that is considered more than temporary.

4.7 Disposition of Treasury Securities

DoW Components must maintain a subsidiary account for each trust fund that invests in U.S. Treasury securities. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss. Unless otherwise provided for by law, securities held by DoW trust funds are U.S. Treasury securities. The Treasury issues no certificates.

4.8 Interest and Amortization

The disposition of a U.S. Treasury security may result in a premium or discount. If a premium or discount exists, the carrying amount, or original purchase cost, of the investments must be adjusted in each reporting period to reflect the amortization of the premium or discount. Premiums and discounts must be amortized over the life of the Treasury security using the interest method. The amount of amortization of discount or premium is the difference between the effective interest recognized for the period and the nominal interest for the period as stipulated in the Treasury security. Income derived from U.S. Treasury securities other than Treasury bills must be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at sale or maturity is income. Source documents for entries to this account must include amortization schedules and journal vouchers.

4.9 Use of Other Investments

4.9.1. When authorized, an investment under the provisions of 10 U.S.C § 2875 may take the form of an acquisition of a limited partnership interest, a purchase of stock or other equity instruments, a purchase of bonds or other debt instruments, or any combination of such forms of investment.

4.9.2. The DoW is authorized to invest in joint ventures with private developers for military housing construction and improvement under the Military Housing Privatization Initiative (MHPI), in accordance with 10 U.S.C § 2875. These long-term partnerships, known as Public-Private Partnerships (P3s) or Alternative Financing Arrangements, are defined as risk-sharing arrangements or transactions lasting more than five years between public and private sector entities.

4.10 Reporting Other Investments

P3s for the MHPI can be financed through appropriated funds, non-appropriated funds, third-party financing, or private capital. All MHPI financing events and relevant disclosures must be reported in the DoW financial statements to ensure transparency regarding project financial conditions.

4.11 Recognition and Measurement of Other Investments

4.11.1. A comprehensive evaluation of each operating agreement and a full assessment of the relationship with each partner organization must be conducted for MHPI agreements and P3s. The evaluation will support the determination of the appropriate accounting treatment for each MHPI project. A majority ownership interest exists when an organization has over 50 percent of the voting rights or net residual assets. If an entity is expected to assume more than 50 percent of another entity's expected losses or gains, it should either consolidate or disclose that entity. Refer to SFFAS 47. An entity that effectively controls another through investment decisions and economic benefits, yet is exposed to less than 50% of its losses or gains, is generally subject to disclosure rather than consolidation. Military Departments are responsible for monitoring, reporting on, and disclosing the financial condition and significant risks of their equity investments in MHPI entities. Per SFFAS 47, an organization is considered a consolidation entity based on a holistic assessment of four main characteristics: it is (1) financed by non-exchange revenue, (2) governed by Congress or the President, (3) imposes risks and rewards on the federal government, and (4) provides goods and services on a non-market basis. Not all characteristics must be met for this classification. Entities that are deemed consolidation entities are considered federal reporting entities and must apply GAAP as defined by SFFAS 34.

4.11.2. After applying SFFAS 47 guidelines, disclosures for MHPI projects must be evaluated under SFFAS 49. Their purpose is to help users understand the nature and risks of P3s, direct loans, and loan guarantees. Disclosures for reporting entities must detail the nature of their relationship, the relevant activities during the period, and their future exposure to risks and rewards. Disclosure entities, which often provide goods and services on a market basis (i.e., at prices set in a competitive marketplace between willing buyers and sellers), differ from consolidation entities. Although the GAAP hierarchy for federal reporting may not fully apply, information from disclosure entities remains crucial for accountability and federal financial reporting objectives. Refer to SFFAS 49 for guidance. The Military Departments and DFAS must use established accounting transaction codes in the DoW Transaction Library to record the primary accounting entries to recognize P3 contributions and any collections received upon dissolution of an arrangement that are not available for use without further Congressional action. Refer to the tables within the procedural guidance. The Military Department is required to obtain all agreements and supporting documentation for its equity investments in MHPI Limited Partnerships (LPs) and Limited Liability Companies (LLCs). This documentation is essential for supporting operating, lockbox, and revenue agreements, as well as transactions related to investment dissolution, the sale of government shares, or any other financial activities involving DoW equity investments. Additionally, the Military Departments must provide the DFAS with details of any other financially impactful transactions. Refer to Volume 4 Supplemental, Tables 4-3 to 4-8, for more details. Footnote disclosures are also required, including equity-method income/loss, descriptions of termination or default events, and supporting documentation for each disclosure.

4.12 Ground Lease

A ground lease may be provided with property and cash to an LP/LLC to facilitate property development. This ground lease is not treated as a separate transaction from the initial property transfer because they are highly interdependent; the project's success relies on the lease, and the

commitment to build is a material inducement for the lease, often for a nominal rent. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, because the property transfer and ground lease are not distinct services, no separate accounting entries are required for the ground lease. Instead, the FMV of the ground lease is considered an integral part of the property's total FMV.

4.13 Recognition and Measurement of Direct Loans

See Volume 12 for additional guidance on the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

5.0 RECEIVABLES

5.1 Recognition

Receivables must be recognized in accordance with SFFAS 1. The Component must establish a receivable when it does not receive payment in advance or at the time it recognizes revenue. Receivables must be recorded during the month they are earned from the sale of goods and services or when an event determines a debt is owed to DoW. Accounting records for receivables must include all transactions that occurred during the reporting period. Any events not previously recorded due to error or oversight must be recorded immediately. Accounts receivable and unfilled orders without an advance must be recognized as valid budgetary resources when they are from other federal entities. Conversely, policy dictates that absent specific statutory authority, accounts receivable and unfilled orders without an advance from public/non-federal entities must not be recognized as valid budgetary resources. Components must maintain all supporting documentation for receivables within the applicable accounting system, and these records must be retained in accordance with the guidance in their DoW Component records retention requirements.

5.2 Advance Payments

In general, an advance payment is required for public orders, including state and local governments, except for fuel, as the sale of petroleum products to the public is covered by fuel purchasing agreements. An advance equivalent to the actual or estimated cost of goods and services must accompany the order. If amounts are sufficient, Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they must not recognize budgetary resources for the order until the account receivable is paid. An advance payment from foreign governments for FMS is held and recorded in the FMS Trust Fund or investment accounts that can be drawn on to meet the foreign government's FMS obligations. Under the statutory authority of 22 U.S.C. § 2767, the DoW may record a budgetary resource for non-federal orders without an advance. However, a critical element of this policy is that Components must receive prior approval from the OUSW(C) before accepting the order and recording the budgetary resource. Additional information regarding budgetary resources may be found in Volumes 3, 4, and 11 for DWCF's policy on receipt of advances on orders from public/non-federal entities.

5.3 Collection of Receivables

Proactively pursue the collection of all receivables from DoW Components, federal agencies, and the public. A receivable is normally due 30 days from the date of the invoice or demand letter, unless a different due date is established by statute, contract, or a notice of indebtedness. The responsible office must initiate collection actions as soon as payment becomes due. For more information on due process, refer to Volume 16. Funds must be collected in the appropriation that earned the funds, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. In accordance with 42 U.S.C. § 2651, amounts recovered from a liable third party for a service member's injury or disease must be credited to current operating funds. Funds recovered for medical care are credited to the facility that provided the care or activity that provided the care and treatment, while funds recovered for loss of duty are credited to the service member's assigned command, activity, or unit. In accordance with 10 U.S.C. § 1095, collections from third parties for medical services must be recorded in the fiscal year they are received, regardless of when the service was provided. Any agency that receives collections after an appropriation has been canceled must deposit them into Treasury Account 3200.

5.4 Allowance Account and Aging

The Component must estimate and record an allowance for uncollectible accounts receivable for both public and intragovernmental customers. However, policy explicitly states that no such allowance will be recorded for non-loan interest, penalties, or administrative (IPA) charges. The aging of receivables (delinquency) begins one day after the due date for both public and intragovernmental receivables.

5.5 Interest Penalties, and Administrative Receivables

The DoW assesses IPA charges on delinquent debts. The full amount of a delinquent debt is defined as the sum of the principal, accrued program interest, and any other penalties or administrative charges. Per 31 U.S.C. § 3717, interest must be recognized on outstanding accounts receivable against persons and entities. Policy dictates that interest accrues from the first day of delinquency and continues to accrue until it is officially waived or the debt is closed. However, debts owed by other federal agencies are exempt from these IPA charges. All interest receivables are to be classified as non-entity receivables. It is also a key accounting policy that companies must record an interest receivable when they earn the income, not when they receive it. The detailed IPA policy can be found in Volume 16.

5.6 Payment Application

The Federal Claims Collection Standards, 31 Code of Federal Regulations (CFR) 901.9(f), mandate the application of partial or installment payments.

5.7 General Ledger Accounting

Receivables must be developed, maintained, and reported using USSGL accounts, with the first six digits conforming to the USSGL chart. DoW mandates the use of its SCOA, which, along

with accounting transactions for collections and receivables, is detailed in the DoW USSGL Transaction Library available on the SFIS webpage.

5.8 Internal Controls

The DoW must adhere to the internal control standards prescribed in DoDI 5010.40 when establishing and collecting receivables. This includes maintaining major categories of receivables to ensure clear and full disclosure (debtor, amount, age, and type of debt). Policy requires that subsidiary records be reconciled to the control accounts monthly. Furthermore, it is policy that proper internal controls must ensure the accurate and timely recording of transactions, appropriate documentation and retention, authorization only by personnel acting within their scope of authority, and effective management. A critical policy mandates the separation of duties for authorizing, processing, recording, reviewing transactions, and handling related assets, ensuring no single individual controls all key aspects of a transaction.

5.9 Erroneous, Invalid, and Unsubstantiated Accounts Receivable

Adjust the accounting records and return any funds collected to the debtor if it is determined that no debt was owed and that it should not have been classified as accounts receivable. If a billing Component cannot produce the necessary evidence to establish a receivable and voluntary repayment is not obtained, it is policy to reverse the original entries. The Component must remove all erroneous, invalid, and unsubstantiated accounts receivable from the general ledger. Any internal control failures or process weaknesses identified during research must be addressed and corrected.

5.10 Canceled Appropriations

Accounts Receivable Offices (AROs) must retain all outstanding receivables in residual records even after an appropriation cancels. Even with canceled appropriations, the DoW must continue to pursue the collection of outstanding receivables. When a receivable is collected after its associated appropriation has canceled, the procedure dictates that the collection is recorded in Treasury miscellaneous receipt account 3200, "Collections of Receivables From Canceled Accounts."

5.11 Nonappropriated Fund Instrumentalities Receivables

Classify receivables from NAFIs as public transactions. A key policy is that, except for individual debt, delinquent NAFI debt will not be referred to the Debt Management Office (DMO) or to the Treasury for collection assistance. Refer to Volumes 13 and 16 for more information on NAFI debt.

5.12 Foreign Military Sales Receivables

Classify receivables from the FMS Trust Fund (appropriation 97 11X8242) as federal transactions, while other Security Assistance receivables, such as those from the Foreign Military Financing Program (appropriation 11(FY) 1082), are to be recorded and reported as

intragovernmental. A key policy is that delinquent FMS accounts receivable will not be referred to the DMO or Treasury for collection assistance. Refer to Volumes 15 and 16 for more information on FMS debt.

5.13 Non-FMS Foreign Government Receivables

The ARO will initiate initial billings for non-FMS foreign government accounts receivable. See Volume 16 for additional information.

5.14 Retention of Documentation

Supporting documentation for all actions taken on each accounts receivable must be maintained.

5.15 Undistributed Collection Balances

All undistributed collection balances held in Treasury suspense accounts F3875 and F3885 must be analyzed and reconciled monthly. Policy dictates that all differences must be cleared within 60 days, except for specific suspense accounts identified by Treasury as exempt from this requirement. For any items that remain unresolved beyond 60 days, it is policy to conduct an investigation and document the reason for the delay.

5.16 Public Receivables

Receivables due from the public are DoW claims (or claims from another federal entity) against non-federal entities, including individuals and organizations outside the U.S. Government. These receivables arise from sales of goods/services when no advance payment is received, or from refunds due to the DoW. Credit management and debt collection policies and procedures are delineated across several volumes of the DoW FMR. Specifically, Volume 16 addresses debt collection from individuals, and Volume 5 covers policies and procedures for the physical loss of funds, including investigations into accounts receivable resulting from improper payments. For collecting debts from military members or civilian employees through salary offset, refer to Volumes 7 and 8. These volumes also cover the collection of child support, alimony, or commercial debts via garnishment or involuntary offset. Commercial or contractor debt collection policies are in Volume 16 supplemented by the Federal Acquisition Regulation (FAR) Subpart 32.6, which prescribes procedures for contract debts, interest charges, deferrals, and compromises. Finally, policies for collecting debts from foreign entities are provided in Volume 16.

5.17 Receivables from the Sale of Goods and Services to the Public

Upon receiving a collection voucher, the ARO must record in accordance with the Volume 4 Supplemental.

5.18 Refunds Receivable

Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. These refunds must be directly related to previously recorded expenditures and serve as reductions to those expenditures. Policy dictates that there is no separate account for refunds receivable in the USSGL; instead, refunds receivable are treated as accounts receivable, and DoW Components must recognize and report them in their financial statements. Refunds received must be deposited to the credit of the appropriation or fund account that was charged with the original obligation. Examples of refunds receivable include, but are not limited to: salary overpayments; overpayments to commercial concerns due to erroneous billings, incorrect invoices, or contract default; amounts due for rejected/returned items; recovery due on canceled contractual services for unused portions; advance travel payments for canceled travel; amounts payable for "due U.S." travel vouchers; amounts due from advance payments for contractual purposes; and amounts due from employees on leave without pay for their share of benefits. Refer to OMB Circular A-11 for additional details.

5.19 Collection Actions

The DoW must age all accounts receivable to manage collection actions properly. A receivable is considered due 30 days from the date of the invoice or demand letter, unless a different due date is established by statute, contract, or a notice of indebtedness. Policy dictates that uncollected public vendor debts and individual out-of-service debts under $25 are not referred for further collection action and must be collected or written off within one year of delinquency, unless mandated otherwise by public law. In accordance with the Debt Collection Improvement Act and the Digital Accountability and Transparency Act, all valid and legally enforceable public receivables over 120 days are delinquent to the Treasury for collection. Several exceptions to this requirement include debts that are in litigation, part of an asset sales program, with a private collection contractor, collected via internal offset, or foreign government or NAFI debts. Terminating a collection action on a debt returned by the Treasury as uncollectible for debts under $100,000 requires coordination with the Fund Holder. For debts between $100,000 and $500,000, Treasury approval is required. For debts of $500,000 or more, termination of collection action must be approved by the Department of Justice. For additional detailed guidance, refer to Volume 16.

5.20 Establishment of Allowance for Loss on Accounts Receivable

5.20.1. AROs must recognize and record projected debt losses for public and intragovernmental accounts receivable in the general ledger by setting up an allowance for uncollectible accounts. This policy ensures that receivables are recognized at their net realizable value (NRV) by accurately estimating potential losses.

5.20.2. An allowance for estimated uncollectible receivable amounts must be recognized when it is "more likely than not" (meaning more than a 50 percent chance of loss) that the receivables will not be totally collected, as required by SFFAS 1. This policy applies to both intragovernmental and nonfederal/public entity receivables, as clarified by Technical Bulletin (TB) 2020-1. Furthermore, an allowance for loss on accounts receivable must be re-estimated annually and whenever new information indicates that the latest estimate is no longer accurate.

5.20.3. Losses due to uncollectible receivables must be measured through a systematic methodology based on an analysis of groups of receivables, with the option to isolate individual receivables for a separate allowance calculation. The total allowance for loss on accounts receivable will be the sum of these individual and grouped calculations. Any provision to increase or decrease this allowance will result in an adjustment to nonexchange revenue rather than a bad-debt expense. For receivables under $100,000, policy requires separating them into groups with similar risk characteristics. The methodology for determining the percentages applied to these groups must be based on the history of bad-debt expense over the last three years and applied consistently from year to year. Exceptions to this three-year average due to abnormal circumstances must be approved by the OUSW(C). For each receivable of $100,000 or more, the policy mandates an individual analysis to determine the loss allowance. Components with a low number of receivables or a large number of small dollar receivables may lower the $100,000 threshold for individual analysis, provided the methodology remains consistent.

5.20.4. For intragovernmental receivables, entities must not recognize an allowance for uncollectible accounts for debts up to and including two years delinquent. After two years, or if the debt is older, DoW policy mandates a 100 percent allowance for uncollectible intragovernmental accounts. For public debt, policy is to allow no allowance for uncollectible accounts (0 percent) for aging categories less than 90 days. Conversely, a 100 percent allowance is applied to public debt in aging categories with a maturity greater than 2 years. When one Component sub-allots funds to another, policy dictates that the Component executing the funds is responsible for establishing the allowance for loss on accounts receivable. Finally, it is policy that receivable write-offs must be processed through the allowance for uncollectible accounts.

5.21 Write-off and Close-Out of Public Accounts Receivable

According to governing policy, largely derived from OMB Circular A-129, any public delinquent debt that has not been collected within two years must be written off, unless a specific justification is documented and approved by OMB and Treasury. This policy strictly prohibits the write-off of intergovernmental receivables. To write off a public receivable, the Component must debit the allowance for uncollectible accounts and credit the receivable account; policy forbids a direct write-off. After a write-off, the debt must be classified as either "Currently Not Collectible" (CNC) or "Closed-Out." To be classified as CNC, a public debt must be $25 or more, all prior collection actions must have been pursued, and it must be deemed cost-effective to continue collection efforts. CNC debts must be maintained in an inactive administrative file, remain eligible for Treasury's collection programs, and continue to be reported on the Treasury Report on Receivables (TROR). Once a debt is closed out, it is considered final and cannot be reactivated, barring any further administrative or legal action, though the government can still accept voluntary repayments. Furthermore, the DoW is responsible for reporting these canceled debts to the Internal Revenue Service when they meet reporting criteria, with the DFAS Enterprise Solutions and Standards Vendor Pay Tax Office handling this for vendor and contractor debts. Refer to Volumes 4 and 16 Supplemental documents.

5.22 Intragovernmental Receivables

5.22.1. Receivables due from DoW Components or other federal entities are intragovernmental receivables and must be reported separately from receivables due from public entities in the financial statements. All materials sold or services furnished between government entities must be formally authorized and documented in a support agreement. Any uncollected amounts from these reimbursable sales are to be recorded as accounts receivable. A key policy distinction for these intragovernmental transactions, governed by the Economy Act, is the handling of budgetary resources. Unlike orders from non-federal entities, DoW organizations with reimbursable authority may recognize a budgetary resource immediately upon accepting a funded order from another federal agency. This is because the customer agency obligates its own funds at the time of order placement. Consequently, this policy allows DoW organizations to incur obligations to fill such orders without requiring an advance payment or burdening their own budgetary resources. Refer to Volume 11 for more information on intragovernmental receivables.

5.22.2. DoW Performing Entity Responsibilities

The performing entity (seller) is fundamentally responsible for ensuring that all costs for completed work are promptly recorded as revenue and receivable, and that these amounts are quickly billed and collected from the ordering entity. This policy of timely recording is critical to enable Treasury to perform its required intragovernmental eliminations. Furthermore, a critical policy prohibits DoW activities from performing new reimbursable work for any federal agency that is 90 days or more in arrears on previous payments; however, this restriction can be waived by the OUSW(C) if deemed in the national interest. Policy also dictates that any disputed charges be reviewed promptly and that all obligations and accrued expenditures be supported by a reimbursable agreement or other proof of payment due. For detailed accounting guidance, personnel are directed to refer to official manuals such as the TFM Volume 1.

5.22.3. DoW Ordering Agency Responsibilities

The ordering agency has the primary responsibility for ensuring that all charges for a performing activity are valid. This means amounts due must directly correspond to the reimbursable orders and must be substantiated by a supporting order, contract, and evidence of performance. A key policy is that any identified internal control failures or process weaknesses discovered during research must be formally addressed and corrected to prevent future errors. All evidence from this research must be documented and maintained by the organization.

5.22.4. Management of Collection Actions

All aging accounts receivable transactions are eligible for collection actions, with the delinquency date set to one day after the initial due date. All charges from transactions within the DoW or with other federal agencies must be recorded as accounts receivable in the month they are earned. To streamline billing, DoW prohibits providers from accepting G-Invoicing Inter-Agency Agreement Forms 7600A/B if the interfund billing system can be used, and it forbids manual billing unless specifically approved by the Deputy Chief Financial Officer (DCFO). Regarding disputes, a buyer is generally prohibited from charging back or rejecting a charge unless authorized by the formal dispute resolution process. An exception exists for Intra-Governmental Payment

and Collection (IPAC) transactions, which can be rejected within 30 days, but only for four valid reasons: billing for more than the agreed amount, duplicate/erroneous billing, lack of supporting documentation, or an expired 7600A/B or appropriation. For transactions outside the DoW, IPAC is the preferred billing and collection method. If an IPAC transaction is rejected, policy requires that the receivable be reestablished and that adjustments be made to the appropriation's FBwT.

5.22.5. Non-Interfund Dispute Process

5.22.5.1. The ARO is responsible for managing all intragovernmental debt within the DoW, a process overseen by the OUSW(C). A critical policy is that this type of debt cannot be referred to an external debt collection activity. The full settlement of any disputed charge must be completed within a strict 180-day timeline from the date of the original charge. For disputed amounts of $2,500 or less, the buyer may accept the charge without dispute or dispute it only if the process is cost-effective. For larger disputes, the buyer and seller work together for the first 60 days to find a solution, with assistance available from DFAS. If unresolved, the buyer assembles a formal dispute package for the seller with assistance from DFAS. If a dispute resolution concludes that the buyer does not have to pay, the seller must adjust their financial records accordingly: for current fiscal year activity, revenue must be decreased, expenses and direct obligations must be increased; for material receivables from a prior year, a prior period adjustment must be used; and for immaterial prior year receivables, current year revenues can be reduced.

5.22.5.2. Disputes between the DoW and other federal agencies must be handled in accordance with I-TFM-2-4700. Dispute resolution will involve the program offices, the accounting offices, the contracting officer, and the agency's CFO, as appropriate. A MOA will be signed by the CFOs of each department and agency to acknowledge that department's or agency's active participation in the dispute resolution process. All disputes must be documented in writing with clear reasoning. Trading partners are strictly prohibited from charging back or rejecting transactions that comply with I-TFM-2-4700, and they may not create new transactions to circumvent it. Disputes are categorized into two types: those arising from differing accounting treatments and those from contractual disagreements. A key policy for contractual disputes is that the buyer may establish a monetary threshold of no more than $100,000 per order. If a disputed amount is under this threshold and the buyer chooses not to pursue the dispute, they are obligated to pay the amount. Missing indicative data (such as order numbers, TAS, BETC, amounts, or BPN numbers for both trading partners) on a transaction constitutes a valid cause for a contractual dispute.

5.22.5.3. DoDI 1015.15 requires certain categories of NAFIs to reimburse appropriated funds (APF) for goods and services provided. This relationship must be formalized in a reimbursement agreement, such as a Memorandum of Understanding, and signed by authorized representatives from both the APF and NAFI. At a minimum, this agreement must define either the fixed price for the goods and services or the methodology for determining that price. Policy dictates that the due date for any bill is 30 days from the bill's date. A key financial policy is that while Military Departments may use their own appropriated funds to perform work for a NAFI without an advance, they are prohibited from recognizing any budgetary resources for that order until the NAFI has actually paid the account receivable.

5.23 Reporting Receivables Due From the Public

Components must submit the quarterly TROR. The ARO, in conjunction with the Component, must report public receivables in accordance with the TROR guidance on the Treasury website.

5.24 Reporting Receivables in DoW Financial Statements

Accounts receivable must be reported on the quarterly financial statements. A key aspect of this policy is ensuring data integrity through reconciliation. Public accounts receivable balances reported on the financial statements must be reconciled with the corresponding balances in the Governmentwide Treasury Account Symbol (GTAS) system (non-Federal attribute). These balances must also be reconciled with the amounts reported on the TROR. Furthermore, a fundamental policy for consolidated reporting is that all intragovernmental accounts receivable balances must be eliminated.

5.25 Crediting and Accounting for Disputed Collections Under the Contract Disputes Act of 1978

5.25.1. When a contractor pays a debt but simultaneously disputes it (or indicates they will), that collected amount cannot be accounted for as a final settlement. As soon as a collection is made under a disputed status, interest, penalties, and any other administrative fees immediately cease to accrue. A designated Treasury deposit account must be credited with the collected funds and hold them pending the final disposition of the contractor's dispute. Furthermore, there must be continuous, mutual communication among the responsible disbursing officer, the DMO, the contracting officer, and any other relevant authorities regarding all actions affecting these disputed collections.

5.25.2. In accordance with 10 U.S.C. § 3863, disputed collections received and credited must be separately accounted for and remain available, regardless of the closing of an appropriation or fund account, for payment of any settlement of the claim by the parties, any judgment rendered in the contractor’s favor on an appeal of the decision on the claim to the Armed Services Board of Contract Appeals (ASBCA), or any judgment rendered in the contractor’s favor in an action on that claim in a court of the U.S. Availability of the disputed collection expires 90 days after the expiration of the period for bringing an action on that claim in the U.S. Court of Federal Claims under section 41 U.S.C. § 7104(a), if within those 90 days, no appeal on the claim is commenced at the ASBCA and that no action on the claim is commenced in a court of the U.S.

5.25.3. If not expiring, then availability of the disputed collected amounts expires in the case of a settlement of a claim, 90 days after the date of the settlement or in the case of a judgment rendered on the claim in an appeal to the ASBCA or an action in a court of the U.S, 90 days after the date on which the judgment becomes final and rendered not appealable.

5.25.4. While a disputed amount is being separately accounted for, it can only be obligated or expended for the purpose of settling that specific claim. If it is determined that all or part of the collection is repayable to the contractor, including payment or adjustment of interest or fees,

whether by settlement or judgment, that amount must be disbursed promptly to the contractor. This includes prompt reimbursement to the Treasury Judgment Fund, if applicable. The foregoing disbursed amounts must be charged to the deposit account X6501. A critical financial policy dictates the source of funds for interest payments: any interest that has accrued since the collection and is ordered to be paid as part of the final resolution must be charged to a currently available appropriation account.

5.25.5. Upon the expiration of the availability period for a disputed collection, any funds that have not been obligated or expended must be withdrawn and credited to the appropriate accounts. If an amount was credited to the deposit account for an appropriation or fund account that closed for reasons other than those described under 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then the principal amount collected must be properly credited to that appropriation or fund account and an adjustment made of the amounts of the contract(s) for which the disputed collection arose. Any amounts for interest and fees must be credited to the appropriate Treasury Miscellaneous Receipts accounts. A core principle of this policy is that the records for the closed appropriation and any associated unclosed contracts must be adjusted to accurately reflect the outcome, ensuring that all obligated and unobligated balances are correct.

6.0 INVENTORY AND RELATED PROPERTY

This section provides DoW accounting guidance for inventory, Operating Materials and Supplies (OM&S), and stockpile materials. Management must ensure that all related transactions are recorded in the general ledger in accordance with requirements from the Department of the Treasury and other federal mandates. Furthermore, adequate supporting source documentation, such as contracts, invoices, and receiving reports, payment vouchers, material-return documents, transfer documents, inventory documents, issue and shipping documents, sales records, and documented gains and losses, must be retained for all entries. Tangible items with a useful life of two or more years not intended for consumption or sale in the ordinary course of operations and intended to be used or available for use are classified as General Equipment. Refer to Volume 6 for detailed requirements on preparing and presenting notes to the financial statements for Inventory and Related Property. Except for provisions related to the National Stockpile Fund (NSF), all of the provisions in this section apply to the Working Capital Fund (WCF). Except for provisions related to Inventory, Supply Management Activities, and Stockpile Materials, all provisions in this section apply to the General Fund (GF).

6.1 Valuation Concepts

6.1.1. Historical cost includes all appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location and excludes abnormal costs. Abnormal costs are expenses that significantly exceed the standard cost to purchase and place a new item with similar features and useful life into service (e.g., excessive handling, expedited delivery, and rework costs due to defects or errors). Expense abnormal costs in the period in which they are incurred. For donated, repaired, or remanufactured items, policy dictates that the Component must value them at their fair value when they become serviceable. Recognize differences between fair value and any amounts surrendered in exchange for the item as a gain or loss.

6.1.2. Inventory valuation requires that ending balances and the cost of goods sold must be determined by applying one of three cost flow assumptions: First-In, First-Out; Weighted Average Cost; or Moving Average Cost (MAC). As a policy alternative, any other valuation method compliant with Generally Accepted Accounting Principles (GAAP) is permissible, provided that its results reasonably approximate one of the three specified historical cost methods.

6.2 Net Realizable Value (NRV)

DoW Components must write down the value of any inventory, OM&S, or stockpile materials that are classified as Excess, Obsolete, and Unserviceable (EOU) to their expected NRV. Excess stock exceeds the demand or requirements for normal operations. Stock becomes obsolete when changes in technology, laws, customs, or operations make it unusable, while damaged stock is considered unserviceable if disposal is more economical than repair. In these cases, as well as for stockpile materials experiencing permanent decline, damage, or decay, DoW Components are required to write down their value to the estimated NRV. NRV is defined as the estimated recoverable amount from selling or disposing of an item, after accounting for any associated costs. It is also policy that when items are transferred to the Defense Logistics Agency (DLA) Disposition Services (except those handled through a Qualified Recycling Program), the NRV is generally considered to be zero, as no proceeds are typically received. Refer to Defense Logistics Manual 4000.25 for details on how to dispose of EOU using DLA Disposition Services.

6.3 Held for Repair

Inventory or OM&S Held for Repair may be accounted for using either the Allowance Method or the Direct Method. Regardless of the method chosen, a core policy is that management must retain supporting documentation for the estimated repair costs, in accordance with their DoW Component records retention requirements. Refer to Volume 4 Supplemental for information on the approved methods.

6.4 Alternative Valuation Methodologies for Establishing Opening Balances

6.4.1. An alternative valuation method, guided by SFFAS 48 and Technical Release (TR) 18, is available for establishing opening balances for Inventory, OM&S, and stockpile materials. However, this option can be used only once per line item for each reporting entity and is intended solely to establish and document those initial balances. For serially managed items, such as grocery and household product inventories, the specific identification method may be used. Using this method, the Component directly links each identifiable item to its precise cost. Before using this alternative method, a DoW Component must validate that it is fully prepared to comply with all accounting requirements, including the recognition, measurement, presentation, and disclosure rules outlined in SFFAS 3.

6.4.2. When a component cannot apply the historical cost approach outlined in SFFAS 3 to establish opening balances for inventory, OM&S, or stockpile materials, it is acceptable to use a "deemed cost" as a substitute for the reporting period. Deemed cost is an acceptable valuation method for the reporting period when the reporting entity makes an unreserved assertion that its financial statements, or one or more line items within inventory, OM&S, and stockpile materials,

are presently fairly in accordance with GAAP. An unreserved assertion is an unconditional statement. Deemed cost may be determined using a variety of methods, including Standard (Selling) Price, Fair Value, Latest Acquisition Cost, or Replacement Cost. It can also be based on an Estimated Historical Cost, which uses reasonable estimation techniques, or the Actual Historical Cost, which is the original price paid for the asset. See Volume 4 Supplemental for more information on these methodologies.

6.4.3. When using a deemed cost to establish opening balances, a component must identify and report all valuation methods in its financial statement notes and retain supporting documentation, including any necessary sampling techniques. A critical step is to adjust any existing gains or losses in related allowance accounts to zero. Once established, this new opening balance is considered consistent with SFFAS 3 requirements and is integrated into ongoing inventory calculations, such as a MAC, with no future distinction required. Record the difference between the prior value adjusted for any related allowance account value and the new deemed cost must be recorded as a prior period adjustment due to a change in accounting principles, with the adjustment made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made, in accordance with the reporting requirements under paragraph 13 of FASAB SFFAS 21. Finally, the nature of this change and its effect on balances in the current period must be disclosed in the financial statements, but this disclosure need not be repeated in subsequent periods unless the statements are presented for comparative purposes.

6.5 Inventory - (Applicable to WCF Only)

6.5.1. Recognition of Inventory

Components recognize inventory at the point they receive title or take delivery of the goods, as specified by the contract or agreement. Title may be received at the origin (FOB shipping point) upon shipment, or at the destination (FOB destination) upon physical delivery. Additionally, constructive delivery can occur when contract terms stipulate that title has been transferred to the recipient even before the physical items arrive.

6.5.2. Reconciliations

All Components are required to maintain accurate inventory records, necessitating a comprehensive reconciliation between their general ledger inventory line items and detailed inventory accountability records at least quarterly. This policy further dictates that all such reconciliations must encompass data from all relevant Enterprise Resource Management system modules (such as Warehouse, Inventory, and Financial Management) and extend to all inventory owned by the entity, irrespective of its physical custody (e.g., inventory managed by contractors or the DLA). A fundamental policy outcome is that any discrepancies identified must be researched and resolved in a timely manner, and that, subsequently, appropriate system and business process controls must be implemented to reduce future errors proactively.

6.5.3. Physical Inventory Counts

Activities are required to conduct physical counts of their inventories at least annually, generally as of the fiscal year-end, in accordance with the Defense Logistics Management Standards Volume 2. Note that auditors will likely attend and observe counts for any inventories that management has deemed material. Following the count, the general ledger must be adjusted to reflect any differences found between the ledger balances and the physical inventory. All adjustments must be supported by developed and maintained audit documentation. For inventory held by contractors, the necessary documentation, such as receipts, shipments, losses, and disposals, is available in the Procurement Integrated Enterprise Environment Government Furnished Property Module. Invoices occasionally list fewer or more items ordered than the actual count of inventory items received. If resolving the difference is not economical, record a loss or gain.

6.6 War Reserve Materiel (WRM)

WRM is a strategic stockpile of essential items and munitions intended to sustain military operations until resupply is available. This inventory includes operating and training stocks in addition to regular peacetime assets. Financially, WRM is primarily funded through direct appropriations to the WCF; however, critical items such as ammunition and major end items are funded through the procurement appropriations of the Components and Defense Agencies. Although it is held in reserve by DoW Components, its acquisition and storage are indistinguishable from regular inventory. The policy allows for this materiel to be transferred to the U.S. Armed Forces without reimbursement to meet mobilization needs, and it also permits DoW Components to sell WRM if authorized. The value of these reserve items is recorded using the same accounting principles as peacetime inventory.

6.7 Work-In-Process

WCF manufacturing activities must record all operating costs for tasks lasting more than one month in a "work-in-process" (WIP) account. This is required to accurately segregate long-term costs from current period expenses, ensuring compliance with GAAP. The inventory WIP account is used to accumulate all direct and indirect costs, including General & Administrative expenses, required to complete a job or customer order. Related costs attributed to an order include costs for additions, alterations, improvements, rehabilitations, and replacements of fixed assets; maintenance costs; manufacturing or fabricating costs for an end item or product; and costs of producing an output. Upon completion or termination of an order, all related costs must be transferred out of the WIP account, and billing must occur immediately, regardless of customer acceptance. A gain or loss must be recognized if the final costs differ from customer funding, and any probable losses must be recognized proportionally over the life of the contract. If an order terminates prior to completion, the Component must expense the accumulated costs.

6.8 Supply Management Activities - (Applicable to WCF Only)

6.8.1. Supply Management Activities manage inventory held for sale to other DoW Components or activities and items procured for sale to members of the Armed Forces and other individuals or organizations when authorized by legislation, including the Army, Navy, Air Force,

DLA, and the Defense Commissary Agency for commissary resale. This guidance also applies to DLA Disposition Services, which handles redistribution or disposal of items, including sales to the public and other Federal customers. Examples of items managed by supply management activities include food, military clothing, fuel, and preventive medicine. Supply Management Activities also cover Depot Maintenance or Industrial Operations activities that use items to produce goods or services for a fee. The USW(C) and the Under Secretary of War for Acquisition and Sustainment (USW(A&S)) may designate items for procurement by supply management and reassign management responsibility between DoW Components.

6.8.2. A supply management activity is authorized to sell items to a broad range of entities, including other federal government activities, DoW-sponsored nonappropriated funding programs, and State Department-sponsored employee commissaries located outside the U.S. Sales are also authorized for foreign governments with established contractual relationships, federal government contractors holding specific purchasing contracts or utilizing the Replenishment Parts Purchase or Borrow Program, and members of the Armed Forces and other individuals legally authorized to purchase commissary and clothing items. Additionally, the activity can sell to private-sector purchasers, state or local governments purchasing non-excess property, provided such sales are authorized by law, and to any other entity specifically authorized by duly appointed officials. Refer to 40 U.S.C. Chapter 5, Section 503.

6.9 Issues Without Reimbursement

6.9.1. Issue or Transfer. DoW Components may not issue or transfer a supply management activity item without a funded customer order unless specifically authorized in the following section. DoW Components will not account for these events in the same manner as a normal sale, except when they need to establish an allowance for loss on accounts receivable.

6.9.2. Domestic Civil Emergency. DoW officials may issue a supply management activity item without immediate reimbursement when they provide an immediate response to save lives, prevent human suffering, or mitigate great property damage within the U.S. by temporarily employing the resources under their control in accordance with DoD Directive (DoDD) 3025.18.

6.9.3. Civil Disturbances. Upon specific authorization by the President in accordance with applicable law, a supply management activity may issue an item without immediate reimbursement when action is taken to control a civil disturbance in accordance with the policies and procedures provided in DoDD 3025.18.

6.9.4. Foreign Disaster Relief (FDR). A supply management activity item may be issued without immediate reimbursement when the State Department is responsible for initiating and financing FDR efforts, as authorized by the Foreign Assistance Act of 1961. Within the DoW, the Director of the Defense Security Cooperation Agency (DSCA) serves as the lead for the FDR program's management and budget matters. Furthermore, the Commander of the U.S. Transportation Command is responsible for ensuring that DoW activities can support the transportation requirements of FDR operations. All procedures related to issuing supply management materiel for FDR are to be performed in accordance with DoDD 5100.46.

6.9.5. North Atlantic Treaty Organization (NATO) Country. A NATO country may receive a supply management activity item without reimbursement under a replacement-in-kind arrangement. Nonreimbursable issues under this authority are changed to a reimbursable activity within 12 months if not replaced by the NATO country.

6.9.6. Military Emergency. Under emergency provisions in 10 U.S.C. § 127, the Secretary of War (SecWar), the Inspector General of the DoW, or the Secretary of a military department (within their department) may issue a supply management activity item without immediate reimbursement. The issuing Secretary or the Inspector General may certify the amount of any advisable expenditure without specifying it, and this certificate suffices to cover the expenditure. The SecWar may waive the description requirement due to extraordinary circumstances affecting the national security of the U.S. When funding becomes available to cover the costs of the emergency, the supply management activity receives reimbursement for outstanding accounts receivable.

6.9.7. War Reserve Assets (WRA). A supply management activity may issue an item designated as WRA, without a funded customer order, when it has approved the issuance to satisfy the requirements for mobilizing the U.S. Armed Forces.

6.9.8. Deficiencies in War Reserve Requirements. A supply management activity item may be issued, without reimbursement, when an item is issued to satisfy war reserve requirement deficiencies or between activities within the supply management activity.

6.9.9. Items Nearing End of Shelf Life. If a supply management activity item is not a WRA, the personnel responsible may issue the item at any price or without reimbursement when the item has 6 months or less of remaining shelf life, and the item manager approves the item to be issued on a less-than-cost basis.

6.9.10. Logistical Management Transfers. Logistical management transfers or reassignments occur when funding appropriations for an item change.

6.9.11. Logistical Management Transfers Between Supply Management Activities. Supply management activities transfer inventory on hand without reimbursement. However, wholesale and retail supply activities are authorized to reimburse each other when on-hand retail inventory is transferred back to the wholesale item manager's inventory control points, in accordance with DoW credit policies.

6.10 Loans and Leases

6.10.1. Supply management activities may only lend or lease items specified in this section for the stated purpose. Accountability for inventory on loan remains with the activity that lends the material, and it is valued in the same manner as inventory on hand. The recipient must cover all transportation, packing, crating, and handling costs associated with borrowing or leasing the item. Additionally, the recipient must pay all costs necessary to restore the item to its original condition upon returning it, or pay for the item if it is not returned within the approved loan or lease period.

6.10.2. Property may be lent or leased to the following recipients:

6.10.2.1. DoW Funded Customers. Supply management activities may lend an item to a DoW funded customer for a maximum of 120 days to support an approved training exercise, a military emergency, or a natural disaster.

6.10.2.2. U.S. Secret Service. Supply management activities may lend an item to the U.S. Secret Service for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDD 3025.13.

6.10.2.3. Civilian Law Enforcement Officials. DoDI 3025.21 prescribes the DoW regulations for supporting civilian law enforcement agencies, ensuring such support is consistent with military preparedness and legal limitations. The Under Secretary of War for Policy governs the defense support of civilian law enforcement agencies and coordinates policy with Federal departments and agencies, State, local, and tribal agencies, and DoW Components. Supply management activities may lend equipment, base facilities, or research facilities to a civilian law enforcement activity for up to 120 days for purposes prescribed by the policies and procedures in DoDI 3025.21.

6.10.2.4. State and Local Governments. Supply management activities may lend an item to a state or local Government for up to 120 days for a specific purpose, per DoDI 3025.21.

6.10.2.5. National Veterans' Organizations. Supply management activities may lend items (e.g., cots, blankets, pillows, mattresses, bed sacks, and other supplies) to a recognized national veterans' organization to support a national or state convention or a regional youth athletic or recreational tournament sponsored by the veterans' organization under the authority of 10 U.S.C. § 2551.

6.10.2.6. American National Red Cross. Supply management activities may lend an item to an organization formed by the American National Red Cross for instruction and practice needed to aid the Army, Navy, or Air Force in time of war under the authority of 10 U.S.C. § 2552. Supply management activities require the immediate return of equipment loaned.

6.10.2.7. Inaugural Committee. Supply management activities may lend an item to the Presidential and the congressional Joint Inaugural Committee to support an inauguration of the President of the United States for a maximum period of nine days beyond the inauguration ceremony under the authority of 10 U.S.C. § 2553.

6.10.2.8. Boy Scout Jamborees. Supply management activities may lend cots, blankets, commissary equipment, flags, refrigerators, and other equipment to the Boy Scouts of America for the use of Scouters and officials attending any national or world Boy Scout Jamboree under the authority of 10 U.S.C. § 2554. Services and expendable medical supplies may be furnished without reimbursement.

6.10.2.9. Shelter for the Homeless, Incidental Services. Under 10 U.S.C. § 2556, the Secretary of a Military Department may make installations available to shelter the homeless in

cooperation with state, local, and charitable organizations. Incidental services such as utilities, bedding, security, transportation, facility renovations, minor repairs, and property liability insurance can also be provided, provided they do not interfere with military preparedness. Excess DoW items can only be issued to shelters.

6.10.2.10. Humanitarian Relief. Supply management activities may make nonlethal excess supplies available for transfer to the Secretary of Homeland Security for its distribution for humanitarian relief, domestic emergency assistance, and homeless veterans' assistance under the authority of 10 U.S.C. § 2557.

6.10.2.11. Foreign Countries or International Organizations. Supply management activities may lease or loan an item to an eligible foreign country or international organization under the authority of the Arms Export Control Act. The Director, DSCA, oversees DoW's worldwide security cooperation efforts, ensuring the timely transfer of defense articles and services to meet strategic objectives. DSCA also holds fiduciary responsibility for the financial management of the FMS Trust Fund and reporting for its security cooperation programs. Refer to Volume 15 and DoDD 5105.65.

6.10.2.12. Other Leases. Supply management activities may lease or loan a non-excess supply management activity item to an organization when the SecWar or the Secretary of a Military Department has determined that the item is under control of the Secretary, not needed for DoW use during the proposed lease period, and the lease will promote the national defense or public interest under the authority of 10 U.S.C. § 2667. The lease may not exceed five years, unless the Secretary concerned determines that a lease for a longer period will promote national defense or be in the public interest. Additional lease conditions are covered within Volume 12.

6.11 Government Furnished Material (GFM)

GFM may be issued by the item manager to a contractor, another DoW, or a Federal government activity to be maintained as stock for issue, consumption, or repair. When the Component issues GFM to a contractor, the GFM becomes subject to the requirements of the FAR and Defense Federal Acquisition Regulation Supplement.

6.12 Supply Management Activity Transfers

6.12.1. Assistant Secretary of War for Sustainment oversees procedures to optimize supply support resources between providers and customers, establishes integrated materiel management processes to reduce redundant items, and provides timely support to customers.

6.12.2. Transfers In Without Reimbursement. A supply activity may assume management responsibility and capitalize supply inventories that were financed by other appropriations and funds as permitted by 10 U.S.C. § 2208 and DoD Manual (DoDM) 4140.26. A supply management activity may receive capital from the SecWar by capitalizing inventories but not make credits to an appropriation-funded activity for capitalized inventories as provided in 10 U.S.C. § 2208. However, stock withdrawal authorizations may be approved.

6.12.3. Transfers of Reimbursable Procurements. The supply management activity may record a liability for an item transferred from a non-WCF account only if (1) the item is undelivered at the time of the transfer, and (2) the transferring organization's obligation for the item resulted from a reimbursable order from a customer. The customer must transfer appropriated funds to the supply management activity to liquidate the liability.

6.12.4. Stock Withdrawal Authorizations. A transferring activity may not have funds to purchase an item after transferring an item from an appropriation-funded activity to a supply management activity. Therefore, the transferring activity may request that the USD(C) approve an authorization for issues without reimbursement, as part of the formal budget submission to Congress. The supply management activity must issue items on a reimbursable basis when the fiscal year has passed. The supply management activity must record a stock withdrawal authorization as a transfer-out, a reduction of inventory held for sale, and the difference is reported as a realization of holding gain/loss.

6.12.5. Logistical Management Transfers. Logistical management transfers occur when changes are made to the funding appropriation for an item.

6.13 Depot Level Reparables

6.13.1. Reparables are items that have reached the end of their lifecycle but can be restored or remanufactured. Reparables are considered when the computed inventory level requirements are met. The Department's depot-level repair program for inventory replenishment and resale acts as a remanufacturing process for financial management and accounting purposes.

6.13.2. Exchange Transaction. Many DoW Components obtain items for remanufacturing through an exchange transaction. In this transaction, they sell a serviceable item at the standard price in exchange for (1) cash and (2) an item that needs rebuilding or repair (carcass). The supply management team may record two separate transactions to represent the financial event or bill the customer at the exchange price, which is the standard price minus any credit if the requisitioning activity states that a reparable item will be returned. If the impaired item (carcass) has not been received at the time of the exchange, the organization records the item as "Inventory Held for Repair (Remanufacture Due In)." Serviceable Depot Level Reparables are recorded at historical cost. If the customer does not return a reparable item within 90 days of the exchange sale for continental United States (CONUS) customers or within 120 days for customers outside the continental United States (OCONUS), the supply management team must reverse the credit they previously allowed and bill the customer.

6.13.3. Supply management activities may place orders and obligate funds for repair/remanufacture work placed with a contractor or a government repair facility. The carcass will remain in the Supply Management activity "Inventory Held for Repair (Remanufacturing)" account while the item is repaired/remanufactured.

6.13.4. The Department's depot-level repair program for inventory replenishment and resale acts as a remanufacturing process for financial management and accounting purposes.

6.14 Return of Items to the Supply Management Activity

6.14.1. A customer within the Federal Government, including DoW contractors, may return an item to a supply management activity according to 22 U.S.C. § 2761. The proceeds will be credited to current applicable appropriations and will be available for expenditure for the same purposes as those appropriations. Customers cannot receive inventory credits for returns because inventory is capitalized.

6.14.2. The Arms Export Control Act permits the return of defense articles from a foreign country or international organization under specified conditions if the defense article was previously transferred to that country or organization under 22 U.S.C. § 2761, is not significant military equipment (as defined in 22 U.S.C. § 2794), and is fully functioning without needing repair or rehabilitation.

6.14.3. According to 10 U.S.C. § 2208(g), a department, activity, or agency may return supplies to working-capital funds, and it can charge the appraised value to that working-capital fund.

6.14.4. An item manager may grant credit for a returned item after receipt, inspection, and classification of the item. A return that stratifies to a war reserve inventory requirement does not qualify for credit. The amount of the credit for the return of a fully serviceable consumable or reparable item or the return of a carcass when not part of an exchange transaction and within the approved acquisition objective level must not exceed the current standard price of the returned item less the current fiscal year's approved cost recovery elements. If the supply management activity granted credit before taking ownership or receiving the returned item, and if the item is not received within 90 days from a CONUS customer or 120 days from an OCONUS customer, the supply management activity must bill the customer for the credit it previously recorded. Additionally, the stockage point may choose to bill the customer for costs incurred due to the non-receipt of the item. The supply management activity may grant a credit to a customer at standard price for defective items when a customer's quality deficiency report has been validated, including specification defects. Credits may be applied against future customer demands for items in the current fiscal year, or credited directly to the customer's current-year available funds.

6.14.5. The supply management activity must fund transportation and other shipping costs for items approved for return from customers. Shipping costs include packing, crating, handling, transportation, port loading, and unloading. The supply management activity must not fund shipping and transportation costs for items that have not been approved for customer return.

6.14.6. Return of an item, whether issuable or not issuable, reverses the sale's effect on the Cost of Goods Sold. Activities record receipt of a returned item regardless of whether the customer receives credit.

6.15 OM&S - (Applicable to General Fund (GF) and WCF)

6.15.1. OM&S Types

6.15.1.1. OM&S consists of tangible personal property that organizations consume in their normal operations. Title 41, section 101-8.705 of the CFR defines a normal operation as the "operation of a program or activity without significant changes that would inhibit meeting objectives". OM&S applies to GF and WCF. OM&S includes Held for Use, Held in Reserve for Future Use, EOU, Held for Repair, In Development, In Transit, and Long Range Ballistic Missiles (LRBM). OM&S excludes inventory, stockpile materials, and items acquired for use in constructing real property or in assembling equipment. Refer to the supporting Volume 4 Supplemental for details supporting OM&S Types.

6.15.1.2. LRBMs, including Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles, must be reported as OM&S for financial reporting purposes. These missiles are considered OM&S because they are frequently used, are consumable and cannot be reused after consumption, are similar in nature to other missiles classified as OM&S, and are broken down and stored as separate parts. Nuclear warheads remain the property of the Department of Energy (DOE). DOE reports the warheads as OM&S.

6.15.2. Recognition and Valuation of OM&S

The consumption method of accounting for the recognition of expenses must be applied for OM&S. If OM&S (1) are not significant amounts, (2) are in the hands of the end user for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method of accounting, then the purchases method may be applied to OM&S. An end user is any component of a reporting entity that obtains goods for direct use in the component's normal operations. Generally, material at an end user is not transferred to another location for consumption. Components of a reporting entity, including contractors, that maintain or stock OM&S for future issuance are not end users.

6.15.2.1. Consumption Method. Recognize and report OM&S as assets on the balance sheet when produced or purchased. The contract between the buyer and the seller determines when title passes. If the contract between the buyer and the seller is silent regarding passage of title, title is assumed to pass upon delivery of the goods. The contract terms determine whether delivery is made or constructive delivery occurs. Under the Consumption method, OM&S are valued at historical cost or on a basis that reasonably approximates historical cost. Valuation must be adjusted for EOU or expected repair. In addition, alternative valuation methodologies may be used to establish beginning balances.

6.15.2.2. Purchases Method. Expense OM&S when produced or purchased. This method is an alternative to the consumption method and requires formal justification.

6.16 Stockpile Materials - (Applicable To Revolving Fund Only)

The National Defense Stockpile, authorized by the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III), holds materials essential for national defense or conservation, to avoid

reliance on foreign sources during emergencies. While National Defense Authorization Acts permit the buying and selling of specific materials (including medicine) and set quantity and revenue levels for selling material, no new acquisitions are allowed if more than 99% of the current inventory is already authorized for sale.

6.16.1. Roles and Responsibilities

6.16.1.1. The DLA Strategic Materials Directorate administers the acquisition, storage, management, and disposal of inventory (including medicine) currently maintained in the National Defense Stockpile Transaction Fund (NDSTF). The NDSTF's Treasury Federal account symbol is 97X4555. The NDSTF is a continuing fund that finances the operations of the National Defense Stockpile and Defense National Stockpile Center (DNSC).

6.16.1.2. DLA records and reports stockpile materials within the NDSTF. The NDSTF's Treasury Federal account symbol is 97X4555.

6.16.1.3. The DFAS maintains accounting requirements and procedures, performs financial and general ledger accounting, and prepares external accounting reports for the NDSTF.

6.16.2. Recognition and Valuation of Stockpile Materials

Stockpile materials are accounted for using the consumption method and are reported as assets when produced or purchased.

6.16.3. Material Acquisition

All acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan, which is subject to approval by Congress and the subsequent authorization of funding. Material purchase contracts are recorded as obligations against the current-year acquisition program and reflect the contract date. Additional costs, including initial testing, increase the material's cost for inventory valuation purposes.

6.16.4. Material Upgrade

The Annual Material Plan includes the program for upgrading existing National Defense Stockpile material. Contractors perform the upgrade services, and DoW Components obligate funds from the current-year budget for the program.

6.16.5. Material Disposals

Various materials in the National Defense Stockpile may become obsolete or exceed current defense stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material within the Annual Material Plan and as authorized within the budget program for the NDSTF.

6.16.6. Exchange Transactions

Materials can be offered as like material, as payment in kind, or in exchange for other material, for amounts due for material upgraded or acquired. These transactions are accounted for as exchange disposals, and the original cost of the material is removed from inventory and recorded as the cost of exchange disposals. All sales and disposals are billed shortly after the sales agreement is made, or as of the scheduled delivery or pickup time for the material. Credits earned for material received and accepted by the DNSC are used to pay for material shipped when it is disposed of during an exchange settlement.

6.16.7. Inventory Adjustments

Inventory adjustments are made when necessary due to events such as physical counts, material movements, or disposals. All adjustments must be documented and approved by the appropriate authorities such as the DNSC Administrator, delegated inventory officials, or a board of survey, depending on the adjustment's nature and size, before they are recorded in the accounting system.

6.16.8. Research Grants

The NDSTF receives appropriations to award grants to universities, colleges, and research institutions.

6.16.9. Relationship of General Ledger Accounts to Logistic Supply Condition Codes and Stratifications. Refer to Volume 4 Supplemental section 6.16.9 for more information on supply condition codes.

7.0 GENERAL AND RIGHT-TO-USE PROPERTY, PLANT AND EQUIPMENT (GPP&E)

GPP&E consists of tangible assets that: have an estimated useful life of two years or more; are not intended for sale in the ordinary course of operations; and are acquired or constructed to be used or available for use by the entity. Account for GPP&E in accordance with FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment.”

7.1 REAL PROPERTY

The United States Standard General Ledger (USSGL) contains the real property general ledger accounts listed in Volume 1, and the DoW USSGL Transaction Library specifies the accounting entries. Unless otherwise stated, this section applies to all DoW Components, both GF and WCF activities.

7.1.1. Accounting for Real Property
7.1.1.1. Descriptions for real property refer to Volume 4 Supplemental.
7.1.1.2. Characteristics of Real Property
7.1.1.3. Real Property Assets (RPAs)
7.1.1.4. Inclusions
7.1.1.5. Exclusions

7.1.1.6. Valuation

7.1.1.6.1. Recorded cost includes all amounts paid to bring the asset to its form and location suitable for its intended use. The recorded cost for capitalized assets is depreciated or expensed depending on the acquisition cost. Non-capital assets are expensed when acquired and do not depreciate. Capitalization does not depend on whether the Component uses appropriated funds or WCFs.

7.1.2. Method of Acquisition or Transfer Determines Recorded Cost. Refer to Volume 4 Supplemental section 7.1.2 for more information.

7.1.3. Alternative Valuation for Establishing Opening Balances

7.1.3.1. Applicability and Considerations. This section applies for the reporting period when the reporting entity is presenting financial statements, or one or more line items, following GAAP promulgated by FASAB either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without using the alternative methods. The SFFAS 50 alternative valuation for establishing opening balances for General PP&E is available only once per line item to each reporting DoW Component. Therefore, prior to establishing opening balances, the DoW Components must validate that they are prepared to account for and comply with the SFFAS 6 recognition, measurement, presentation, and disclosure requirements for real property.

7.1.3.2. Deemed Cost - Existing real property assets (RPAs) with deemed cost equal to or over the current real property capitalization threshold and remaining book values are recorded as a part of the opening balance. DoW Components must apply the applicable capitalization threshold to their entire population of real property retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. DoW Components must include all relevant prior period adjustments and note disclosures in their annual financial statements in accordance with SFFAS 50. DoW Components must perform additional analytical procedures to identify assets that have been improperly capitalized or expensed. Examples include searching for RPAs with values of $0 or $1, or reviewing for an erroneous additional zero that incorrectly places the asset above the capitalization threshold. DoW Components using the deemed cost methodology must include a disclosure in their financial statements. The disclosure must describe the alternate valuation method used to establish the financial statement opening balances. Include an unreserved assertion that one or more line items are presented fairly in accordance with GAAP. The disclosure does not need to specifically identify the amount of the deemed cost of real property included in the opening balances.

7.1.4. Recognition

7.1.4.1. DoW Components must recognize Real Property Assets (RPAs) for financial statement accountability. RPAs that meet or exceed the established capitalization thresholds must be capitalized and depreciated/amortized. The DoW capitalization threshold for real property is $15,000,000 for General Fund (GF) and $1,000,000 for Working Capital Fund (WCF) activities. Transitional Guidance: Components adopting these thresholds must coordinate

with the ODCFO for specific application instructions. Components are eligible to retain existing balances below the Departments capitalization threshold, or apply a lower threshold for component-level reporting, with DCFO approval. Capitalization thresholds may be applied prospectively for components with established opening balances, whereas entities that establish opening balances using deemed cost must apply them retrospectively. Components must review Construction-in-Progress (CIP) projects and make appropriate adjustments during adoption.

7.1.4.2. Recognition Responsibility

7.1.4.2.1. DoW Components must report real property facilities located on their installations. Under 10 U.S.C. § 2682, the SecWar designates the military department's jurisdiction over real property facilities. DoW Components with jurisdiction over RPAs report the assets on the GF financial statements. (see FASAB TB 20172). 10 U.S.C. § 2674 and DoDD 5110.04 delegate jurisdiction over its facilities to Washington Headquarters Services (WHS). The DoW Components' WCF financial statements include real property if the WCF has jurisdiction over a specific installation. The RPA Command Claimant Code identifies the Service organization that has direct command authority over an RPA. This code must be reviewed whenever tenant agreements change. The RPA Financial Reporting Organization Code identifies the organization responsible for reporting and depreciating the original asset, capital improvement, or both on its financial statements.

7.1.4.2.2. The Host Installation must report real property on its financial statements where the RPA is located, or as identified on the OSW-approved Enduring Location Master List for real property outside the U.S. The OSW identifies jurisdiction in the consolidated real property database. The Office of the Assistant Secretary of War (OASW) Acquisition and Sustainment (A&S) (Energy, Installations and Environment) maintains and manages the database. The OASW A&S helps resolve financial reporting responsibility disputes between Host Installations. Non-DoW entities report their funded RPAs located on a DoW installation.

7.1.4.2.3. One reporting DoW Component must treat assets assigned to/from another reporting DoW Component as transfers of assets per SFFAS 7.

7.1.4.2.4. Financial reporting responsibility includes all aspects of financial reporting and disclosures, including footnote disclosures, Deferred Maintenance & Repair (DM&R), and other RSI.

7.1.4.2.5. Financial reporting documentation must establish the reporting entity's rights and obligations. Records reflecting the Host Installation jurisdiction, inter- and intra-agency agreements, and host-tenant relationships are examples.

7.1.4.2.6. The DoW's and the Federal Government's overall accounting records must not be duplicative. Where doubt exists as to which DoW Component recognizes the RPA, the DoW Components involved must reach agreement on which entity records the asset for financial reporting purposes. If an agreement cannot be reached, the involved parties must refer the matter to OASW (Sustainment) for resolution. Requesters must accompany requests for resolution with adequate supporting documentation and submit them through the DoW Component Financial Management and Comptroller.

7.1.5. Treatment. For the treatment of real property, refer to the Volume 4 Supplemental document.

7.1.6. Construction In Progress. The Funding DoW Components must report construction costs for a capital asset anticipated to meet the capitalization criteria of the Host Installation in CIP until the capital asset is complete. Once complete and placed in service, the Host Installation reports and depreciates the asset on the GF's financial statements. The WCF financial statements report real property if it has jurisdiction over a specific installation.

7.1.7. Intra-DoW Transfers. Both parties must agree to and document the transfer (e.g., DD Form 1354). The transferor must provide adequate and appropriate supporting documentation for financial statement reporting. Financial reporting information must be maintained with the asset throughout its lifecycle. When DoW Components have different capitalization thresholds, previously capitalized assets by the transferring DoW Component remain capitalized and will depreciate after transfer, regardless of the new financial reporting entity's capitalization threshold. Assets previously expensed by the transferring DoW Component must remain expensed within the new entity. The receiving DoW Components must include the assets in their Accountable Property System of Record (APSR) as accountable real property.

7.1.8. Memorandum of Agreement. All DoW Component tenants must have a MOA with the Host Installations. An MOA establishes rights and obligations between the Host Installation and the DoW Component using the RPA. All tenants must maintain a list of occupied real property facilities and facilities for which operations, maintenance, or improvement is the tenant's responsibility (see DoDI 4000.19 for DoW policy on intra-departmental support).

7.1.9. WCF Capital Recovery Rate and Accounting Treatment. Refer to the Volume 4 Supplemental.

7.1.10. Inter-Entity Costs

7.1.10.1. SFFAS 55 requires recognition of significant inter-entity costs among and between federal agencies by business-type activities (e.g., WCFs). Unless otherwise directed by the OMB, non-business-type activities may elect not to recognize inter-entity costs, but personnel benefits and U.S. Department of the Treasury (Treasury) Judgment Fund settlements must be recognized. DoD elected not to recognize imputed costs and corresponding financing, aside from the exceptions stated in this subparagraph.

7.1.10.2. WCFs or other business-like activities must impute costs. These imputed costs include depreciation expense, estimated depreciation expense for WCF-funded RPAs and improvements subsequently posted to the GF, and depreciation expense or other costs for assets not funded by the WCF. See the ODCFO SFIS webpage for imputed costs journal entries (transaction code E402). The decision tree in the Volume 4 Supplemental document illustrates what RPA-related costs must be imputed and reported by a DoW Component for business-type activity (e.g., WCF). Accounting for imputed costs in the decision tree applies only to business-type activities (e.g., WCFs).

7.1.11. Accounting for Real Property Outside of the U.S.

7.1.11.1. As used in this section, U.S. means the 50 States of the U.S., the District of Columbia, and the commonwealths, territories, and possessions of the U.S. DoW Components occupy and use real property facilities outside of the U.S. DoW's rights to real property outside of the U.S. are different from those within the U.S. For financial reporting purposes, a DoW Component that occupies and uses facilities outside of the U.S. is covered by paragraph 7.1.11.2 and the Supplemental.

7.1.11.2. The Host Installation financial statements report DoW real property that is not located on a DoW installation (including property located on an installation of a host nation) identified on the OSW-approved Enduring Location Master List (which the Office of the Under Secretary of War for Policy maintains and manages) when all of the criteria are met. See Volume 4 Supplemental for the required criteria in Section 7.1.11.

7.1.12. Disclosure Requirements for Land and Permanent Land Rights.

7.1.12.1. DoW Components must disclose, in the notes to their financial statements, referencing the Balance Sheet, the number of acres of General PP&E land and permanent land rights (where the types of land rights are conducive to measurement in acres) held as of the period of their first audited financial statement. This acreage amount must be reported separately from the DoW Component's Stewardship Land. There are no disclosure requirements for General PP&E land rights that are not measured in acres when establishing opening balances. The disclosure requirements for land and permanent land rights must be presented in accordance with SFFAS 59. Existing disclosures must continue.

7.1.12.2. DoW Components must disclose the number of acres of General PP&E land and land rights measured in acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period.

7.1.13. Capital Improvements. For Land and Permanent Land Rights, capital improvements are covered in the Volume 4 Supplemental document.

7.1.13.1. The DoW Component that reports the improved RPA reports capital improvements (including leasehold improvements).

7.1.13.2. Maintenance and repair costs are not considered capital improvements, regardless of the capitalization threshold.

7.1.14. Depreciation

7.1.14.1. The recorded cost of real property and capital improvements must be depreciated over the shorter of (1) the period benefited, or (2) the asset's useful life. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage/residual value, over its estimated useful life.

7.1.14.2. Capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoW financial statements. Recognize depreciation expense for all capitalized general PP&E. Estimates of useful life for RPAs must consider factors such as usage, physical wear and tear, and technological change. To compute depreciation on DoW RPAs, specific useful lives are prescribed.

7.1.14.3. The placed-in-service date (PISD) triggers the depreciation calculation (regardless of whether it is used). Depreciation is generally based on the Month Available for Service method. The month the asset was available for use is used to calculate depreciation expense for the first year.

7.1.14.4. Components must use only the straight-line method of depreciation for RPAs. Straight-line depreciation expense is calculated as the recorded cost (less salvage value, if applicable) divided by the asset's useful life based on the useful lives.

7.1.14.5. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

7.1.14.6. WCF activities must depreciate RPAs in accordance with this section guidance, whether such assets are procured through the WCF activity's Capital Purchase/Investment Program budget or depreciation is included in rates charged to customers. The WCF activities may recognize and depreciate assets differently for financial statement reporting purposes than for WCF rate development and budget presentation. All WCF real property depreciation must be expensed on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report (Monthly) 1307 (AR(M)1307)." Depreciation recorded on real property that was neither acquired nor replaced through the use of DWCF resources must be classified as non-recoverable for rate-setting purposes and reported on the AR(M)1307. DWCF rates charged to customers are based on guidance in Volume 2 and Volume 11.

7.1.14.7. Annex 1 Scenarios I and II in the Volume 4 Supplemental document illustrate the depreciation methodology for capital improvements and the underlying RPA.

7.1.14.8. Impairment. For more information on impairment, refer to the Volume 4 Supplemental document.

7.1.15. Removal/Disposal

7.1.15.1. FASAB TR 14 defines removal from service as an event that terminates the use of a real property asset. Removal from service may occur due to various factors, such as damage or obsolescence, or because the asset is identified as excess to mission needs. For a removal to be considered permanent, two business events must occur: (1) the asset's use is terminated, and (2) there is documented evidence of the decision to permanently remove the asset from service. If only one of these two events has occurred, the action is considered an other-than-permanent removal.

7.1.15.2. If an asset no longer provides service in the entity's operations, but the DoW Component has not permanently removed it from service, the Component must account for the asset as an 'other than permanent' removal. Continuing low-level maintenance provides evidence of this 'other than permanent' removal status. The value of these assets does not change, and the Component must continue to depreciate them.

7.1.15.3. The DoW Component no longer depreciates assets it has permanently removed from service. A permanent removal occurs when the DoW Component documents its decision to dispose of an asset. Upon permanent removal, the Component must remove the recorded cost and accumulated depreciation/amortization from the accounts and record the asset at its NRV (see SFIS webpage Transaction Code C613). NRV is the estimated amount the Component can recover from selling or otherwise disposing of an item, less the estimated costs of completion, holding, and disposal. The Component must recognize any difference between the Net Book Value (NBV) and the asset's expected NRV as a gain or loss. The Component must also evaluate the expected NRV at the end of each fiscal year and recognize any change as a gain or loss.

7.1.15.4. When an asset is sold, donated, or demolished, the asset must be written off, and the difference between disposal proceeds and the asset's NBV must be recognized as a gain or loss. The legally enforceable disposal obligation date is the disposal date. It is the demolition contract's start date. For transfers to a non-DoW entity and sales, it is the instrument endorsement or the operation end date, whichever comes later. For natural disasters, it is the date of complete loss.

7.1.16. Additional Considerations

7.1.16.1. Use of Canceled TAS.

7.1.16.2. Supporting Documentation.

7.1.16.3. Physical Inventories of Real Property

7.1.16.3.1. The Military Departments and WHS must reconcile, at least annually, their real property inventory records with all other DoW Components that occupy, operate, or maintain facilities or land for which the Military Departments or WHS have real property accountability. This reconciliation ensures both parties maintain accurate records of the asset's use, location, and basic characteristics. In the final review, the host installation must ensure it accurately reports all assets in its APSR.

7.1.16.3.2. DoW Components must perform an inspection of each RPA record, including a physical inspection of each RPA, every 5 years; however, RPAs designated with historic status must be reviewed and physically inspected every 3 years and reported in accordance with DoDI 4715.16. Assets identified with RPA Historic Status Code - "Eligible for the purposes of a Program Alternative – ELPA" do not require inspection every 3 years, and may follow the regular 5-year inspection schedule in accordance with DoDI 4165.14.

7.1.16.4. Deferred Maintenance & Repairs

7.1.16.4.1. FASAB SFFAS 42 defines Deferred Maintenance and Repairs (DM&R) as maintenance and repairs that the Component did not perform when scheduled, instead delaying them to a future period. DM&R includes preventive maintenance; replacement of parts, systems, or components; and other activities the Component must perform to preserve or maintain the asset in working condition.

7.1.16.4.2. Measurement

7.1.16.4.2.1. The values reported for DM&R must be consistent with the Facility Condition Index ratings and Facility Plant Replacement Values.

7.1.16.4.2.2. DoW Components must determine acceptable condition standards and which DM&R measurement methods to apply. They must consistently apply these condition standards and measurement methods. If the DoW Components determine that changes are necessary, they must document the rationale for the change(s) and the related impact on the DM&R estimate.

7.1.16.4.2.3. DoW Components must measure DM&R for capitalized, non-capitalized, and fully depreciated real property. They must include DM&R for inactive real property when they report the asset with an operational status of 'caretaker' or 'non-functional.' The DM&R measurement must account for both funded and unfunded delayed maintenance and repairs. The Component must ensure the data does not include DM&R funded with NAFs' commissary surcharge or from non-DoW sources.

7.1.16.4.3. Required Supplemental Information. The Host Installation reporting real property must report DM&R material amounts as RSI. See Volume 6 for required RSI reporting.

7.1.16.5. Financial Statement Disclosure Reporting and Representation Requirements.

7.1.16.5.1. DoW Components reporting real property must reference the Balance Sheet note disclosing information about the reported RPAs.

7.1.16.5.2. The management representation letter provided to the IPA (for audited DoW Components), and the financial statement notes must fully and completely disclose how reported real property complies with this section’s policies.

7.1.16.5.3. DoW Components must disclose in the financial statement notes when a host nation/foreign government provides real property without reimbursement, and that the financial statements do not contain amounts for these properties. The agreement’s general nature must be disclosed. The host nation/foreign government’s geographic location must not be disclosed.

7.1.16.5.4. In accordance with SFFAS 55, DoW Components must disclose in the financial statement notes that inter-entity (imputed) costs are recognized for business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. Other federal entities provide these goods and services at no cost or at a cost less than the full cost, as applicable. Unreimbursed costs of goods and services other than those identified in the preceding sentence are not included in DoW financial statements.

7.1.16.5.5. Refer to Volume 6 for additional disclosure reporting requirements.

7.2 GENERAL EQUIPMENT

7.2.1. Accounting for General Equipment

Transferred Equipment. Transfers of equipment must adhere to the cost recorded for general equipment transferred from another DoW Component or Federal agency as the cost recorded on the transferring entity's books for the general equipment, net of any accumulated depreciation (i.e., net book value). To prevent intergovernmental transaction elimination issues, the receiving DoW component must ensure the transfer-in amount it records aligns with the document it received from the transferring agency. If the receiving DoW Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer. Accountability for general equipment transferred between entities must comply with DoDI 5000.64. Refer to DoDI 1225.06 for equipment transfers by entities other than DoW and Reserve Components.

7.2.2. Valuation. Refer to the Volume 4 Supplemental.

7.2.3. Alternate Valuation Methods for Establishing Opening Balances.

7.2.3.1. The alternative valuation methods for establishing opening balances for general PP&E are available only once to each reporting entity. Therefore, prior to the establishment of opening balances for general equipment, DoW Components must validate that they account for and comply with the recognition, measurement, presentation, and disclosure requirements for general equipment at historical cost in accordance with FASAB SFFAS 6, as amended by SFFAS 50. Components must prepare and retain documentation to support compliance with the recognition, measurement, presentation, and disclosure requirements to meet audit requirements. When a Component cannot apply historical cost as outlined in SFFAS 6, Deemed Cost is acceptable to estimate the initial amounts (historical cost) to establish the opening balances for general equipment.

7.2.3.2. When evaluating general equipment for the purpose of establishing opening balances, DoW Components must apply the applicable capitalization threshold to their entire population of general equipment retroactively.

7.2.3.3. DoW Components must calculate a gross value and an accumulated depreciation value for General Equipment assets when establishing opening balances using Deemed Cost.

7.2.3.4. DoW component reporting entities applying deemed cost in establishing opening balances for general PP&E must disclose in the notes to their financial statements that they used an alternative valuation method and describe the methods used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. An unreserved assertion is an unconditional statement. Financial statements or, as applicable, reports on line items of subsequent periods need not repeat this disclosure, unless the financial statements for which deemed cost was applied in establishing opening balances are presented for comparative purposes. No disclosure of the distinction or breakout of the amount of deemed cost of general PP&E included in the opening balance is required.

7.2.3.5. Refer to the Volume 4 Supplemental for deemed cost estimates.

7.2.3.5.1. Replacement Cost. The amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

7.2.3.5.2. Estimated Historical Cost (initial amount). A reasonable estimate of historical (acquisition) cost.

7.2.3.5.3. Fair Value. The amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7.2.3.6. DoW Components that anticipate substantial use of replacement cost or fair value methodologies for equipment valuation must contact the OUSW(C))/ ODCFO and the Office of the Deputy Assistant Secretary of War for Logistics prior to committing significant resources to these methods.

7.2.3.7. Refer to the Volume 4 Supplemental for estimated historical cost.

7.2.4. Recognition

7.2.4.1. Recognition requires appropriate accounting treatment (expense or capitalization with depreciation) and reporting of capitalized amounts and accumulated depreciation on the DoW Component's financial statements.

7.2.4.2. Recognition Responsibility. The entity that has accountability for a general equipment asset, as defined in DoDI 5000.64, has financial reporting responsibility for that asset from purchase or construction, upon transfer of title (receipt, delivery, or acceptance), and through disposal, or when another entity takes physical accountability for the asset.

7.2.4.3. Recognition Uncertainty. The DoW and the Federal Government must ensure that the accounting records are not duplicative. In situations where doubt exists about which DoW Component must recognize an item, the DoW Components involved must reach an agreement with the other applicable DoW Components or Federal agencies on which entity will record the item for financial reporting purposes. Disputes between DoW Components regarding accountability for an asset under DoDI 5000.64 guidelines may be resolved by contacting the Office of the Deputy Assistant Secretary of War for Logistics.

7.2.4.4. Recognition Timing. Recognition of general equipment for financial reporting purposes must occur upon delivery to the acquiring DoW Component. Delivery occurs when the title passes to the customer. Delivery or constructive delivery must be made in accordance with the contract terms.

7.2.4.5. Capitalization Thresholds. The DoW capitalization threshold for general equipment is $15,000,000 for General Fund (GF) and $500,000 for Working Capital Fund (WCF) activities. DoW Components must capitalize general equipment with a recorded cost that equals or exceeds these applicable thresholds, provided the asset has a useful life of at least two years, and depreciate the cost over its useful life. Conversely, Components must expense general equipment with a recorded cost below the applicable threshold or with a useful life of less than 2 years, except for items acquired as part of a qualifying bulk purchase. Transitional Guidance: Components adopting these thresholds must coordinate with the ODCFO for specific application instructions. Capitalization thresholds may be applied prospectively for components with established opening balances, whereas entities that establish opening balances using deemed cost must apply them retrospectively. Components are eligible to retain existing balances below the Departments capitalization threshold, or apply a lower threshold for component-level reporting, with DCFO approval.

7.2.4.6. DoW Components must capitalize special tooling, special test equipment, and other similar equipment items that meet or exceed the appropriate capitalization threshold with a useful life of at least two years at the time of delivery. Per SFFAS 6, general equipment must be recognized when title passes to the acquiring entity or when it is delivered to the entity or an agent of the entity. The component must recognize the general equipment acquired by the contractor on behalf of the DoW Component, for which the Government will ultimately hold title.

7.2.4.7. Bulk Purchases.

7.2.4.7.1. Each DoW Component must establish guidance on applying DoW capitalization thresholds to its bulk purchases. DoW Components must document their rationale for the accounting treatment of bulk purchases and retain the documentation for audit purposes in accordance with their DoW Component records retention requirements.

7.2.4.7.2. For financial accounting, a bulk purchase is a single contractual/purchase arrangement of multiple like general equipment items within a fiscal year. For bulk purchases made under a single, multi-year contractual/purchase arrangement, DoW Components must consider aggregate purchases on a fiscal-year basis.

7.2.4.7.3. The DoW Component must consider whether period costs on the Statement of Net Costs would be materially overstated and/or asset values on the Balance Sheet would be materially understated by expensing bulk purchases. SFFAS 1 defines materiality as the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement. To determine materiality, the DoW Component must exercise appropriate and reasonable professional judgment.

7.2.4.7.4. In the instance where more than one DoW Component has the authority to place orders under the same contractual/purchase arrangement, the component must consider only those orders it funds for purposes of bulk purchase evaluation and not those funded by other DoW Components.

7.2.4.8. CIP. Funding DoW Components must report and record constructed general equipment in the CIP account (when expected to meet capitalization criteria of the component that will own the asset) until they complete and place it in service, at which time they must transfer the balance to the general equipment USSGL account. The CIP account accumulates costs of new construction of general PP&E and capital improvements while the asset is under construction. CIP accounts include all costs incurred in construction (i.e., direct labor, direct materials, supervision, inspection, and overhead).

7.2.4.9. Accounting for General Equipment Outside of the United States. The "United States" is defined as the 50 States of the United States, the District of Columbia, and the commonwealths, territories, and possessions of the United States. DoW's rights to general equipment outside of the United States may be different from those within the United States. For financial reporting purposes, a DoW Component that uses general equipment outside of the United States must adhere to the following guidance:

7.2.4.9.1. DoW Components must recognize a general equipment asset on their financial statements in accordance with the guidance provided throughout the other provisions of this section if the DoW Component purchases the general equipment asset outside of the host nation/foreign country to which it is bringing the general equipment.

7.2.4.9.2. DoW Components must evaluate any foreign legal restrictions or terms of any agreement with the host nation/foreign government to determine the accounting treatment if a DoW Component both purchases and uses the general equipment in the foreign country as follows:

7.2.4.9.3. If a general equipment acquisition is not funded/purchased by DoW but instead provided by the host nation/foreign government and the terms and use of the general equipment are set out in an agreement between the DoW Component and the host nation/foreign government, the DoW Component will recognize the general equipment as a right-to-use leased asset. Refer to Volume 4 Supplemental section 7.3.

7.2.4.9.4. SFFAS 4 and SFFAS 55 address imputed costs between Federal agencies. The concept of imputed costs does not apply to activities between a DoW Component

and a host nation/foreign government. Therefore, a DoW Component will not record imputed costs for the use of general equipment, for which it does not pay directly or pay through reimbursement, provided by international organizations (e.g., NATO) or host nations/foreign governments.

7.2.4.9.5. The DoW Component must record accountable general equipment it uses in an APSR, including those that have not been capitalized for accounting and financial reporting purposes in accordance with DoDI 5000.64.

7.2.4.9.6. The DoW Component must record an expense for any maintenance and sustainment costs that they incur or will incur relating to the general equipment paid for. Maintenance and sustainment costs refer to costs that do not meet the criteria for capitalization of an improvement.

7.2.5. Capital Improvements are modifications, modernizations, upgrades, remanufacturing, and enhancements and must be capitalized when the improvement increases the asset's useful life by two or more years, or increases the asset's capability, or increases its capacity or size, and when the cost of the improvement equals or exceeds the capitalization threshold. If capital improvements do not meet these two criteria, they must be expensed. If the capital improvement extends the useful life of the underlying general equipment asset by two years or more, the DoW Component must capitalize and depreciate the improvement alongside the original general equipment over the revised estimated useful life. If the costs of capital improvements do not extend the useful life of an existing general equipment asset but enhance its capacity and have a useful life of two years or more, the DoW Component must capitalize and depreciate these costs over the lesser of the estimated useful life of the improvement or the remaining estimated economic useful life of the underlying general equipment asset.

7.2.6. Depreciation

7.2.6.1. Depreciation is the systematic and rational allocation of the recorded cost of an asset, less its estimated salvage or residual value, over its estimated useful life. The DoW entity must depreciate the recorded cost of capitalized general equipment and capital improvements.

7.2.6.2. Capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoW financial statements. The depreciable basis of an asset is the recorded cost reduced by the asset’s salvage value (if applicable).

7.2.6.3. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document in cases where no installation is required; the date installed (if required); or the date the asset is available for use, also known as the acceptance date.

7.2.6.4. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

7.2.6.5. WCF activities must depreciate general equipment assets in accordance with the guidance in this section for financial reporting purposes without regard to whether assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers.

7.2.6.5.1. The recognition of general equipment assets and depreciation of such assets by WCF activities may differ for financial statement reporting purposes from amounts used for WCF rate development and budget presentation.

7.2.6.5.2. DWCF rates charged to customers are based on guidance in Volume 2 and Volume 11.

7.2.7. Impairment - Refer to the Procedures document for more information.

7.2.8. Removal/Disposal

7.2.8.1. FASAB TR 14 paragraph 8 defines removal from service as an event that terminates the use of a general equipment asset. Removal from service may occur because of a change in the manner or duration of use, a change in technology, obsolescence, damage from natural disasters or use in operations, or identification as excess to mission needs. Permanent removal from service is evident from the DoW Component's documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset.

7.2.8.2. Removals from service must be considered other than permanent unless the asset's use is terminated and there is documented evidence of the DoW Component's decision to permanently remove the asset from service, or if only one of the two business events has occurred, permanent removal from service has not occurred.

7.2.8.3. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset), the asset must be written off, and the difference between any disposal proceeds and the asset's net book value must be recognized as a gain or loss. Disposals of general equipment will be conducted in accordance with DoDM 4160.21.

7.2.8.3.1. The disposal start date is the calendar date of a legally enforceable and recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract's start date. For transfers to a non-DoW entity and sales, this represents the date on which the instrument is endorsed, or the operation is ceased, whichever comes later. For natural disasters, this represents the actual incident date if the asset is a complete loss.

7.2.8.3.2. All disposals or retirements must be supported as of the date the general equipment leaves the custody of the DoW Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions.

7.2.8.4. Plant clearance officers follow the direction of the FAR Subpart 45.6, Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 245.6, and DFARS

Procedures, Guidance, and Information (PGI) 245.602-70. Following the plant clearance officer's acceptance of an inventory disposal schedule, the property must be screened for reutilization DoW-wide. Surplus personal property with commercial value that is processed through the reutilization screening process without success may be sold. Proceeds of any sale of surplus property are to be credited to the Treasury as miscellaneous receipts, unless otherwise provided by statute or the contract or any subcontract thereunder authorizing the proceeds to be credited to the price or cost of the work per 40 U.S.C. § 571 and § 574, FAR 45.604-3.

7.2.9. Additional Considerations

7.2.9.1 Use of Canceled TAS, Refer to the Volume 4 Supplemental.

7.2.9.2 Documentation Requirements

7.2.9.2.1. Financial transactions in the accounting system, general ledger accounts, the APSR, and/or other systems must be supported by source documents affecting the Component's investment in the general equipment.

7.2.9.2.2. All general equipment acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date of delivery and acceptance (including acceptance where constructive receipt has occurred) by the DoW Component.

7.2.9.2.3. Items must be assigned a dollar value (i.e., acquisition cost) when recording the general equipment item in the APSR and/or accounting system. The dollar value must be supported by appropriate documentation describing the reasons for changes in asset value or physical attributes resulting from a new acquisition or capital improvement.

7.2.9.2.4. DoW Components must retain supporting documents for the cost of general equipment assets in accordance with their DoW Component records retention requirements. Documentation (original documents and/or hard and electronic copies of the originals) must be maintained in a designated location during the applicable retention period to support audit compliance.

7.2.9.2.5. The APSR and/or other systems must be designed to support procurement and utilization decisions, including decisions related to identifying potential excess general equipment that may be available for reuse, transfer to other DoW Components, or made available for disposal in accordance with current DoW regulations and other regulatory requirements.

7.2.9.3. Physical Inventories of General Equipment

7.2.9.3.1. DoW Components must perform periodic physical inventories of general equipment in accordance with DoDI 5000.64.

7.2.9.3.2. All DoW Components (i.e., Military Departments, Washington Headquarters Service, and Other Defense Organizations) must reconcile their APSR to their

financial statements (or to their trial balance if financial statements are not required to be prepared) quarterly.

7.2.9.3.3. While conducting physical inventories, DoW components should consider if any general equipment shows potential evidence of impairment and if any general equipment does not appear to be in use, where it has not been used for a significant period.

7.2.9.4. Deferred Maintenance and Repairs. For more information, refer to the Volume 4 Supplemental document.

7.2.9.5 Disclosure Requirements

7.2.9.5.1. DoW Components with general equipment must reference a note on the Balance Sheet that discloses information about the reported general equipment assets. Note 1 of the financial statements must include a disclosure related to the DoW Component's general equipment reporting accounting policy. DoW Components must state that they are financially reporting on property for which they have accountability, in accordance with DoDI 5000.64. Additionally, DoW Components must disclose that they may use assets to complete their mission that are reported in the financial statements of another DoW Component. See Volume 6 for the specific disclosure requirements.

7.2.9.5.2. DoW Components must disclose in the notes to the financial statements those instances where they are using general equipment provided by a host nation/foreign government without reimbursement by DoW to the host nation/foreign government, as applicable, that (1) The DoW Component is utilizing general equipment provided by and owned by a host nation/foreign government in its operations OCONUS without reimbursement by DoW to the host nation/foreign government The DoW Component is utilizing general equipment provided by and owned by a host nation/foreign government in its OCONUS operations without reimbursement by DoW to the host nation/foreign government, and there are no amounts recorded in the financial statements related to these assets, and (2) the general nature of the agreement with the host nation/foreign government is not intended or recommended to disclose the geographic location of the foreign government/host nation.

7.3 ACCOUNTING FOR LEASES

This policy outlines DoW's accounting for leases, covering instances in which DoW is both a lessee and a lessor, in accordance with SFFAS 54. This policy does not apply to leases of internal use software (IUS), leases of assets under construction, or budgetary accounting for capital leases and lease purchases, as detailed in OMB Circular A-11.

7.3.1. Short-Term Leases (Non-Intragovernmental)

7.3.1.1. Lessee Treatment of Short-Term Leases. A DoW Component, as the lessee, must recognize short-term lease payments as an expense based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. The DoW Component (lessee) must recognize an asset if payments are made in advance of the reporting period to which they relate or liability for rent due and unpaid at the end

of the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions must be recognized when incurred as increases/reductions to lease rental expenses.

7.3.1.2. Lessor Treatment of Short-Term Leases. A DoW Component, as the lessor, must recognize short-term lease payments as revenue based on the payment provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts. The DoW Component (lessor) must recognize a liability if payments are received in advance of the reporting period to which they relate or an asset for rent due and to be received after the reporting period to which they relate. Rental increases, rental decreases, lease incentives, and lease concessions must be recognized when incurred as increases/reductions to lease rental income.

7.3.2. Contracts or Agreements That Transfer Ownership

If a contract or agreement (a) transfers ownership of the underlying asset to a lessee by the end of the term and (b) does not contain termination options (other than a non-probable cancellation clause), then the lessee must report it as an asset purchase, or the lessor must report it as a financed asset sale. For this purpose, options to purchase the underlying asset prior to the transfer of ownership are not considered options to terminate.

7.3.3. Intragovernmental Leases

7.3.3.1. Any lease, regardless of the lease term, that meets the definition of an intragovernmental lease must follow the following accounting and disclosure guidance.

7.3.3.2. Lessee Treatment of Intragovernmental Leases

7.3.3.2.1. Lease Payments. A DoW Component, as the lessee must recognize lease payments, including lease-related operating costs (for example, maintenance, utilities, and taxes) paid to the lessor, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. Prepaid rent or rent payable must be recognized as an asset or liability, respectively, and an expense must be recognized in the appropriate reporting period based on the specifics of the lease provisions.

7.3.3.2.2. Leasehold Improvements. Leasehold improvements that meet or exceed the capitalization threshold and are placed in service at or after the beginning of the lease term must be amortized over the useful life (the normal operating life in terms of utility to the lessee) of the leasehold improvement, but no longer than the expected lease term. This recognition is consistent with PP&E capital improvements outlined in SFFAS 6.

7.3.3.2.3. Disclosures. A DoW Component as the lessee must disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure): (1) a general description of significant intragovernmental leasing arrangements, including general lease terms with any applicable specific intragovernmental requirements; and (2) annual lease expense in total and by major underlying asset category.

7.3.3.3. Lessor Treatment of Intragovernmental Leases

7.3.3.3.1. Lease Payments. A DoW Component, as the lessor must recognize lease receipts, including lease-related operating costs (for example, maintenance, utilities, or taxes) received from the lessee as income based on the provisions of the contract or agreement and standards regarding recognition of accounts receivable and other related amounts. Rent paid in advance, or a lease receivable, must be recognized as a liability or asset, respectively, and income must be recognized in the appropriate reporting period based on the specifics of the lease provisions.

7.3.3.3.2. Lessor Improvements. Lessor improvements, which are elements of the leased property that meet or exceed the capitalization threshold, must be capitalized and depreciated by the lessor over their useful life. This accounting treatment aligns with the lessor's handling of PP&E and is consistent with the capital improvement guidelines outlined in SFFAS 6.

7.3.3.3.3. Disclosures. Lessors must disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure): (1) a general description of significant leases; and (2) future lease payments that are to be received to the end of the lease term for each of the five subsequent fiscal years and in five-year increments thereafter.

7.3.3.4. Other Considerations for Lessees and Lessors

7.3.3.4.1. Fixed Rental Increases/Decreases. Rental increases/decreases may be fixed in the lease and take place over time (for example, be based on such factors as anticipated increases/decreases in costs or anticipated appreciation/depreciation in property values, but the amount of the increase/decrease is specified in the lease), or they may be contingent on future events.

7.3.3.4.2. Variable Rental Increases/Decreases. Rental increases/decreases may also be variable and based on future changes in specific economic factors on which lease payments are based, for example, future sales or usage activity levels or future inflation/deflation (tied to a specific economic indicator where the specific amount of the change is not known).

7.3.3.4.3. Treatment of Rental Increases/Decreases, and Lease Incentives/Concessions. Rental increases/decreases and lease incentives/concessions must be recognized by the lessee and lessor when incurred as increases/reductions to lease rental expense and income, respectively.

7.3.3.4.4. Initial Direct Lease Costs. Initial direct lease costs incurred by the lessee must be expensed when incurred. Initial direct lease costs incurred by the lessor must be expensed when incurred.

7.3.4. Lessee Recognition, Measurement, and Disclosure for Leases Other than Short-Term Leases, Contracts or Agreements that Transfer Ownership, and Intragovernmental Leases.

7.3.4.1. At the commencement of the lease term, a DoW Component as the lessee must recognize a lease liability and a leased asset for leases other than short-term leases, contracts, or agreements that transfer ownership, and intragovernmental leases that meet the capitalization thresholds. For leases that do not meet the capitalization threshold, a lease expense must be recognized in the current period.

7.3.4.2. Lease Liability. A lessee must initially measure the lease liability at the present value of payments expected to be made during the lease term.

7.3.4.3. Variable payments must be recognized as an expense in the reporting period in which those payments are incurred. However, any portion of these variable payments that is fixed in-substance must be included in the lease liability.

7.3.4.4. Interest Rate. The future lease payments must be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, it must be based on the interest rate on marketable Treasury securities at the commencement of the lease term (or at the subsequent financial reporting date), with a similar maturity to the term of the lease (as determined by the Treasury).

7.3.4.5. Remeasurement of Lease Liability. The lessee must remeasure the lease liability at subsequent financial reporting dates if one or more of the following changes have occurred at or before that financial reporting date, based on the most recent lease contract or agreement before the changes, and if the changes individually or in the aggregate are expected to significantly affect the amount of the lease liability since the previous measurement.

7.3.4.6. Lease Asset. A lessee must initially measure the lease asset as the sum of the following:

7.3.4.6.1. The amount of the initial measurement of the lease liability;

7.3.4.6.2. Lease payments made to the lessor (e.g., prepaid rents) at or before the commencement of the lease term, less any lease incentives; and

7.3.4.6.3. Initial direct lease costs that are necessary to place the lease asset into service.

7.3.4.6.4. A lease asset must be amortized systematically and rationally over the shorter of the lease term or the useful life of the underlying asset, except as provided in the following subparagraph.

7.3.4.6.5. If a lease contains a purchase option that the lessee has determined is probable of being exercised, the lease asset must be amortized over the useful life of the underlying asset. However, if the underlying asset will be capitalizable and non-depreciable in the reporting period the purchase option is expected to be exercised, the lease asset must not be

amortized. If the underlying asset will be non-capitalizable in the reporting period the purchase option is expected to be exercised, the lease asset must be amortized over the remaining lease term.

7.3.4.6.6. The lease asset generally must be adjusted by the same amount when the lease liability is remeasured. However, if this change reduces the carrying value of the lease asset to zero, any remaining amount must be reported in the statement of net cost as a gain. Changes arising from amendments to a lease contract or agreement must be accounted for under the provisions of lease terminations and modifications.

7.3.4.6.7. Leased assets are subject to SFFAS 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use. Refer to volume 4 Supplemental for more information.

7.3.4.7. Lease Term. The lease term for a lessee is the noncancelable period of the lease, plus any probable additional periods, based on all relevant factors, that it will be included. This includes periods covered by a lessee's option to extend the lease if it is likely they will exercise it. It also includes periods following a lessee's option to terminate the lease if it is probable they will not exercise that option.

7.3.4.8. Disclosure Requirements for Lessees

Lessees must disclose lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases.

7.3.5. Lessor Recognition, Measurement, and Disclosures for Leases Other than Short-Term Leases, Contracts or Agreements that Transfer Ownership, and Intragovernmental Leases

7.3.5.1. At the commencement of the lease term, a DoW Component as the lessor must recognize a lease receivable and unearned revenue for leases other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases. The lessor must report any initial direct lease costs it incurs as an expense of the period.

7.3.5.2. Lease Receivable. A lessor initially must measure the lease receivable at the present value of lease payments to be received for the lease term, reduced by any provision for uncollectible amounts.

7.3.5.3. Variable payments based on the future performance of the lessee or usage of the underlying asset must not be included in the measurement of the lease receivable. Rather, those payments must be recognized as revenue in the reporting period to which those payments relate. However, any payments that are fixed in-substance must be included in the lease receivable.

7.3.5.4. Amounts to be received under residual value guarantees (that are not fixed in-substance) must be recognized as a receivable and revenue when (a) a guarantee payment is required (as agreed to by the lessee and lessor) and (b) the amount can be reasonably estimated. Amounts to be received for the exercise price of a purchase option or penalty for lease termination must be recognized as a receivable and revenue when those options are exercised.

7.3.5.5. Interest Rate. The future lease payments to be received must be discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, it must be based on the interest rate on marketable Treasury securities at the commencement of the lease term (or at the subsequent financial reporting date), with a similar maturity to the term of the lease (as determined by the U.S. Department of the Treasury).

7.3.5.6. A lessor must remeasure the lease receivable if certain changes occur that are expected to affect its amount significantly. These triggers include a change in the lease term, a change in the interest rate the lessor charges, or the resolution of a contingency that fixes previously variable payments. When remeasuring due to a change in the lease term or interest rate, the lessor must also update the discount rate. Additionally, if a remeasurement is already triggered, the receivable must be adjusted for any significant change in an index or rate used for variable payments, though a change in an index or rate by itself does not require remeasurement. It is important to note that changes resulting from an amendment to the lease contract are handled separately under the provisions for lease modifications and terminations.

7.3.5.7. Unearned Revenue

7.3.5.7.1. A lessor must initially measure the unearned revenue to include the following: (1) the amount of the initial measurement of the lease receivable, and (2) lease payments received from the lessee at or before the commencement of the lease term that relates to future periods (for example, the final month's rent), less (3) any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

7.3.5.7.2. A lessor subsequently must amortize the unearned revenue, recognizing it as earned revenue, systematically and rationally over the term of the lease. The unearned revenue generally must be adjusted using the same amount as the change resulting from the remeasurement of the lease receivable. However, if the change reduces the carrying value of the unearned revenue to zero, any remaining amount must be reported in the statement of net cost as a loss.

7.3.5.8. Underlying Asset. A lessor must not derecognize the asset (PP&E) underlying the lease. A lessor must continue to apply other applicable guidance to the underlying asset, including depreciation and impairment. However, if the lease contract or agreement requires the lessee to return the asset in its original or enhanced condition, a lessor must not depreciate the asset during the lease term.

7.3.5.9. Lease Term. The lessor's lease term consists of the noncancelable period plus any additional periods where there is significant evidence that the lessor will act to extend the term. This includes periods covered by a lessor's option to extend, if evidence suggests they will exercise it, and periods following a lessor's option to terminate, if evidence suggests they will not exercise it. When determining the total term, options must be evaluated chronologically, with the lessee's options being considered first. If a decision is made not to add a period based on one option, subsequent options are considered.

7.3.5.10. Disclosure Requirements for Lessors. Lessors must disclose lease activities (which may be grouped for purposes of disclosure), other than short-term leases, contracts or agreements that transfer ownership, and intragovernmental leases.

7.3.6. Lease Incentives and Lease Concessions

7.3.6.1. Lease incentives and lease concessions reduce the amount that a lessee is required to pay for a lease. For leases other than short-term leases and intragovernmental leases, lease incentives and lease concessions that provide payments to, or on behalf of, a lessee at or before the commencement of a lease term are included in the initial measurement by directly reducing the amount of the lease asset.

7.3.6.2. Lease incentive and lease concession payments to be provided after the commencement of the lease term must be accounted for by lessees and lessors as reductions of lease payments for the periods in which the incentive or concession payments will be provided. Those payments must be measured by lessees consistently with the lessee's lease liability and by lessors consistently with the lessor's lease receivable. Accordingly, lease incentive and lease concession payments to be provided after the commencement of the lease term are included in the initial measurement and any remeasurement if they are fixed or fixed in-substance, whereas variable or contingent lease incentive or lease concession payments are not included in the initial measurement.

7.3.6.3. Lessor improvements that are made to or on behalf of the lessee without additional cost to the lessee must be accounted for by the lessee and the lessor consistent with other lease incentives and lease concessions. As leasehold improvements are paid for (financed) by the lessee, leasehold improvements would not be considered a lease incentive or concession received from the lessor.

7.3.7. Contracts or Agreements with Multiple Elements

7.3.7.1. Lessors and lessees may enter into contracts or agreements that contain multiple elements, such as a contract or agreement that contains both a lease element and a non-lease element, or a lease that contains multiple underlying assets.

7.3.7.2. If a lessor or lessee enters into a contract or agreement that contains both a lease and non-lease elements (such as maintenance services for the building), the lease and non-lease elements must be accounted for as separate contracts or agreements unless the contract or agreement if any prices for individual elements appear to be unreasonable or it is not practicable to determine the best estimate for price allocation for some or all elements in a contract or agreement. In this instance, some or all elements in a contract or agreement must be accounted for as a single lease unit.

7.3.7.3. If a lease involves multiple underlying assets and the assets have different lease terms, the lessor and lessee must account for each underlying asset as a separate lease element. An exception exists if the contract or agreement does not include prices for individual elements or if any of those prices appear to be unreasonable.

7.3.7.4. To allocate the contract or agreement price to the different elements, lessors and lessees must first use any prices for individual elements that are included in the contract or agreement, as long as the price allocation does not appear to be unreasonable based on the terms of the contract or agreement and professional judgment, maximizing the use of observable information, for example, using readily available observable stand-alone prices.

7.3.7.5. If multiple elements are accounted for as a single lease unit, the accounting for that unit must be based on the primary lease element within that unit. For example, the primary lease element's lease term must be used for the unit if the lease elements have different lease terms.

7.3.8. Contract or Agreement Combinations

7.3.8.1. Contracts or agreements that are entered into at or near the same time with the same counterparty must be considered to be part of the same lease contract or agreement if either of the following criteria is met: (1) the contracts or agreements are negotiated as a package with a single objective; and (2) the amount of consideration to be paid in one contract or agreement depends on the price or performance of the other contract or agreement.

7.3.8.2. If multiple contracts or agreements are determined to be part of the same lease contract or agreement, that contract or agreement must be evaluated in accordance with the guidance for contracts or agreements with multiple elements.

7.3.9. Lease Terminations and Modifications

7.3.9.1. Provisions of a lease contract or agreement can be amended while in effect, with common changes including price adjustments, term extensions or reductions, and the addition or removal of an underlying asset. The Component treats an amendment as a lease modification unless the lessee's right to use the asset decreases, in which case it considers the amendment a partial or full lease termination. In contrast, exercising an existing option, such as an option to extend or terminate the lease, is not considered an amendment but instead follows the guidance for remeasurement.

7.3.9.2. Lease Terminations. The lessee and lessor must account for an amendment during the reporting period resulting in a decrease in the lessee's right to use the underlying asset (for example, the lease term is shortened, or the number of underlying assets is reduced) as a partial or full lease termination.

7.3.9.3. Lease Modifications. A lease modification is treated as a new, separate lease if it adds an asset not included in the original agreement and the corresponding increase in lease payments is reasonable. If the modification is not accounted for as a separate lease, both the lessee and lessor must adjust their accounting.

7.3.10. Subleases

A sublease involves three parties: the original lessor, the original lessee (who becomes the sub-lessor), and the new lessee. The original lessor and the new lessee continue to apply general lessor and lessee guidance, respectively. Additionally, the lessor transactions related to the sublease must be disclosed separately from the lessee transactions related to the original lease.

7.3.11. Sale-Leaseback Transactions

7.3.11.1. Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback must include a transaction that qualifies as a sale to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a transaction that qualifies as a sale must be accounted for as a borrowing by both the seller-lessee and the buyer-lessor. Refer to SFFAS 7.

7.3.11.2. In a sale-leaseback transaction, the sale and lease portions are treated as separate transactions. The difference between the capital asset's carrying value and its net sale proceeds is typically reported as unearned revenue or deferred expense, recognized systematically over the lease term in the statement of net cost. However, if the lease qualifies as short-term, this difference must be recognized immediately.

7.3.11.3. A sale-leaseback transaction is considered to have off-market terms if there is a significant difference between: (a) the sales price and the estimated fair value of the asset; or (b) the present value of the contractual lease payments and the estimated present value of what the lease payments for that asset would be at a market price, whichever of the two differences is more readily determinable.

7.3.11.4. A seller-lessee must disclose the terms and conditions of sale-leaseback transactions as part of the disclosures required of a lessee. A buyer-lessor must disclose the terms and conditions as part of the disclosures required of a lessor.

7.3.12. Lease-Leaseback Transactions

In a lease-leaseback transaction, an asset is leased by one party (first party) to another party and then leased back to the first party. A lease-leaseback transaction must be displayed in the financial statements as a net transaction. Both parties to a lease-leaseback transaction must disclose the amounts of the lease and the leaseback separately.

7.3.13. Capitalization Thresholds

Table 7-1 outlines the applicable capitalization thresholds for the underlying assets (PP&E) that are applied to the lease assets.

Table 7-1 Capitalization Threshold

Entity	Capitalization Threshold
Army Corps of Engineers Buildings and Structures Related to Hydropower	Capitalized regardless of cost
Army Corps of Engineers General PP&E Other than Buildings and Structures Related to Hydropower	$25,000
All Other DoW General Fund Entities General Equipment and Real Property*	$15,000,000
All Other DoW Working Capital Fund Entities Real Property*	$1,000,000
All Other DoW Working Capital Fund Entities General Equipment*	$500,000

7.3.14. Intragovernmental Leasehold Reimbursable Work Agreements

7.3.14.1. For intragovernmental reimbursable leasehold work agreements, the customer-lessee is normally expected to be the predominant beneficiary of the acquisition, construction, improvement, and/or alteration to the underlying asset.

7.3.14.2. The provider-lessor would not be expected to derive significant residual economic benefits or services from such reimbursable work under these types of agreements. The provider-lessor must expense the costs incurred for the reimbursable work and recognize the amounts received as reimbursement as intragovernmental revenue.

7.3.14.3. However, for acquisitions, construction, improvements, and/or alterations under an intragovernmental reimbursable leasehold work agreement with an expected useful life beyond the remaining lease term and for which the provider-lessor is expected to derive a significant level of residual economic benefits and services from the reimbursable work, the customer-lessee would not be considered the predominant beneficiary. The customer-lessee and provider-lessor must refer to the following guidance.

7.3.14.3.1. Customer-Lessee. Federal entity that pays for the acquisition, construction, or improvement of an asset provided by a "provider-lessor" on a reimbursable basis. Initially, the customer-lessee must recognize an intragovernmental reimbursable work asset for the amount payable for reimbursable work acquisition, construction, improvement, and/or alteration costs. This asset is then amortized as an expense systematically over the shorter of the remaining lease term or the useful life of the asset or improvement. Customer-lessees are also required to disclose a general description of their significant reimbursable work agreement activities.

7.3.14.3.2. Provider-lessor. Federal entity that handles the acquisition, construction, or improvements of an underlying asset for a customer-lessee on a reimbursable

basis. Initially, the provider-lessor must recognize an intragovernmental unearned revenue liability for the amount receivable for this work. This liability is then recognized as revenue systematically over the shorter of the remaining lease term or the useful life of the asset or improvement. Additionally, provider-lessors are required to disclose a general description of their significant reimbursable work agreement activities.

7.3.15. Additional Considerations

7.3.15.1. Standard General Ledger Accounts

The USSGL accounts used to report DoW lease entries are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the Office of the DCFO SFIS web page.

7.3.15.2. Recognition Uncertainty

When there is uncertainty as to which DoW Component should record an item, the involved parties must first attempt to reach an agreement. If they cannot, the matter must be referred to the ODCFO, OUSW(C) for resolution, accompanied by adequate supporting documentation submitted through the Financial Management and Comptroller (FM&C) of the submitting Military Department or Defense Agency. As a general rule, the DoW Component that procures a leased item of PP&E is the one that must initially record the transaction. However, if a different DoW Component ultimately uses and benefits from that leased asset, the responsibility for recognizing the lease asset must be re-evaluated.

7.3.15.3. Bulk Acquisitions Through Leases

To determine proper recognition of bulk acquisitions through leases, the acquisition cost of all like items leased under multiple leases with a single lessor within a fiscal year must be totaled, and the resulting total must be considered against the lease criteria for capitalization and the capitalization threshold.

7.3.15.4. Accounting for OCONUS Real Property Leases and Managed by the Department of State.

For real property leases that are managed by the Department of State, the Department of State's Bureau of the Comptroller and Global Financial Services will provide relevant lease data to any agencies that occupy real property overseas and will allocate the residential housing pool lease balances (i.e., liability, corresponding right to use asset, and amortization) across the participating agencies.

7.3.15.5. Use of Canceled TAS

Capitalized assets must be reported and remain in GTAS even after the original purchasing TAS has expired and been canceled.

7.3.15.6. Supporting Documentation

DoW Components must support all financial transactions related to leases with source documents reflecting every transaction that affects their investment in the leased asset. The Component must maintain this documentation from the date it takes custody of the asset, link it to the appropriate unique identifier(s), and retain it so it is readily available in accordance with Volume 1. The documents must include sufficient information on the physical quantity, location, and unit cost of the underlying PP&E to support changes in the lease asset's value or physical attributes resulting from new leases, leasehold improvements, impairments, modifications, and terminations. These records must identify and classify PP&E that the Component has capitalized and must enable periodic, independent verification through physical inventories. Furthermore, the Component must integrate and reconcile the Accountable Property System of Record (APSR) with its accounting systems, USSGL accounts, and physical counts. This accountability extends to all PP&E the Department possesses, including leased property held by contractors, and the Component must also account for any improvements made to these leased assets.

7.3.15.7. Physical Inventories of PP&E

DoW Components must perform periodic physical inventories of real property and general equipment in accordance with DoDI 4165.14 and DoDI 5000.64, respectively.

7.3.15.8. Reporting Requirements

DoW Components with leased PP&E must reference a note on the Balance Sheet that discloses information about the reported assets. See Volume 6 for the specific reporting requirements.

7.3.15.9. Environmental Liabilities/Cleanup Costs

The lease agreement must clearly identify the party responsible for environmental liabilities/cleanup costs.

7.4 INTERNAL USE SOFTWARE

This details the DoW accounting policy for IUS, which is a subset of General PP&E. General PP&E, per SFFAS 10, includes IUS and consists of tangible and intangible assets that (1) have an estimated service life of two years or more; (2) are not intended for sale in the ordinary course of business; and (3) are intended to be used or available for use by the entity. The IUS general ledger accounts are listed in the government-wide USSGL contained in Volume 1. The accounting entries for these accounts and the DoW SCOA are specified in the DoW USSGL. Unless otherwise stated, this section is applicable to all DoW Components, including WCF activities.

7.4.1. “Software” includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. Most often, software is an integral part of an overall system(s) having interrelationships between software, hardware, personnel, procedures, controls, and data. IUS is software that is

acquired or developed to meet the entity's internal or operational needs (intended purpose). It is a stand-alone application, or the combined software components of an information technology system that can consist of multiple applications, modules, or other software components integrated and used to fulfill the entity's internal or operational needs (software type).

7.4.2. IUS can be purchased from commercial off-the-shelf (COTS) vendors and be ready for use with little or no changes, internally developed by employees of DoW, including new software and existing or purchased software that is modified with or without a contractor's assistance; or contractor-developed software that a DoW Component paid a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software.

7.4.3. IUS includes software that is used to operate an entity's programs (e.g., financial and administrative software, including that used for project management), used to produce the entity's goods and to provide services (e.g., maintenance work order management and loan servicing); and developed or obtained for internal use and subsequently provided to other Federal Entities with or without reimbursement.

7.4.4. Integrated (embedded) software is not IUS.

7.4.4.1. IUS excludes computer software that integrates with and is necessary for operating General PP&E, rather than performing an application.

7.4.4.2. Software that a DoW Component uses in conjunction with equipment is distinct from integrated or embedded software. The Component can consider this software as IUS if it meets the following criteria: the Component developed the software separately from the equipment; the equipment does not require the software to perform its core purpose and functions; and the Component does not know the quantity of equipment items on which it will install the software.

7.4.4.3. Additionally, the Component may treat software as a separate IUS asset, rather than as integrated or embedded software, when it develops the software separately and installs it on several assets at different times. For example, the Component can treat anti-ballistic missile software that it installs on multiple radar systems at different times as a separate IUS asset, provided the software meets the capitalization threshold.

7.4.4.4. DoW Components may purchase IUS as part of a package of products and services (e.g., training, maintenance, data conversions, reengineering, site licenses and rights to future upgrades and enhancements). They must allocate costs based on the relative fair values of the IUS and the services if the costs are not readily separable between the IUS and the services on the invoice. They must capitalize the cost of the IUS (assuming it meets the capitalization criteria) and expense the cost of the training/maintenance. They must expense non-IUS costs (e.g., training and maintenance services) that are not susceptible to allocation between maintenance and relatively minor enhancements.

7.4.5. USSGL Accounts

7.4.5.1. The DoW Components must record IUS transactions to general ledger accounts in the financial statements required by the Treasury and other reporting requirements mandated by Congress and OMB. The USSGL Transaction Library outlines detailed posting transactions, and the DoW SCOA provides detailed account descriptions. The DoW SCOA is located on the ODCFO SFIS webpage.

7.4.5.2. DoW Components may elect to create subaccounts within their general ledger systems to track software under development at a detailed level; however, the internal subaccounts must summarize to one USSGL/DoW account.

7.4.5.3. Management must retain adequate supporting source documentation for entries in accordance with Volume 1.

7.4.6. Valuation

Record the acquisition and other costs necessary to make the software operable.

7.4.7. Alternative Valuation Methodology for Establishing Opening Balances

7.4.7.1. Establishing Opening Balances for IUS

7.4.7.1.1. The alternative valuation method for establishing opening balances for IUS described in FASAB SFFAS 50: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35 is available only once to each reporting entity. Therefore, prior to the establishment of IUS opening balances, DoW Components must validate that they are prepared to account for and comply with the recognition, measurement, presentation, and disclosure requirements for IUS in accordance with FASAB SFFAS 10.

7.4.7.1.2. DoW Components must identify any IUS that they have capitalized prior to establishing opening balances, including capitalized development costs. All DoW Components that have not previously undergone a financial statement audit in which they received an unmodified (i.e., "clean") audit opinion will exclude the value of all IUS, including development costs, from opening balances of General Property, Plant, and Equipment on their Balance Sheet. A DoW Component that has received a "clean" audit opinion should continue to account for IUS, including development costs, in accordance with FASAB SFFAS 10 and will not reduce their balances to zero.

7.4.7.1.3. Entries in the DoW Component accounting systems/records to record IUS opening balances at zero are subject to the reporting requirements under paragraph 13 of FASAB SFFAS 21, Amendment of SFFAS 7. Accordingly, reflect the entries as a change in accounting principle. Document and support any adjustments to assist ongoing audit efforts.

7.4.7.2. Financial Statement Disclosure Requirements

DoW Components that adjust their opening IUS balances must disclose in their financial statements that they used an alternative valuation method in establishing their opening balances.

7.4.7.3. Prospective Accounting for IUS

7.4.7.3.1. DoW Components must capitalize IUS costs for IUS in-service and IUS in development in accordance with the provisions of FASAB SFFAS 10 after recording the opening balances at zero. This capitalization requirement includes IUS development costs incurred after the establishment of opening balances for projects started prior to the establishment of opening balances. DoW Components must have sufficient source documentation to support the capitalized amounts of IUS based on actual historical cost. DoW Components must apply the provisions of FASAB SFFAS 10 regarding amortization and impairment to any unamortized capitalized cost of the IUS.

7.4.7.3.2. DoW Components must fully implement the systems, internal controls, processes, and procedures to be compliant with accounting for IUS under FASAB SFFAS 10. They must also periodically review and update the documentation of the systems, processes, and procedures as needed.

7.4.8. Recognition

7.4.8.1. DoW Components must recognize all acquired IUS for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with amortization) and the reporting of capitalized amounts and accumulated amortization on the appropriate DoW Component's financial statements.

7.4.8.2. Recognition Responsibility

7.4.8.2.1. The DoW Component's financial reporting responsibility can be determined using two-tier criteria:

7.4.8.2.1.1. Exclusive/sole Use. When a DoW Component is the exclusive/sole user of capitalized IUS, it will report the IUS on its Balance Sheet. If there is no exclusive/sole user, the DoW Component must apply the second criteria.

7.4.8.2.1.2. Control. If an exclusive/sole user does not exist, the DoW Component that controls the IUS will have financial reporting responsibility. Evidence of control can include funding the software maintenance, exercising access control, and prioritizing enhancements.

7.4.8.2.2. DoW Components that possess and/or control IUS items that materially contribute to the Component's mission must maintain accounting and financial reporting for such items, regardless of the organization that originally acquired or provided the

funding for the items. If a DoW Component prepares financial statements, it must appropriately recognize IUS in its financial statements.

7.4.8.3. Recognition Uncertainty

To prevent duplicative accounting records, DoW Components must agree as to which entity will recognize an item when there is doubt. The process and terms of this agreement must be formally documented in a MOA, which will then serve as the official supporting documentation. If DoW Components cannot reach an agreement, they must refer the matter to the ODCFO, OUSW(C) for resolution. DoW Components must submit requests for resolution with adequate supporting documentation to assist in resolving the matter, and they should send these requests through the FM&C of their respective Military Department or Defense Agency.

7.4.8.4. Recognition Timing

7.4.8.4.1. Recognition of the COTS IUS for financial reporting purposes must occur no later than the technical acceptance of the software.

7.4.8.4.2. Record IUS in development anticipated to meet capital criteria in the IUS in Development account during the design, development, and testing phases. DoW Components must recognize the IUS asset, transfer capital costs to the IUS account, and establish accountability in the APSR after completing technical acceptance testing.

7.4.8.4.2.1. Larger and more complex software systems, such as Enterprise Resource Planning systems, are developed and placed in service over time. After successfully testing a module or component of a software project, the Component must move costs from IUS in Development to IUS and begin amortization.

7.4.8.4.2.2. If the use of a module is dependent on the completion of another module(s), move costs from IUS in Development to IUS when both that module and the other module(s) have successfully completed testing.

7.4.8.4.3. For IUS assets acquired by a contractor on behalf of a DoW Component, recognize the software upon completion of the technical acceptance testing by the contractor performing the service, or by the DoW Component. Record contract financing payments (e.g., progress payments, performance-based payments, and commercial interim payments) made to a contractor prior to completion of final technical acceptance testing in a Software in Development account until the IUS is placed in service. Capitalize upon completion of technical acceptance testing.

7.4.8.5. Capitalization Threshold, Criteria, and Cost Treatment

7.4.8.5.1. The current IUS capitalization threshold for all DoW Components is $250,000. However, DoW Intelligence Community Entities may elect to use a capitalization threshold of $1 million. The capitalization threshold described above is for financial reporting purposes.

7.4.8.5.2. DoW Components must apply the treatment of costs based on the nature of the costs incurred, not the exact sequence of the work.

7.4.8.5.3. The capitalized costs of internally developed software should be limited to costs incurred:

7.4.8.5.3.1. After the DoW Component authorizes and commits to a software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function(s), and it will have an estimated service life of two years or more; and

7.4.8.5.3.2. After the completion of the planning and requirements phase (i.e., project evaluation, concept testing, and evaluation of alternatives) as evidenced by a documented approval decision.

7.4.8.5.4. Technical acceptance testing is testing undertaken to verify if a software product meets technical specifications. Capitalize technical acceptance testing costs after technical acceptance; expense operational testing, evaluation, and other functional testing.

7.4.8.5.5. Capitalize the amounts paid to a COTS vendor for the software.

7.4.8.6. Documentation

7.4.8.6.1. DoW Components must assign a dollar value (i.e., recorded cost) to the IUS when recording the acquisition of IUS in the APSR and/or accounting system. Appropriate documentation must be available to support the dollar value.

7.4.8.6.2. To establish proper PP&E financial control when acquiring IUS from another DoW Component or Federal Agency, the acquiring DoW Component must request from the losing DoW Component or other Federal Agency, the necessary source information and financial transfer documents, to include a unique identifier(s) for the software(s); location; original acquisition cost(s); cost of enhancements; the date the software was developed, or acquired; the estimated useful life; the amount of accumulated amortization; and other relevant information linked to that software. If this information is not available, the gaining and losing entities must develop and document a reasonable estimate to support the financial transfer of the software.

7.4.8.6.3. Capitalized IUS costs must have sufficient supporting documentation, including support for costs incurred in the development of the IUS. DoW Components must provide narratives, software architectural documentation, user manuals, and other similar documents to substantiate whether they treat the IUS as separate IUS assets, supporting the functionality of the components/modules of a software system.

7.4.8.7. Joint Ventures

If two or more entities, including at least one entity outside of the DoW, develop the IUS through a joint venture, the DoW Component must capitalize the IUS asset if it meets the criteria

for capitalization, based on its share of the development cost in relation to the capitalization threshold. The DoW Component only capitalizes the portion it funded if it meets the criteria for capitalization.

7.4.8.8. Bulk Purchases of Software Applications/Programs

7.4.8.8.1. Bulk purchases must be considered if they materially affect the fiscal year financial statements during which they were purchased. Bulk purchases of software with an aggregate cost that exceeds the capitalization threshold must be capitalized.

7.4.8.8.2. When multiple acquisitions of the same IUS application(s)/programs (for example, spreadsheets, word processing programs, etc.) or modules or components of a software system are made as part of a single contract within a fiscal year, the purchases must be added together to determine whether they meet the capitalization threshold. Purchases made on a single contract during separate fiscal years are to be considered separately. DoW Components must not split bulk purchases into multiple transactions with the intent of avoiding capitalization.

7.4.8.8.3. Bulk purchases of licensed IUS with terms less than two years in length do not need to be considered for capitalization.

7.4.8.9. Software Licenses

7.4.8.9.1. Software licenses grant the license holder the right to use the software for a specific time period. After this period expires, the license holder must renew the license or purchase a new one to continue using the software. License agreements to use software come in many forms and vary in length of the license period. Software licenses can be term or perpetual.

7.4.8.9.1.1. Term licenses provide DoW Components the right to use IUS for a specified period of time. Capitalize or expense term-licensed IUS.

7.4.8.9.1.2. Perpetual software licenses allow the DoW Component to use the software indefinitely in exchange for an upfront cost, which they can pay as a one-time payment or finance over a set period. Apply capitalization criteria if the license is perpetual to determine whether to capitalize or expense.

7.4.8.9.2. The IUS can be expensed if the license term is less than two years, the license cost (excluding any maintenance agreements) is less than the capitalization threshold, or the aggregate cost of a bulk license purchase (excluding any maintenance agreements) is less than the capitalization threshold.

7.4.8.9.3. A license agreement may include executory costs for maintenance and technical support. DoW Component judgment should apply in determining what portions of license fees are attributable to software capitalizable costs versus executory costs. DoW Components may also want to consider having each license agreement specifically identify

the various costs throughout the license life cycle, for example, initial license, maintenance, and enhancement.

7.4.8.9.4. Additional guidance regarding accounting for license agreements includes:

7.4.8.9.4.1. Expense maintenance costs agreed to as part of the initial license agreement in the period they are incurred;

7.4.8.9.4.2. Expense "True-up" costs associated with unlimited license agreements or enterprise licenses that may occur (depending on the agreement terms) at the end of each year to reconcile and account for the actual quantity of users; and

7.4.8.9.4.3. Expense software upgrades from annual maintenance and security assurance agreements; do not capitalize as enhancements or separate assets.

7.4.8.10. Cloud and Other Subscription-Based Services

7.4.8.10.1. A cloud computing service is any resource that is accessible over the Internet. It has the following essential characteristics: on-demand self-service, broad network access, resource pooling, rapid elasticity, and measured service.

7.4.8.10.2. When a DoW Component pays regular subscription fees to access and use software from a non-DoW entity, it should expense subscription costs in the period incurred. This scenario is a service and does not constitute an IUS asset for the DoW Component.

7.4.8.10.3. A subscription arrangement using a cloud with a non-DoW entity can result in DoW-owned IUS if the using DoW Component takes possession, or can take possession of a software application without incurring a significant penalty. DoW Components must capitalize this IUS if it meets the capitalization criteria.

7.4.8.10.4. When a cloud or subscription arrangement exists between DoW Components, the Component that owns the software will report it as IUS. The subscribing DoW Component(s) will expense any fees paid for the service in the period incurred.

7.4.8.10.5. If a cloud computing arrangement includes a software license, the customer must account for the software license element of the arrangement consistent with the acquisition of other software licenses. SFFAS 10 is not applicable to a cloud computing arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license. The entity that develops and owns the software, platform, or infrastructure used in the cloud computing arrangement would account for the software development in accordance with SFFAS 10. If the funding to develop cloud computing is shared among entities without clear ownership, the service provider entity that receives funding and is responsible for maintaining the software, platform, or infrastructure must account for the software in accordance with SFFAS 10 and the full cost/inter-entity cost requirements of SFFAS 4.

7.4.8.11. Shared Services

7.4.8.11.1. Shared services is a mission or support function provided by one business unit to other business units within or between organizations. The funding and resourcing of the service is shared, and the providing entity effectively becomes an internal/external service provider.

7.4.8.11.2. There are three types of shared service structures in the Federal Government:

7.4.8.11.2.1. Intra-agency. Intra-agency shared services include those provided within the boundaries of a specific organization, such as a Federal Department or Agency, to that organization's internal units. Intra-agency shared services would be those between one DoW Component and another DoW Component.

7.4.8.11.2.2. Inter-agency. Inter-agency shared services are those provided by one Federal Organization to other Federal Organizations that are outside of the provider's organizational boundaries. Inter-agency shared services would be those between one DoW Component and another Federal Agency/Organization outside of DoW.

7.4.8.11.2.3. Commercial. Commercial shared services are those provided by private vendors.

7.4.8.11.3. For intra-agency shared services, a cost allocation methodology could be developed in accordance with SFFAS 4. For inter-agency shared services and commercial shared services, the service provider entity that owns (receives funding/responsible for maintaining) the software must account for the software in accordance with SFFAS 10. In the event that the entity receiving the service (the customer) has the contractual right to take possession of the software at any time during the hosting period without significant penalty, and it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. The customer must account for the software in accordance with SFFAS 10.

7.4.8.11.4. If the shared service arrangement includes a software license, the DoW Component must account for the software license element of the arrangement consistent with the acquisition of their other software licenses. SFFAS 10 is not applicable to a shared service arrangement that does not convey a contractual right to the IUS or to ones that do not include an IUS license.

7.4.8.12. Accountable Records of IUS

DoW Components must establish accountable records for all government IUS. Account for IUS that meet the criteria for capitalization in an APSR. DoW Components must also establish and maintain accountability records for IUS that do not meet the criteria for capitalization in either an APSR or approved managerial system through disposition or transfer. Managerial systems must contain all general data elements contained in a data-compliant APSR. In addition, managerial systems must document controls and procedures in place that are sufficient to withstand potential

audit scrutiny and support the audit requirement of a complete universe of assets. The primary Accountable Property Officer (APO) or designated delegate should grant managerial system approval. See DoDI 5000.76.

7.4.9. IUS Enhancements

7.4.9.1. DoW Components must capitalize an enhancement that increases the capability of the IUS when its cost meets or exceeds the capitalization threshold.

7.4.9.2. Evaluate modules together as one enhancement if one module is dependent upon another to function. DoW Components must amortize all costs of an enhancement that they have capitalized based on the IUS capitalization criteria, including any costs they carry over or allocate from the original software, over the enhancements' estimated useful life, which should not exceed five years.

7.4.9.3. DoW Components must begin to accumulate costs for enhancements when these enhancements are more likely than not to produce new capabilities; and the project phase in which the costs are being incurred and the nature of the cost meet the criteria for capitalization treatment; and the estimated total cost of the enhancement meets the IUS capitalization threshold.

7.4.9.4. DoW Components must separately account for enhancements in a manner that allows them to specifically identify and support each capitalized enhancement made to the IUS.

7.4.9.5. Expense an enhancement to IUS that meets or exceeds the capitalization threshold to correct a design flaw, and in effect doubles its useful life, in the period incurred, unless the enhancement adds new capabilities to the software. However, the useful life of the IUS is subject to adjustment and must reflect the enhancement.

7.4.9.6. Expense the cost of minor enhancements resulting from ongoing systems maintenance or incurred solely to repair a design flaw without adding additional capabilities in the period incurred. Examples of minor enhancements include updating data tables, web-enabling, customizing reports, or changing graphic user interfaces. Expense enhancements that extend the useful life of the software without adding significant capabilities. However, in instances where the useful life of IUS is extended, DoW Components must adjust the amortization.

7.4.9.7. A specific software development project may include expenditures for enhancements and maintenance that the Component cannot easily separate but can reasonably and consistently allocate. As one approach, the Component can use a ratio based on the projected work hours for development phase activities relative to other types of work. The Component must apply this ratio to determine which expenditures to capitalize, provided the expenses meet the other capitalization criteria. The Component must apply this basis for allocating costs consistently and in accordance with GAAP.

7.4.9.8. Retain documentation related to IUS enhancement decisions, such as the justification for capitalizing the enhancement, a change of useful life, and the amount to capitalize.

7.4.9.9. Only capitalize the cost of enhancements to more than one IUS asset as identified by a unique identifier, when performed under a single contract or work order that cannot be specifically identified by asset, if the allocated cost per IUS equals or exceeds the appropriate DoW capitalization threshold and the enhancements are more likely than not to add additional capability to the existing software.

7.4.9.10. When a single IUS undergoes more than one enhancement as part of a single overall effort to increase its functionality and/or useful life, the Component must capitalize the sum of the enhancement costs if the total equals or exceeds the appropriate DoW capitalization threshold. The Component must follow this requirement even when it funds the enhancements separately. The Component must capitalize the enhancements once it determines that it is more likely than not that the enhancements will result in significant new capabilities.

7.4.10. Maintenance and Repair

7.4.10.1. Maintenance and repair costs are not capital enhancements, regardless of whether the cost equals or exceeds the DoW capitalization threshold. Maintenance and repairs are activities directed toward keeping IUS assets in an acceptable condition so that they continue to provide services and achieve their expected useful life.

7.4.10.2. When determining whether to capitalize the IUS, do not include the costs of maintenance agreements purchased with a software license in the historical cost of the IUS. If DoW Components cannot distinguish maintenance costs from the cost of the license itself, they must use reasonable and documented estimating methods. Do not capitalize upgrades included in annual maintenance and security assurance agreements.

7.4.11. Amortization

7.4.11.1. Amortization is the systematic and rational allocation of the acquisition cost of an IUS over its estimated useful life. During the planning phase of IUS development, the DoW Component must determine the useful life based on how long it expects the IUS to provide economic benefit or service potential. The Component must document its decision regarding the useful life, a decision it must make with input from personnel who are familiar with the software's technical characteristics and planned use. For IUS acquired for R&D with no alternative future use, the Component must amortize the cost over the period of the project, as opposed to applying the normal life-cycle amortization.

7.4.11.2. DoW Components must amortize the recorded cost of capitalized IUS and enhancements to IUS. They must also reflect these capitalized amounts, as well as the associated accumulated amortization and amortization expense, in their financial statements.

7.4.11.3. DoW Components must document the PISD for both acquired IUS and developed IUS. Documentation of PISDs is critical in determining when to start amortization of capitalized IUS costs. IUS is considered placed in service when final technical acceptance testing is completed. The point at which this milestone is reached can vary for different types of software acquisitions.

7.4.11.4. When replacing the IUS with new software, expense the unamortized cost of the old IUS when the new IUS successfully completes testing. No adjustments will be made to the previously recorded amortization. Treat any additions to the book value or changes in useful life prospectively. Account for the change during the period of the change and future periods.

7.4.11.5. Account for all IUS in an APSR.

7.4.11.6. The program office must retain proper supporting documentation to justify the estimated useful life of the program.

7.4.11.7. In the case of IUS assets, after the successful completion of the final technical acceptance testing, the calculation of amortization is based on the date the asset is installed and placed in service (regardless of whether it is actually used).

7.4.11.8. DoW policy permits the use of only the straight-line method of amortization. Calculate straight-line amortization expense based on the recorded cost divided equally among accounting periods during the software's useful life based on recovery periods. The salvage value for all capitalized IUS for the DoW Components should be zero.

7.4.11.9. Retain the IUS asset in APSR if it remains in use longer than its estimated useful life, as well as the accounting records, and reflect both its recorded cost and accumulated amortization until disposition of the software.

7.4.11.10. WCF activities are required to recognize and amortize IUS assets without regard to whether such assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether amortization for such assets is included in rates charged to customers. The recognition of IUS assets and the amortization of such assets by WCF activities therefore may be different for financial statement reporting purposes than the amortization amounts used for WCF rate development and budget presentation. All IUS asset amortization of WCF activities must be recognized as an expense on the Statement of Net Cost, reflected in the Statement of Changes in Net Position, included in accumulated amortization amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307] (AR(M)1307)." Accounting Report 1307 is described in Volume 6. Amortization recorded on IUS assets that were not acquired nor will be replaced through the use of DWCF resources must be classified as non-recoverable for rate-setting purposes and reported appropriately on the AR(M)1307. DWCF rates charged to customers are based on guidance in Volume 2 and Volume 11.

7.4.12. Impairment

7.4.12.1. The Component must recognize and measure an impairment when one of the following events occurs and is related to post-implementation/operational IUS assets:

7.4.12.1.1. The IUS asset is no longer expected to provide substantive service potential and will be removed from service; or

7.4.12.1.2. A significant reduction occurs in the software's or software module's capabilities, functions, or uses.

7.4.12.2. If the impaired software is to remain in use, the loss due to impairment must be measured as the difference between the book value and either:

7.4.12.2.1. The cost to acquire software that would perform similar remaining functions (i.e., the unimpaired functions) or, if that is not feasible;

7.4.12.2.2. The portion of the book value attributable to the remaining functional elements of the software.

7.4.12.3. Recognize the loss upon impairment and reduce the book value of the asset accordingly. If amounts cannot be determined, the DoW Component should continue to amortize the book value over the remaining useful life of the software. Document and retain this decision and associated analyses.

7.4.12.4. If the DoW Component removes the impaired IUS asset from use, it must measure the loss as the difference between the book value and the NRV, if any. The Component must recognize the loss upon impairment and reduce the asset's book value accordingly. Finally, the Component must transfer the NRV, if any, to an appropriate asset account and hold it there until it disposes of the software and realizes the amount.

7.4.12.5. When a DoW Component determines it is more likely than not that it will not complete a developmental software project, the Component must stop capitalizing costs and must immediately expense any costs it has already capitalized for that project.

7.4.12.6. When an IUS developmental software project is suspended pending management's evaluation as to whether to resume or terminate the project, the software development cost may remain capitalized in an IUS in Development account (USSGL 183200) as long as it is more likely than not that the developmental software project will eventually be completed and that the cost incurred or expected to be incurred meets the capitalization threshold. Reevaluate the status of the project periodically and write off capitalized costs if management concludes that it is more likely than not that the software will not be placed in service in the future.

7.4.12.7. Recognize and report the loss from impairment, if any, in the Statement of Net Cost in the period in which the DoW Component concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Include such losses in program costs or costs not assigned to programs. A general description of the IUS for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment, and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized if the amount is significant to the financial statements.

7.4.12.8. Report the impairment loss net of any associated recovery of the NRV when the recovery and loss occur in the same fiscal year. Report recoveries in subsequent fiscal years as revenue or other financing source, as appropriate. Disclose the amount and financial statement classification of recoveries in the notes to the financial statements.

7.4.12.9. Account for the costs incurred to replace or restore the lost service utility of impaired IUS remaining in use in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

7.4.13. Removal/Disposal

7.4.13.1. In TR 14, FASAB defines removal from service as an event that terminates the use of a General PP&E asset. DoW Component Heads must establish and maintain effective policies and procedures for the removal (disposal or transfer) of IUS assets.

7.4.13.2. If an IUS's normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoW Component has not yet decided to permanently remove the IUS from service, the removal from service is considered other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the IUS in a recoverable status or until reutilization efforts are exhausted.

7.4.13.3. If (1) an IUS's use is terminated and (2) the DoW Component has documented its decision to permanently remove the IUS from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoW Component's documented decision to dispose of an IUS by selling, recycling, or donating the IUS.

7.4.13.4. When an IUS is disposed of (e.g., by selling, recycling, donating, or destruction), the IUS must be written off from the financial records and financial statements, and the difference between any disposal proceeds and the IUS's net book value must be recognized as a gain or loss.

7.4.13.5. Upon authorized disposition, APOs are responsible for ensuring that all IUS asset dispositions and transfers are properly recorded in the APSR or managerial system, including updating the asset's status to "Disposed," recording the date and method of disposition. The reason for disposition or transfer of IUS assets must be properly documented. The APO retains all supporting documentation per record retention policies. Refer to DoDI 5000.76 for additional information.

7.4.14. Additional Considerations

7.4.14.1. Use of Canceled TAS. Capitalized assets are required to be reported and remain in GTAS after the original purchasing TAS has expired and been canceled. If a capitalized asset has not been moved to a "C" TAS, GTAS will provide a "C" TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system-generated "C" TAS will have three components: the three-digit agency identifier, availability type "C", and a four-digit main account. All DoW Components must use the "C" availability type TAS to report

capitalized assets. Assets may be moved to a C TAS at any time from the purchase date to the date the original purchasing fund is canceled. Refer to the TFM, Part 2, Chapter 4700.

7.4.14.2. Supporting Documentation. Entries to record financial transactions in accounting system general ledger accounts and/or the supporting subsidiary accountable property records and/or systems must:

7.4.14.2.1. Be supported by source documents that reflect all transactions affecting the DoW Component's investment in the IUS.

7.4.14.2.2. Support all acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the DoW Component takes custody of the IUS with supporting documents.

7.4.14.2.3. Support all disposals or retirements as of the date the IUS leaves the custody of the DoW Component to provide an adequate audit trail for the disposal of an asset. The execution of certain disposal events will generate financial or administrative accountability transactions.

7.4.14.2.4. Retain documents that support the recorded cost of IUS assets by the DoW Component in accordance with their DoW Component records retention requirements. Maintain documentation in a readily available location during the applicable retention period to permit the validation of information pertaining to the asset, such as the purchase cost, purchase date, and cost of enhancements. The documentation must also be linked to the appropriate unique identifier(s).

7.4.14.3. Include sufficient information indicating the quantity. location, and unit cost of the IUS. Designate the accountable property records to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess IUS that may be available for reuse, transfer to other DoW Components, or made available for disposal in accordance with current DoW regulations and other regulatory requirements.

7.4.14.4. Identify and classify IUS that were capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

7.4.14.5. Be based on the same documents to ensure that entries to the accounting and accountable property records are the same. This will ensure that the property accountability records are integrated and subsidiary to the accounting system, and those records can be reconciled with the accounting system.

7.4.14.6. Include documents used to accumulate the cost of developmental projects. Each document must be linked to the appropriate asset unique identifier.

7.4.14.7. Include all IUS possessed by the Department (to include property held by others) and IUS of others held by DoW through seizure, forfeiture, loss, or abandonment.

7.4.14.8. Provide information to identify and account for capitalized enhancements to IUS.

7.4.15. Reporting Requirements

DoW Components with IUS should reference a note on the Balance Sheet that discloses information about the reported IUS assets. See Volume 6 for the specific reporting requirements.

7.5 HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS, AND STEWARDSHIP LAND

7.5.1. This section establishes the accounting policy and requirements for financial control over heritage assets, multi-use heritage assets, and stewardship land. Volume 1 discusses the applicable general ledger accounts listed in the USSGL. The DoW USSGL Transaction Library contains both the DoW SCOA and the accounting entries for these PP&E accounts. DoW Components must recognize all acquired heritage assets, multi-use heritage assets, and stewardship land for accountability (in accordance with DoDI 4165.14, DoDI 4165.70, and DoDI 5000.64) and financial reporting purposes. Unless otherwise stated, all DoW Components, including WCF activities, must follow this section.

7.5.2. Heritage Assets

7.5.2.1. Heritage assets are PP&E that experts consider unique due to their historical or natural significance, cultural, educational, or artistic importance, or significant architectural characteristics.

7.5.2.2. Heritage assets consist of (1) collection-type assets, such as objects gathered and maintained for exhibition (e.g., museum collections, art collections, and library collections); and (2) non-collection-type assets (e.g., memorials, monuments, buildings, and archeological sites). Cultural resources and historic properties, defined in DoDI 4715.16, may be categorized as heritage assets for financial reporting purposes if they have the attributes of heritage assets described in this definition.

7.5.2.3. Heritage assets are generally expected to be preserved indefinitely.

7.5.2.4. The cost or value must not serve as a factor when deciding if an asset must be classified as a heritage asset.

7.5.2.5. If a particular asset is listed on the National Register of Historic Places, it is heritage in nature. If it is not listed on the National Register of Historic Places, refer to cultural resources and collections policies, published registers, and consult with DoW subject matter experts (i.e., the DoW cultural resources or museum staff) when making this assessment. Designation of a PP&E asset (including such assets as museum, library, and art collections) as a heritage asset can be done at any time in its life cycle, based on the application of evaluation criteria by qualified staff.

7.5.2.6. Historic significance may be identified if a property/asset meets at least one of the following criteria adapted from the National Register of Historic Places as determined by the relevant DoW Component with concurrence by the relevant State Historic Preservation Officer, or as determined by the guidelines of the National Register of Historic Places in 36 CFR, Part 60, Section 60.4:

7.5.2.6.1. Association with historic events or activities that have made a significant contribution to the broad patterns of history (e.g., battles, development of military technology, prehistoric cultural patterns);

7.5.2.6.2. Association with the lives of significant historic persons (e.g., important military leaders, political leaders, inventors);

7.5.2.6.3. Distinctive design or physical characteristics of a type, period, or method of construction (e.g., work representative of a particular approach to military design or a particular type or style of architecture or engineering); or that represents the work of a master (e.g., work of a master architect, landscape architect, planner, or engineer); or that possess high artistic values (e.g., artwork that a recognized artist commissioned to commemorate military history); or that represents a significant and distinguishable entity whose components may lack individual distinction (e.g., a formative example of standardized planned military housing); or

7.5.2.6.4. Have yielded or may be likely to yield important information about prehistory or history (e.g., an archeological site on a military installation).

7.5.2.7. Ordinarily, cemeteries, birthplaces, or graves of historical figures, properties owned by religious institutions or used for religious purposes, structures that have been moved from their original locations, reconstructed historic buildings, properties primarily commemorative in nature, and properties that have achieved significance within the past 50 years are not considered eligible for the National Register. However, such properties will qualify if they are integral parts of districts that meet the criteria, or if they fall within the following categories:

7.5.2.7.1. A religious property deriving primary significance from architectural or artistic distinction or historical importance; or

7.5.2.7.2. A building or structure removed from its original location but which is significant primarily for architectural value, or which is the surviving structure most importantly associated with a historic person or event; or

7.5.2.7.3. A birthplace or grave of a historical figure of outstanding importance if there is no appropriate site or building directly associated with their productive life.

7.5.2.7.4. A cemetery which derives its primary significance from graves of persons of transcendent importance, from age, from distinctive design features, or from association with historic events; or

7.5.2.7.5. A reconstructed building when accurately executed in a suitable environment and presented in a dignified manner as part of a restoration master plan, and when no other building or structure with the same association has survived; or

7.5.2.7.6. A property primarily commemorative in intent if design, age, tradition, or symbolic value has invested it with its own exceptional significance; or

7.5.2.7.7. A property achieving significance within the past 50 years if it is of exceptional importance.

7.5.2.8. As contrasted with multi-use heritage assets, heritage assets are not used predominantly in general government operations. Heritage assets having an incidental (i.e., not significant or predominant) use in government operations are not considered and are not classified as multi-use heritage assets; they are simply heritage assets.

7.5.2.9. Some heritage assets will meet the definitions of, and be considered and reported as, both heritage assets and stewardship land. Such reporting would not be considered duplication as the type of information reported on the physical unit would be different for each category of stewardship asset (i.e., heritage assets and stewardship land).

7.5.3. Acquisition/Valuation

Expense the cost of acquiring heritage assets in the period incurred. The cost must include all costs incurred to bring the asset to a form and location suitable for its intended use.

7.5.4. Recognition and Measurement

7.5.4.1. Recognize the cost of acquiring, improving, reconstructing, or renovating heritage assets on the Statement of Net Cost for the period in which the cost is incurred. Include all costs incurred to bring the asset to its current condition and location.

7.5.4.2. Do not recognize revenue for heritage assets acquired through donation or devise (a will or clause of a will disposing of property).

7.5.4.3. Transfers of heritage assets from one DoW Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity.

7.5.5. Removal/Disposal

Heritage Assets can be removed from service or otherwise disposed of.

7.5.6. Disclosure Requirements

The DoW Component that has control over the heritage asset must report information about the heritage assets in its financial statement note disclosures as set forth in SFFAS 29. Disclosures must include physical units of measure.

7.5.7. Multi-Use Heritage Assets

7.5.7.1. Heritage assets may in some cases serve two purposes: (i) a heritage function and (ii) a government operations function. In cases where a heritage asset serves two purposes, and the predominant use of the asset is in general government operations, officials must consider and classify the heritage asset as a multi-use heritage asset.

7.5.7.2. The costs of acquisition, improvement, or renovation of multi-use heritage assets must be capitalized as general PP&E and depreciated if the costs equal or exceed the DoW capitalization threshold. Expenses are the costs that do not equal or exceed the capitalization threshold.

7.5.7.3. Assets classified as multi-use heritage assets and acquired through donation or devise must be recognized as general PP&E at the fair value of the assets at the time received, and the amount must be recognized as non-exchange revenues as defined in SFFAS 7.

7.5.7.4. When a Federal entity transfers a multi-use heritage asset to another (including between DoW Components or between a DoW Component and another Federal entity), the receiving entity must recognize it as a transfer-in and an additional financing source. The transferring entity must recognize a transfer-out. The receiving entity must record the value at the transferring entity's net book value for the multi-use heritage asset.

7.5.7.5. Capital improvements or enhancements to multi-use heritage assets must be capitalized in accordance with general PP&E.

7.5.7.6. The recorded cost of capitalized multi-use heritage assets must be depreciated in accordance with the general PP&E guidance.

7.5.7.7. Multi-use heritage assets are subject to the same impairment ruleset as general PP&E.

7.5.7.8. Multi-use heritage assets must be removed and disposed of in accordance with the general PP&E guidance.

7.5.8. Disclosure Requirements

Multi-use heritage assets require additional descriptive information in the heritage asset note disclosure as set forth in SFFAS 29. Multi-use heritage assets are to be reported in both the principal financial statements (in dollars) as general PP&E and in the heritage asset note disclosure (in physical units). Disclosures must include physical units of measure.

7.5.9. Use of Canceled TAS

Multi-use heritage assets are required to be reported in the Treasury's GTAS.

7.5.10. Stewardship Land

7.5.10.1. Stewardship land includes both public domain and acquired land and land rights owned by the Federal Government intended to be held indefinitely but not acquired for or in connection with the acquisition or construction of real property facilities. Stewardship land also includes areas reserved, managed, planned, used, or acquired for forests and parks, recreation and conservation, and wildlife habitat and grazing. It encompasses land used for the conservation or preservation of cultural and historic sites, for ancillary revenue-generating activities like mineral development, and as buffer zones for security, flood management, and noise and viewsheds. While DoW stewardship lands support environmental conservation, they also support military readiness. To prepare for global challenges, soldiers conduct training in deserts, forests, wetlands, and coastal areas.

7.5.10.2. Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights in perpetuity. Temporary land rights are those land rights that are for a specified period of time or limited duration.

7.5.10.3. The DoW defines "Acquired for or in connection with the acquisition or construction of real property facilities" as land or land rights acquired with the intent to construct general PP&E, and land or land rights acquired in combination with general PP&E. DoW or a DoW Component must account for and report land and land rights they own and acquired for or in connection with real property facilities as general PP&E. They must expense the cost of acquiring stewardship land in the period incurred. This cost must include all expenses necessary to bring the asset to a form and location suitable for its intended use.

7.5.11. Recognition and Measurement

7.5.11.1. Recognize the cost of the acquisition of stewardship land as an expense on the Statement of Net Cost for the period in which the cost is incurred. The cost must include all costs to prepare stewardship land for its intended use (e.g., grading the land or razing a building).

7.5.11.2. In some cases, land may be acquired along with existing facilities. Consult with Component cultural resources staff to determine how to treat the acquisition cost of the facility. Facilities to be used in operations must be treated as an acquisition of stewardship land if the value of the facility is insignificant, or its acquisition is merely a byproduct of the acquisition of the land. Facilities of significant value that have an operating use (e.g., a constructed hotel or employee housing block) must be treated as general PP&E (real property or multi-use heritage assets) by identifying the cost attributable to the facilities and segregating it from the cost of stewardship land acquired.

7.5.11.3. Do not recognize revenue for stewardship land acquired through donation or devise.

7.5.11.4. Transfers of stewardship land from one DoW Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity.

7.5.12. Removal/Disposal

Stewardship land can be removed from service and subject to disposal.

7.5.13. Disclosure Requirements

7.5.13.1. Land classified as stewardship land is reported as basic information within the financial statements of the DoW Component responsible for such land and subject to units of measure.

7.5.13.2. All heritage assets, multi-use heritage assets, and stewardship land acquired by DoW Components must be recognized for accountability (in accordance with DoDI 4165.14, DoDI 4165.70, and DoDI 5000.64) and financial reporting purposes.

7.5.14. Supporting Documentation

7.5.14.1. Entries to record financial transactions in accounting system general ledger accounts and the APSR and/or other systems, as well as information to be included in financial statement note disclosures, must be supported by source documents that reflect all transactions affecting the DoW Component's stewardship investment in the PP&E.

7.5.14.2. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoW Component accepts the heritage assets, multi-use heritage assets and/or stewardship land. Documentation, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement.

7.5.14.3. When definitive documentation for stewardship land and/or heritage assets is not available, management must identify and use alternative methods for supporting management's assertions for these assets.

7.5.14.4. All disposals or retirements must be supported as of the date the PP&E leaves the custody of the DoW Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions.

7.5.15. Policies and Procedures

DoW Components must document the identification, categorization, and method used to physically quantify the assets to ensure consistent reporting for all similar heritage assets and stewardship land.

7.5.16. Physical Units of Measure

Physical units of measure are necessary to meet disclosure requirements described in SFFAS 29.

7.5.17. Accountable Property System of Record

The APSR and/or other systems must be designed to support procurement and utilization decisions, including decisions related to identifying general PP&E that may transfer to other DoW Components, or made available for disposal in accordance with current DoW regulations and other regulatory requirements.

7.5.18. Physical Inventories

DoW Components must perform periodic physical inventories of heritage assets and multi-use heritage assets in accordance with DoDI 5000.64 and DoDI 4165.14. Periodic physical inventories of stewardship land must be performed in accordance with DoDI 4165.14.

7.5.19. Deferred Maintenance and Repairs

7.5.19.1. DM&R refers to scheduled or necessary maintenance that an organization has postponed. In general, personnel perform maintenance and repairs to keep assets in an acceptable condition. These activities include preventive maintenance and the replacement of parts or systems to preserve the asset. However, these activities specifically exclude those that expand an asset's useful life, capacity, or capability, or otherwise upgrade it for significantly different or greater uses.

7.5.19.2. DoW Components must determine acceptable condition standards and which DM&R measurement methods to apply. Condition standards and measurement methods must be consistently applied. If the DoW Component determines that it must make changes, it must document the rationale and any impact the changes will have on the DM&R estimates.

7.5.19.3. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other similar methods.

7.5.19.4. Disclosure Requirements

DoW Components must report material amounts of DM&R in the notes to the financial statements. Refer to Volume 6.

8.0 ADVANCES

A Component may issue advances or prepayments for anticipated expenses or for goods and services not yet received. These amounts are reduced when related goods or services are received, contract terms are met, progress is made under a contract, or anticipated expenses are realized. Per 31 U.S.C. § 3324, law or the President specifically authorizes advances. For financial reporting, these transactions are treated as assets and liabilities, with intragovernmental transactions accounted for separately. All advances and prepayments must be supported by a detailed audit trail with information to show the period the advances were made, the budget authority for the advances, the period the advances were liquidated, and the related approving authorities.

8.1 Accounting for Advances and Prepayments

8.1.1. Advances and prepayments must comply with the law or regulation requirements. Organizations or individuals (other than DoW employees requesting travel advances) requesting advances must demonstrate that all external financing sources have been exhausted before DoW Components authorize an advance. Prepayments are recurrent transactions that do not provide financing as a precondition of performance.

8.1.2. Accounting activities must account for and segregate capitalized assets and expenses into separate line items. Record advances and prepayments paid out as assets. Record advances and prepayments received as liabilities.

8.1.3. A receivable is established when revenue is recognized, and payment has not been received in advance.

8.1.4. Amounts of advances and prepayments that are subject to refund (for example, a settled travel claim indicating the traveler owes part of the advance to the government) must be transferred to accounts receivable.

8.1.5. A quarterly review of dormant accounts is required for sound internal controls to increase each DoW Component's ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the appropriations are canceled. This increases mission readiness for the DoW.

8.2 Recoveries and Adjustments

Components must recover unneeded and unused balances as soon as information indicates they are excess to the original purposes. Unused advance and prepayment recoveries received the same year as the original obligation are recorded as recoupments. Collections are recoveries of unused advances and prepayments of prior-year obligations. Refer to the SFIS to decompose DoW USSGL accounting transactions for recoveries and adjustments.

8.3 Contract Financing Payments

The Government authorizes disbursements of monies to a contractor prior to the acceptance of supplies or services for contract financing payments in accordance with FAR 32.001. Contract financing payments include advance payments, performance-based payments, commercial advances, interim payments, progress payments based on cost, progress payments based on a percentage or stage of completion, and interim payments under a cost reimbursement contract. Contract financing payments are more fully discussed in Volume 10.

8.4 Grant Awards and Cooperative Agreements

DoW Components account for advance payments to award recipients (including amounts drawn against letters of credit) until the recipient has performed under the grant or agreement. Once the recipient has performed, the assisting agency must record an expense equal to the cost of the services performed or costs incurred and reduce the advance account by a like amount.

Periodically, the advances must be reconciled with the supporting transaction documentation. Refer to Volumes 10 and 12.

8.5 Advances to Foreign Countries

As authorized by 10 U.S.C. § 2396, DoW appropriations may be used to make advance payments to foreign countries. These advances can be used to comply with local laws and ministerial regulations of a foreign country, pay for rent, tuition, and public utilities, or provide funds to a friendly nation's military for their pay, allowances, and necessary supplies and services.

8.6 Advances in Military Pay

Military pay advances, which cover allowances for subsistence and housing, are authorized only to alleviate financial hardship for members who are mobilized, ordered to a distant station, or deployed on a ship for over 30 days. For complete details, refer to Volume 7.

8.7 Advances in Civilian Pay

Refer to Volume 8 for civilian personnel pay advances including foreign post assignment advances, advance payments to evacuees, newly hired employees, and employees relocating within the U.S. or its territories.

8.8 Advances as Imprest Funds

Imprest Funds are cash advances from a Disbursing Officer to a cashier, charged against a specific LOA. Although considered "Cash Held Outside of Treasury," they are treated as "entity cash" because they are tied to an entity's specific LOA.

8.9 Travel Advances

A commander- or supervisor-approved travel order must be issued before military members or civilian personnel travel unless an urgent or unusual situation prevents prior issuance. Do not authorize cash travel advances unless an exception is granted. Record the maximum advance amount authorized on the travel order. The traveler must not exceed the limit specified in the travel order. Personnel who are not eligible for a Government Travel Charge Card may obtain travel advances only via electronic funds transfer. The commander or supervisor, in coordination with the Disbursing Officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission. A DoW traveler must submit a travel claim voucher within five working days of return.

8.10 Inventory Bid Deposits

Bid deposits for inventory sales are recorded as advances. The advance account is relieved either by recording sales proceeds upon delivery to successful buyers or by refunding the deposit and canceling the sale.

9.0 LIABILITIES

A liability is a probable future outflow or sacrifice of resources stemming from past transactions or events. This includes amounts owed for received items or services, incurred expenses (like personnel costs), assets where title has transferred (even if in transit), ongoing shipbuilding costs, and cash received but not yet earned. Liabilities also encompass obligations that the Component incurs from grants, pensions, benefits, awards, and other forms of indebtedness.

9.1 Recognition Criteria

Pursuant to SFFAS 5, liability recognition begins by determining if the event is transaction-based (exchange or nonexchange) or other. Refer to the procedural guidance. Liabilities from government-related events are recognized when the resource outflow is probable and measurable. Contingent liabilities are either recorded/reported as liabilities or disclosed in footnotes, based on their probability and the capability to estimate resource outflow.

9.2 Reporting and Disclosures

As required by SFFAS 1, intragovernmental liabilities must be reported separately from those with nonfederal entities. Accounting events must be recorded in accordance with the DoW USSGL Transaction Library and reported in accordance with the regulations promulgated by the Treasury and the OMB. In line with OMB Circular A-136, liabilities are classified into three categories: covered by budgetary resources, not covered by budgetary resources, and not requiring budgetary resources. The Component must disclose any liabilities not covered by budgetary resources. Refer to Volume 6.

10.0 ACCOUNTS PAYABLE

10.1 Accounts Payable Recognition – General

DoW Components must recognize an accounts payable liability for unpaid goods upon accepting title, whether delivered or in transit. For commercially available goods, accounts payable generally arises upon physical delivery, receipt, and formal title transfer. However, for custom-built facilities or equipment, recognition occurs upon formal acceptance. Accounts payable must be accurately recorded and properly documented, with 48 CFR §§ 52.247.29 – 52.247.49 governing recording timing. If exact amounts are unavailable at quarter-end, Components must estimate the accounts payable. Economically justified discounts, whether contractual or on invoices, should be applied when recognizing accounts payable (refer to Volume 10 for details). Audit evidence of "receipt" must document the items/services, quantities, date received, and authorizing official's signature. This evidence must also include calculations or the basis for estimated accrued amounts. Sensitive information, such as Personally Identifiable Information or proprietary data, may be redacted or aggregated. Finally, robust internal controls for all transactions (intragovernmental, interfund, and public) must be developed, implemented, and validated. Receipt and acceptance of goods and services must be performed and documented solely by authorized personnel.

10.2 Accounts Payable Recognition – Estimating the Accrual

10.2.1. Estimate and record an accrual when definitive amounts or invoices are not available, but the requirements for recording an accounts payable liability exist. The Component must reverse the estimate and record a more definitive amount when more complete data becomes available.

10.2.2. Components must have effective controls in place to ensure that a payable is not duplicated when an invoice is subsequently received for the same procured goods or services.

10.2.3. Show the calculations and data used to compute the amounts in the supporting documents (or mechanized program(s) used for the accrual estimates). This documentation must also identify who prepared the estimate, the date prepared, and who received and reviewed/approved the estimate. Ensure that the documentation is of sufficient quality to allow an external auditor to understand and verify the basis, value, and rationale for the recorded amount. Maintain this documentation for auditors to validate that the review was performed and approved by management.

10.3 Accounts Payable Recognition – Quarterly Accruals

10.3.1. To assist in developing more accurate financial statements, at least quarterly, Components must accrue all procurements in which DoW has received a measurable benefit from, or ownership title to, but have not been documented due to the lack of a receiving report or invoice. If the Component cannot obtain all necessary information from the contracting representatives within the 21 days allowed for the preparation of quarterly financial statements, the Component must use the best available information to estimate the accrual.

10.3.2. Components must also accrue temporary duty (TDY) travel taken, not yet disbursed, or otherwise accounted for as an accounts payable liability at least quarterly. Additionally, Components must record an accounts payable liability for TDY travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. Record the accrued liability in the applicable accounting period, supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the liability amount.

10.3.3. Components must accrue Permanent Change of Station (PCS) travel taken, not yet disbursed, or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components must record an accounts payable liability for PCS travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. Accrue the liability in the applicable accounting period. Support the liability with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount.

10.3.4. Fixed-price construction contracts containing progress payment provisions based upon the percentage or stage of completion require special consideration when recording the accounts payable liability. The accounts payable accrual must include any amounts being withheld from the contractor pending acceptance and completion, or for other contract administration reasons, as per the terms of the contract. The contracting officer or their designee must maintain the supporting documentation and be prepared to provide it to DFAS or auditors to support the

accounts payable amount. The Component acquires an asset during each accounting period based on constructive or de facto receipt and thus must recognize/record an accounts payable during each accounting period to reflect the accumulation of that asset.

10.4 Accounts Payable Recognition – Availability of Funds

Components must not delay recognizing an accounts payable liability pending the availability of funds. The Components must disclose the accounts payable not covered by budgetary resources in the financial statement notes. (Refer to Volume 6). A potential violation of the ADA may exist if the payable amount exceeds the total availability of funds. Refer to Volume 14 for the financial management policy regarding an ADA violation.

10.5 Intragovernmental Purchases

10.5.1. Procuring a good or service from another DoW Component or Federal entity is an intragovernmental purchase under the TFM Chapter 4700. Payables due to Components or other Federal entities are intragovernmental payables and must be reported separately from payables due to public entities. Note that OMB Circular A-11 uses the term "intergovernmental" for transactions between or among accounts of Federal entities and that transactions with non-appropriated fund instrumentalities are reported as transactions with the public. The Treasury considers both interdepartmental and intradepartmental transactions to be subsets of intragovernmental transactions.

10.5.2. Components must record accounts payable liability for intragovernmental purchases in the appropriate accounting period to recognize the receipt of goods or services ordered regardless of the document used in placing the order (e.g., Forms 7600A and 7600B, MIPR, project order, or Reimbursable Work Order (RWO)). Components must ensure the liability is recorded during the accounting period that the benefit was received and not delayed pending receipt of a corresponding interagency billing or subsequent payment thereof. Documentation supporting the amount recorded must clearly show the basis (description of the good, quantity, and amount; for services, description of the service, labor hours, and amount) for the payable amount recorded (e.g., MIPR, project order, RWO, reciprocal agreement) and proof of receipt. The documentation must also be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts.

10.5.3. DoW Components must ensure an accounts payable liability is also recorded when the goods are received, or the buying DoW Component has gained title to an asset.

10.6 Late Payment Interest

Components must record in accounts payable an amount for prompt payment interest and other penalties incurred on late payments as required under terms of the non-federal contract. Refer to Volume 10 for the policy on late payment interest and penalties.

10.7 Refunds Due

DoW Components must record an accounts payable liability to reflect the refunds due but not paid at the end of the reporting period, when applicable.

10.8 Monetary Credits

10.8.1. If the DoW entity exercises this authority, it must also record an accounts payable liability during the period the benefit from the property or services is received. When monetary credits are used for exchange transactions, the DoW entity must record an accounts payable liability equal to the value of the monetary credit.

10.8.2. Specific statutes authorize DoW entities to issue monetary credits as compensation for property or services received from non-federal entities. These monetary credits give the seller the agreed-upon value of the acquired property or received service. The credit holder may apply them later to reduce an amount owed (by the holder) in other, sometimes unrelated, transactions with the government.

10.8.3. Components must ensure the documentation supporting the accounts payable entry specifically identifies the property or services received, the date received, the name and signature of the DoW receiving official, and includes the bilateral agreement between the non-federal entity and designated DoW representative establishing the agreed-upon value. Components must also ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

10.9 Closed Appropriations

When an appropriation account is closed, any remaining balance in the account must be canceled and unavailable for obligation or expenditure for any purpose. However, legitimately incurred obligations that have not been paid at the time an appropriation is canceled must be reinstated to canceled payables and paid out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account.

10.10 Liquidating Accounts Payable

Accounts payable recorded when a particular good or service is received must be liquidated when the liability created by the payable is settled.

10.11 Reviewing Accounts Payable Balances

10.11.1. The accounting office must review and reconcile all accounts payable balances to the transaction detail level in supporting accounting systems each quarter.

10.11.2. The accounts payable recorded for acceptable final performance on a contract or order must remain in the account until liquidated through proper payment, or until receipt of contractual or legal documents that remove the remaining liability. Continued non-receipt of an invoice on firm-fixed-price contracts may extinguish the contractor's right to payment and relieve

DoW's obligation to pay for the un-invoiced goods or services. Components must ensure the accounts payable amounts written off contain sufficient documentation to allow an independent third party, such as an external auditor, to verify the basis, value, and rationale for the write-off. Refer to Volume 3 for a policy associated with dormant commitments and unliquidated obligations eligible for closeout on physically complete contracts.

10.11.3. The accounting office must investigate accounts payable debit balances over $100. These debit (abnormal) balances may result from any number of circumstances (e.g., duplicate payments and unrecorded accounts payable). Components must fully document subsequent adjustments to correct the abnormal balance. This documentation must be available for review by the independent auditors if necessary. If the investigation of a debit balance discloses an overpayment or under-recouped funds related to a contract or vendor payment, the accounting office must coordinate with the responsible entitlement and disbursing offices to pursue collection or recoupment. Refer to Volume 10 for additional details.

10.11.4. If the accounting office cannot match a performance report or invoice with a corresponding obligation, a breakdown of fund control processes and a material weakness in internal controls may exist. If posting a transaction to accounts payable does not disclose a corresponding obligation, this may be evidence that either a contract has not been awarded or a posting error has occurred.

10.11.5. These transactions are defined as, and based on the USSGL Crosswalk, map to the accounts payable line of the balance sheet. Refer to Volume 3 for disbursements in-transit policy.

10.12 Accounts Payable Document Retention

All documentation in support of accounts payable entries and adjustments must be readily available for review by auditors, management, and other DoW Component financial management personnel. The documentation retention policy is contained in the DoW Component records retention office.

11.0 PERSONNEL RELATED LIABILITIES

11.1 Accounting Policy

In accounting for personnel-related liabilities, adhere to established standards by updating entries based on current pay adjustments, leave balances, benefit levels, and changes in benefit rules. Available budgetary resources do not limit accrued personnel-related amounts. DoW Components must calculate imputed costs based on the annual Office of Personnel Management (OPM) Benefits Administration Letter for the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Federal Employees Health Benefits Program, and Federal Employee Group Life Insurance Program. Refer to Volume 6 for required financial statement disclosure guidance.

11.2 Accounting for Personnel Entitlements

11.2.1. Accrue the DoW military and civilian employees' cost of services, including overtime, when a pay period does not coincide with the end of an accounting period.

11.2.2. Record probable and estimable annuities, adjudicated claims, and benefit payments as of the end of the applicable accounting period.

11.2.3. Accrue bonuses and awards, if material, in the accounting period earned. Components assess the materiality threshold.

11.2.4. When DoW employees accrue paid leave, Components incur an expense and a liability for the salary payable when the leave is taken.

11.2.5. Accrue all unused annual leave (including restored leave, compensatory time, and credit hours earned) and associated fringe benefit costs. For financial statement purposes, reflect all pay increases and unused leave balances at least quarterly. Unused annual leave in GF is typically unfunded until used, but must be funded in WCFs.

11.2.6. Personnel should not accrue sick leave, home leave, or compensatory time for travel, as the DoW does not reimburse unused balances. These entitlements are expensed as taken.

11.2.7. Accrue Social Security, retirement funds, Thrift Savings Plan (TSP), and group health and life insurance programs in the same manner as gross compensation (refer to Volume 8).

11.2.8. Accrue other benefits such as relocation-related real estate costs and personnel allowances in the period earned.

11.2.9. Accrue payments to the OPM for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

11.2.10. Accrue recruitment and relocation bonuses and retention allowances in the period earned.

11.3 Pensions

11.3.1. Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. Three defined benefit retirement plans: CSRS, FERS, and Military Retirement System (MRS) cover DoW civilian and military employees.

11.3.2. Recognize the pension liability when the employee's services are rendered and report the liability in the Components' financial statements.

11.3.3. Defined contribution plans (e.g., TSP) do not create pension liabilities.

11.3.4. Components recognize a pension expense equaling the employee service cost for the applicable accounting period, less employee contributions, if any, for DoW Civilian pension plans (CSRS and FERS).

11.3.5. Calculate the pension expense and liability using actuarial estimates for MRS. Refer to Volume 12 for more information.

11.3.6. Maintain official communication between OPM and the DoW Office of the Actuary to support pension expense and any related liability.

11.4 Other Retirement Benefits

11.4.1. An employer provides Other Retirement Benefits (ORB) outside the pension plan to a former employee or the employee's beneficiary upon retirement. ORB includes all retirement benefits other than pension plan benefits, such as retirement health care benefits.

11.4.2. Recognize the ORB liability when the employee's services are rendered. Report the liability in the Components' financial statements.

11.4.3. Account for and report the ORB expense, such as medical costs for retirees, in the Component financial reports in a manner similar to that used for pensions.

11.5 Other Postemployment Benefits

11.5.1. Components provide Other Postemployment Benefits (OPEB) to former or inactive employees (e.g., temporarily laid off or disabled), their beneficiaries, and covered dependents, outside of traditional pension or ORB plans. These benefits can include salary continuation, severance, counseling, training, continued healthcare/other benefits, unemployment compensation, workers' compensation, and veterans' disability compensation paid by the employer entity.

11.5.2. For OPEB, such as those under the Federal Employees' Compensation Act (FECA), recognize expense and liability when a future outflow or other sacrifice of resources is probable and measurable based on events occurring on or before the reporting date.

11.5.3. FECA provides workers' compensation benefits to federal employees injured in the performance of duty. Workers' compensation benefits include wage-loss benefits for total or partial disability, monetary benefits for permanent loss or loss of use of a body part, medical benefits, and vocational rehabilitation. Agencies' direct reimbursements finance the FECA program.

11.5.4. The FECA fund pays benefits on behalf of Federal entities as costs are incurred and bills the entity annually for the previous period. Include annual budget estimates for the fiscal year beginning in the next calendar year equal to the costs (approximately 15 months) for the appropriation-funded agencies.

11.5.5. The Department of Labor sends each agency the actuarial liability estimates for future workers' compensation benefit amounts for both the current and prior years. The current amount is the new balance in the Actuarial FECA Liability.

11.5.6. The Actuarial FECA Liability entry must be supported by specific documentation.

11.6 Auditability and Internal Procedures

Each Component must develop and implement internal operating procedures to ensure complete, consistent, timely, accurate, valid, and relevant financial data. The Component must also maintain appropriate supporting records to provide an appropriate footnote disclosure in the financial statements if personnel-related liabilities are unfunded. Components must disclose according to Volume 6.

12.0 COMPONENT DEBT

Debt incurred by DoW Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the DoW's mission, including mortgage agreements accepted pursuant to the Family Housing Program (FHP) and the Homeowners Assistance Fund (HAF).

12.1 Loans and Loan Guarantees

The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed. The accounting policy for loans and loan guarantees is provided in Volume 12.

12.2 Housing Program Debt

12.2.1. Family Housing Program. The Defense FHP offers housing referral services to military and civilian families, which include managing private rentals for overseas personnel, leasing private housing, and guaranteeing rental, mortgage, and mortgage insurance payments on privately owned homes.

12.2.2. Homeowners Assistance Fund. Under 42 U.S.C. § 3374, the SecWar can aid owners of one- or two-family dwellings near military installations slated for closure, in part or whole. This assistance may involve acquiring negotiated title to their properties from the owners. This statute establishes the HAF, which receives its funding through annual Congressional appropriations. DoDD 4165.50E outlines the overall policy for the HAP. Detailed guidance on HAP benefits, domestic and foreign, is provided in regulations published by the Secretary of the Army (as the DoW Executive Agent for HAP) and codified in 32 CFR Part 239.

12.3 Accounting Policy for Debt Associated with Housing Programs

The liability for amounts owed on housing acquired under FHP and HAP programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the

properties, or (2) the mortgages assumed when title passes to the DoW. Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

13.0 OTHER LIABILITIES

Components report these liabilities on the Balance Sheet as "other liabilities" as they are often immaterial and therefore do not warrant separate reporting. See Volume 6 for financial reporting requirements for other liabilities. Each Component must develop and implement internal operating procedures to implement this overarching policy in a manner that ensures accurate, complete, and relevant financial data.

13.1 Unearned Revenue

13.1.1. Advances and Prepayments

Advances and prepayments are amounts received in advance for goods and services that will be delivered at a future date. When advance fees or payments are received by DoW Components, such as for large-scale, long-term projects, revenue should not be recognized until the goods and services are provided (regardless of whether the fee or payment is refundable. Liability for advances and prepayments includes advances received that are transfers of assets from the public and other federal entities to cover future expenses or the acquisition of other assets. The DoW Components receiving an advance or prepayment must record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met). After the payment is earned (performance has occurred), the DoW Components must record the appropriate amount as revenue and reduce advances and prepayments liability accordingly.

13.1.2. The two major activities for which DoW receives advances are as follows:

13.1.2.1. Reimbursable Activities. DoW provides services to other federal agencies and to the public on a reimbursable basis. When a non-federal customer enters into a reimbursable agreement with DoW, the customer is required to pay for services in advance unless exempted by law. Generally, non-DoW entities are required to pay in advance.

13.1.2.2. DWCF Activities. The appropriation language for DoW's DWCF permits the fund to receive advances for supplies and services. Therefore, the DWCF business entities may be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation.

13.2 Nonfiduciary Deposit Funds

13.2.1. Deposit funds are, in general, monies that do not belong to the Federal Government. Nonfiduciary deposit funds are deposit funds that do not meet the definition and characteristics of fiduciary activities in SFFAS 31. While awaiting disposition, nonfiduciary deposit funds are reported separately on the entity's financial statements.

13.2.2. Deposit funds must be recorded as a liability because those assets do not belong to the Federal Government. The liability includes, but is not limited to, currency and coin on hand, cash on deposit at designated depositories (excluding Disbursing Officer held cash), negotiable instruments on hand, military payment certificates, and unsupported undistributed collections. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government.

13.2.3. See TFM Volume I for more details on deposit fund accounts and the Treasury's FAST Book for a full list of DoW deposit accounts.

13.3 Clearing Accounts

Clearing accounts represent amounts known to belong to the Federal Government but held temporarily in this account until additional information is collected for the disposition or reclassification of these amounts. Clearing accounts may be used to record unmatched transactions from the public when there is a reasonable presumption that the amounts belong to a Federal Government account other than miscellaneous receipts in the Treasury or to record unmatched transactions between Federal agencies, including IPAC transactions.

13.4 Contingent Liabilities

A contingent liability must be recognized in financial reports if a past event (e.g., contract breach) makes a probable and measurable future resource outflow. This applies when a legal claim is likely to be settled in the claimant's favor, and a settlement amount can be estimated. If a specific amount within a range is the best estimate, that amount is recognized; otherwise, the minimum amount in the range is recognized, with the nature and range of the contingency disclosed. If these recognition conditions aren't met, but a loss is at least reasonably possible, the contingent liability should be disclosed in the financial statement notes.

13.5 Legal contingencies

13.5.1. Legal contingencies arise from litigation, claims, and assessments. It is the Component management's responsibility, with legal counsel's advice, to assess the likelihood of adverse outcomes for legal cases and decide whether to recognize them as liabilities and to disclose them in the notes to the financial statements.

13.5.2. In accordance with SFFAS 5 and SFFAS 12, the only available categories to assess contingent losses based on the likelihood of the loss are Probable, Reasonably Possible, and Remote. When legal counsel cannot indicate whether the unfavorable outcome is probable or remote (e.g., unable to express an opinion), the Component should categorize the outcome as Reasonably Possible and disclose the notes to the financial statements.

13.6 Contract Progress Payments

When a DoW contractor requests a progress payment, a measurable liability is created for the DoW. Progress payment requests expected to be paid within one year are recorded as

"Accounts Payable." The estimated amount of costs incurred by the contractor expected to remain unpaid for over a year until asset delivery is recorded as "Other Liabilities."

14.0 ENVIRONMENTAL AND DISPOSAL LIABILITIES

14.1 Recognize Environmental and Disposal Liabilities

The Component must recognize environmental and disposal liabilities on the financial statements as a result of past transactions or events when the future outflows or expenditures of resources for environmental cleanup, closure, and/or disposal actions are probable and can be reasonably estimated.

14.2 Liability And Expense Recognition

The liability and expense should be recognized when both (1) Congress has appropriated or authorized resources, and (2) an exchange occurs (contractor performs repairs), or nonexchange amounts are unpaid as of the reporting date (direct payments to disaster victims), whichever applies, in accordance with SFFAS 5.

14.3 Liabilities for Environmental Cleanup

Refer to SFFAS 5 to address liabilities for environmental cleanup resulting from an accident, natural disaster, or other one-time occurrence. Refer to SFFAS 6 for the standards related to the timing of recognition of environmental and disposal liabilities and related inter-period operating expenses. Disclosure of the total estimated cost is required

14.4 Cleanup Costs

Cleanup costs associated with government-acknowledged events (such as toxic waste damage caused by nonfederal entities and natural disasters) do not meet the definition of a “liability” until, and to the extent that, the government formally acknowledges financial responsibility for the cost from the event and an exchange or nonexchange transaction has occurred.

14.5 Estimating Cleanup Cost

Cleanup costs must be estimated when the associated Property, Plant, and Equipment (PP&E) is placed in service. The estimate must be referred to as the “estimated total cleanup cost. As the Component pays cleanup costs, it must recognize the payments as a reduction in the liability for cleanup costs. These include the cost of PP&E or other assets acquired for use in cleanup activities. Refer to SFFAS 6 to recognize the total cleanup cost for Stewardship PP&E and general PP&E. The estimated environmental and disposal liabilities associated with the total cleanup cost for Stewardship PP&E must be consistent with the treatment of the acquisition cost of Stewardship PP&E (i.e., expensing in the period placed in service). Refer to SFFAS 6 for the estimated environmental and disposal liabilities associated with PP&E placed in service after September 30, 1997. Refer to SFFAS 5 to recognize the liability for the estimated cleanup cost if the environmental and disposal liability is not associated with an asset having a useful life. No

amounts may be recognized as expense in the period of implementation. The amounts involved must be disclosed and, to the extent possible, the amount associated with current and prior periods should be noted. The offsetting charge for any liability for asbestos-related cleanup costs related to general PP&E in service at the date of implementation must be made to the net position of the entity. The amount of the adjustment must be shown as a "change in accounting principle" in any statement of changes in net position that may be required.

14.5.1. Estimates must be evaluated and revised periodically (at least annually) to account for material changes due to inflation or deflation and changes in regulations, plans, and/or technology.

14.5.2. For asbestos (both friable and non-friable) related environmental and disposal liabilities associated with PP&E, the initial date of the standard implementation is the effective date for the systematic liability recognition. Asbestos-related environmental and disposal liabilities associated with PP&E placed in service after September 30, 2012, must be systematically recognized over the remaining useful life of the PP&E.

14.5.3. Environmental and disposal liabilities that are unique in nature have different recognition criteria.

14.5.3.1. An environmental and disposal liability for military range cleanup, including unexploded ordnance, arises only after a formal decision to close the range or if hazardous waste migrates off-range. This guidance is based on the Environmental Protection Agency's (EPA) conditional exemption (40 CFR 266.202), which excludes military munitions used for their intended purpose—such as training military personnel or explosives and munitions emergency response specialists, research and development (R&D), and on-range destruction during clearance—from the definition of solid waste. However, this exemption does not cover on-range disposal or burial of munitions and contaminants that are not a result of product use.

14.5.3.2. Environmental and disposal liabilities for conventional munitions are recognized for the total estimated disposal cost when they are determined to be excess or obsolete as of the financial reporting date. As consumable inventory, a liability for conventional munitions only arises when they become excess or obsolete, requiring special disposal actions. Obsolescence occurs when munitions are no longer needed due to changes in technology, laws, or operations. The determination of excess or obsolete status must be supported by documentation of management's decision to permanently remove the asset from service and terminate its use.

14.5.3.3. Environmental and disposal liabilities for both stockpile and non-stockpile chemical agents and munitions, including those that are buried, must be recognized when the probable and reasonably estimable criteria have been met with TR2. Under 50 U.S.C. § 1521, the DoW is required to dispose of all chemical weapons and materiel, which includes the existing stockpile as well as non-stockpile items like binary chemical weapons, miscellaneous chemical warfare materiel, recovered chemical weapons, and former production facilities. Proper action is also necessary to mitigate the risks to human health and the environment from buried chemical agents and munitions.

14.5.3.4. When an entity permanently removes an asset from service, it must recognize the full environmental cleanup cost liability for its disposal, closure, or shutdown. If the removal is not permanent, or if there is no documented decision to permanently remove an asset from service, the full liability for cleanup costs associated with PP&E is not recorded, and the liability and associated cleanup costs continue to accumulate.

14.5.3.5. Overseas environmental and disposal liabilities, which are cleanup, closure, and/or disposal costs from operating overseas installations, are governed by DoDI 4715.08 and international agreements (per DoDD 5530.3). Considered "Government Related Events" under SFFAS 5, these liabilities are recognized when the event creating them occurs. The specific requirements for recognition are based on applicable SFFAS standards, DoW Issuances (like DoDI 4715.05), and international agreements.

14.5.3.6. When estimating the disposal cost of assets containing hazardous waste, stakeholders may recognize non-environmental costs that are considered immaterial to the total cost of removing or disposing of the asset(s) as an environmental and disposal liability.

14.5.3.7. Both friable and non-friable asbestos-related cleanup, closure, and/or disposal costs must be estimated in accordance with TB 2006-1**,** as amended by TB 2011-2. Asbestos-related cleanup, closure, and/or disposal costs are the expenses associated with removing, containing, or disposing of asbestos-containing materials from property or the materials themselves. These costs are incurred during the permanent or temporary closure or shutdown of associated PP&E, typically when cleanup is deferred until the end of an asset's useful life or performed at regular intervals.

14.5.4. When multiple reporting entities are involved with general PP&E and its cleanup, accounting responsibility is clearly defined. Federal Accounting Standards Advisory Board (FASAB) Interpretation 9 clarifies that during the asset's useful life, the entity that owns the asset must recognize inter-period operating costs and accrue the cleanup liability within the financial statements. At the time of transfer, the asset and its associated liability are derecognized by the original owner and recognized by the entity designated responsible for cleanup.

14.5.5. Changes in environmental and disposal liability cost estimates are recognized as current period expenses, with corresponding liability adjustments. Current period cleanup costs are also expensed and accrued as an environmental and disposal liability. Material error corrections from prior period operations require a prior period adjustment, restating comparative financial statements, and are reflected in the Statement of Changes in Net Position without current period expense recognition. Such adjustments, including those for estimated liabilities, arise from mistakes or misuse of facts that materially misstate financial statements. Disclosures must include involved amounts, noting current and prior period allocations where possible. Immaterial adjustments are recognized as current period events.

14.5.6. The risk of material misstatement of accounting estimates normally varies with the complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions made, and the degree of uncertainty associated with those assumptions.

14.6 Environmental and Disposal Liability Estimates

14.6.1. Environmental and disposal liabilities are generally developed based on accounting estimates, because the extent of the environmental cleanup, closure, and/or disposal costs cannot be determined until completing cleanup/disposal operations. The accounting estimates are subject to Statement on Auditing Standards No 122/AU-C Section 540. Organizations that prepare accounting estimates must retain adequate documentation of quality review, estimator and reviewer qualifications, data sources, estimating methodologies, substantiation including the cost models, and internal control procedures.

14.6.2. The environmental cleanup, closure, and/or disposal costs that are probable and reasonably estimable must be estimated based on site-specific information using engineering estimates, comparison with similar sites, contaminants, equipment, parametric methodologies, or cost models validated in accordance with DoDI 5000.61. Once the DoW Component generates a cost estimate, the liability must be recognized and any uncertainty disclosed in the notes to the financial statements.

14.6.2.1. A cost estimate produced from a site-specific study is generally more reliable because it is based directly on environmental conditions at the site. However, understanding that DoW Components often include multiple sites on an individual contract, supporting documentation required to justify individual unpaid obligation transaction-level details does not need to be at the site level.

14.6.2.2. If a site-specific study is not available, the Component must assess if the site is similar to others where remediation has been completed, or a comprehensive study exists. If there is no investigation or comparable site data, costs are not considered reasonably estimable. In this case, the DoW Component should recognize the anticipated costs of future studies as an environmental and disposal liability until a site-specific study is completed.

14.6.2.3. If an acceptable cleanup technology is not available to address the site, then the Component must recognize the estimate to contain the hazardous waste and other relevant costs, such as the costs for future studies, as an environmental and disposal liability. The Component must also disclose the range of uncertainty in the notes to the financial statement.

14.6.2.4. When using cost models for environmental and disposal liability estimates, Components must accumulate relevant and reliable data, ensure estimates are prepared by qualified personnel and reviewed/approved by the appropriate authorities, and sustain the model's use by regularly compiling documentation to support cost factors (at least annually). This documentation must be available for audit. Decisions to update cost factors should be based on the impact of new information. Components must also compile documentation supporting the reasonableness of cost factors used by estimation software, obtain assurance from the service provider that the software has been validated, and compare prior estimates with actual results to assess the reliability of both the estimation process and the reasonableness of estimates developed.

14.6.3. Environmental and disposal liability estimates must be developed to include all event-driven environmental liability sites in the current asset/site universe and must include all

asset-driven cleanup, closure, and/or disposal costs. Environmental and disposal liability estimates must be comprehensive, encompassing a wide range of potential costs. These include the compensation and benefits for government personnel directly involved, the cost of employing external contractors and consultants, and direct disposal costs such as demilitarization, material handling, and transportation. Estimates must also cover the costs of any dedicated facilities, machinery, and equipment, along with their associated operating and maintenance expenses, and any R&D for alternative remediation technologies. Furthermore, the calculation must include payments to regulatory agencies, permits and licenses, planning and design efforts, and costs to restore landscaping damaged by remediation. For the Defense Environmental Restoration Program, which is a statutorily defined program, associated program management costs must be included in the liability. These costs, which cannot be attributed to individual sites, are to be reported as rolled-up cost-to-complete estimates at the program level, covering the Future Years Defense Program (FYDP) and beyond; post-FYDP costs are estimated by applying the average percentage of program management costs from the FYDP to the remaining site-level requirements. All of these various cost estimates must be supported with appropriate documentation. Refer to DoDM 4715.20.

14.6.4. Environmental and disposal liability estimates must be reviewed annually and revised when there is evidence that significant changes in the cost measurement have occurred, such as changes in scope, ownership, regulation, or technology. The Component must retain contracts and invoices supporting the transaction-level details for combined multiple sites to support future audit requirements.

14.6.5. A portion of estimated total cleanup costs must be recognized as an expense during each period the PP&E is in operation. This must be accomplished systematically and rationally based on use of the physical capacity of the associated PP&E, whenever possible. If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for systematic and rational recognition of expense and accumulation of the liability.

14.6.6. Components must establish and maintain a complete and current universe of environmental and disposal liabilities.

14.6.7. After an initial baseline has been established, DoW Components must maintain site universes.

14.6.8. Components must establish and maintain environmental and disposal liability universe baselines for event-driven and asset-driven environmental and disposal liabilities:

14.6.8.1. Event-driven environmental and disposal liabilities. Components define the history, timeline, and activities employed in the environmental surveys to demonstrate that a due care approach was taken, in accordance with TR 2, to establish an initial baseline using current factors (e.g., technology, cost, and the regulatory environment. Documentation must be readily available to support the baseline, allowing auditors to verify the completeness of established cleanup site universes.

14.6.8.2. Asset-driven environmental and disposal liabilities. Refer to SFFAS 6. If an environmental and disposal liability applies to only a subset of the PP&E asset universe,

Components must first review the entire universe and justify excluding non-applicable subcategories.

14.6.9. DoW Components must identify and account for environmental and disposal liabilities that are non-routine at the time of equipment disposal, in accordance with TR 11.

14.7 Environmental and Disposal Liability Disclosures

14.7.1. Financial statement disclosures provide pertinent information in notes or narratives about the amounts reported on the face of the financial statements. Refer to Volume 6. Disclosure requirements for liabilities, including environmental and disposal liabilities, differ depending on the underlying event and the probability and measurability (reasonably estimable) of loss. Key determinants of probable are the likelihood of contamination, whether the contamination is government-related, whether the government is legally liable or the government acknowledges the financial responsibility, and whether remediation technology exists. The classifications of likelihood are probable, reasonably possible, and remote.

14.7.2. Environmental and disposal liabilities meeting the criteria in TR 2 for “probable” and “reasonably estimable” must be recognized on the Balance Sheet. The recognition of environmental and disposal liabilities requires disclosure.

14.7.3. Environmental and disposal liabilities that don't meet the “probable” and "reasonably estimable" criteria for recognition, but for which there's a reasonable possibility of loss, are considered contingent liabilities.

14.7.4. DoW Components must disclose Intragovernmental Liabilities Not Covered by Budgetary Resources separately from Liabilities Covered by Budgetary Resources in accordance with Volume 6. Liabilities Covered by Budgetary Resources are liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include new budget authority, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, spending authority from offsetting collections (credited to an appropriation or fund account); and recoveries of unexpired budget authority through downward adjustments of prior year obligations.

14.7.4.1. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that OMB may apportion the resources without further action by the Congress and without a contingency having to be met first.

14.7.4.2. Liabilities Not Covered by Budgetary Resources include liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity.

14.7.5. DoW reports environmental litigation liabilities separately from other environmental and disposal liabilities in the notes to the financial statements. DoW Components must report estimates of certified third-party damage claims that are probable or reasonably possible.

14.7.6. Documentation to support the environmental and disposal liability recognition and disclosures, including management reviews, must be retained for the life of the liability. Once the liability has been eliminated, the documentation must be retained according to applicable retention and disposal instructions in their DoW Component records retention requirements.

14.8 Accounting Procedures for Recording Environmental and Disposal Liabilities

Refer to the SFIS and Volume 1 for the requirements for Standard Line of Accounting (SLOA)/Accounting Classification compliance for DoW business systems to meet statutory requirements and additional requirements implemented by the OMB and the Treasury. Environmental and disposal liabilities reported in the financial statements must reflect the liability as of the Balance Sheet date (i.e., as of September 30, or as of June 30), not an earlier date. Thus, when the annual evaluation of the environmental and disposal liabilities is performed as of a date earlier than September 30, DoW Components must develop, document, and execute a process for performing roll forward procedures. These procedures are to determine if any changes that meet the "probable" and "reasonably estimable" criteria occurring during the roll forward period have a significant impact on the estimates to be reported as of September 30.

14.8.1. Roll Forward Procedures: Environmental and disposal liabilities reported in the financial statements must reflect the liability as of the Balance Sheet date (i.e., as of September 30, or as of June 30), not an earlier date. Thus, when the annual evaluation of the environmental and disposal liabilities is performed as of a date earlier than September 30, DoD Components must develop, document, and execute a process for performing roll forward procedures. Refer to the Supplemental for more information on roll forward procedures.

14.8.2. Refer to the Supplemental for more information.

14.8.3. Quantitative Determination of Significant Amounts in the Roll Forward Period.

15.0 PAYMENT INTEGRITY

The DoW Payment Integrity portfolio comprises separate Payment Integrity programs that report improper payment and unknown payment risk assessments or statistical estimates. These programs include disbursements related to pay and benefits, commercial goods and services, health care, military retirement, and travel, which collectively encompass the majority of payments made by DoW annually in accordance with the Payment Integrity Information Act of 2019 (PIIA). Refer to the Federal Government PaymentAccuracy.gov website for a complete listing of DoW Payment Integrity programs. PIIA repealed the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. The requirements for compliance with PIIA are described in the OMB Circular A-123, Appendix C, and OMB Circular A-136, or their successor publications.

15.1 Program Payment Integrity Activities by Phase

15.1.1. The Component categorizes programs with annual outlays exceeding $10 million as either Phase 1 or Phase 2. A program is designated as Phase 1 if its combined total of improper and unknown payments is unlikely to surpass the statutory threshold. This threshold is defined as either 1) payments exceeding both 1.5% of program outlays and $10 million annually, or 2) payments exceeding $100 million, irrespective of the improper payment percentage.

15.1.2. Phase 1 Payment Integrity Activities Performed by the DoW Components. PIIA requires that federal agencies assess all programs with annual outlays greater than $10,000,000 for IP risk at least once every three years. The purpose of an improper payment (IP) risk assessment is to adequately conclude whether the program is likely to make total annual IPs plus unknown payments (UP) above or below the statutory threshold and thus may be susceptible to significant improper payments for the given year. The results of the IP risk assessment help identify weaknesses in internal controls that, if strengthened, could prevent future IPs and UPs from occurring. Establishing and maintaining effective internal controls, including an internal control system that prevents IPs and UPs from being made and promptly detects and recovers any IPs that are determined to be recoverable, should be a priority.

15.1.3. Phase 2 Payment Integrity Activities Performed by the DoW Components. If a program's risk assessment determines that its annual improper and unknown payments are likely to exceed the statutory threshold, it enters 'Phase 2'. In the following fiscal year, the program must report statistically valid estimates for both improper and unknown payments to reflect the total annual amount for the program.

15.1.3.1. Programs reporting IPs for the first time must produce a Sampling and Estimation Methodology Plan (S&EMP). A program’s S&EMP should have a mechanism for identifying, accounting for, and estimating the annual IPs and the annual UPs separately. Once a program has submitted a S&EMP to OMB, the program does not need to resubmit a S&EMP unless an update to the plan is warranted (i.e., if the program is impacted by any significant legislative, funding, structural, or guidance changes).

15.1.3.2. Programs must perform an adequate reconciliation of any population, such as the disbursement systems used in the creation of the S&EMP. The reconciliation process should be documented in the S&EMP.

15.1.3.3. If a program is in Phase 2, has established a baseline, and reports an IP and UP estimate that is below the statutory threshold, it will automatically move back into Phase 1 the following FY unless the OIG of DoW issued a noncompliance finding for the program in the previous year and that the finding demonstrated that the program IP and UPs estimate was inaccurate and inappropriate given the program characteristics.

15.1.4. Components must sample, conduct post-payment reviews, estimate the amount of improper payments and unknown payments using statistically valid sampling methodologies, and report improper payments and unknown payments to the OUSW(C) for reporting in the consolidated Agency Financial Report (AFR) and the annual OMB Payment Integrity data call.

15.2 Compliance With PIIA Requirements

The OIG DoW, on an annual basis, will evaluate the Department's compliance with the requirements under PIIA. The Department is not considered compliant under PIIA if one or more of its programs are found non-compliant with one or more PIIA requirements. If the OIG DoW determines that a program is non-compliant for any requirement, then the final OIG report must provide concrete recommendations to the program or DoW Component with specific actions the program must take to achieve compliance with the requirement. DoW Intelligence Agencies that have a standalone PIIA Compliance audit conducted by their own Inspector General are excluded from incorporation into the Department's overall PIIA portfolio that is reported publicly, OUSW(C), FMPR Payment Integrity team maintains executive oversight and the DoW Intelligence Agencies must follow the Office of the Director of National Intelligence, National Intelligence Program, PIIA guidelines and reporting requirements. Classified payments are excluded from public reporting. The PIIA requirements are:

15.2.1. Publish a Payment Integrity section in the Other Information section of the consolidated DoW AFR for the most recent fiscal year and post the consolidated AFR and any accompanying materials required by OMB. DoW Components are not required to include payment integrity information in their individual AFRs. DoW Components must include the following statement under the Payment Integrity section in their individual AFRs: "DoW reports payment integrity information (i.e., improper payments) at the agency-wide level in the consolidated DoW Agency Financial Report.

15.2.2. Conduct a program-specific risk assessment for each DoW program or activity and adequately conclude whether the program is likely to make IPs plus UPs above or below the statutory threshold.

15.2.3. Publish IP and UP estimates for programs susceptible to significant improper and unknown payments in the accompanying materials to the consolidated DoW AFR.

15.2.4. Publish corrective action plans (CAPs) for each program susceptible to significant improper and unknown payments for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

15.2.5. Publish a reduction target for each DoW program that has reported IP and UP estimates above the statutory threshold, demonstrated improvements to payment integrity or reached a tolerable improper payment or unknown payment rate, and develop a plan to meet the established reduction target.

15.2.6. Report an IP and UP estimate of less than 10 percent for each DoW program and activity for which an IP and UP estimate was published in the accompanying materials to the annual financial statement.

15.3 OUSW(C) Roles and Responsibilities

15.3.1. FMPR Directorate Role

The DCFO Financial Management Policy Reporting (FMPR) Directorate manages the DoW Payment Integrity portfolio. The FMPR Directorate provides oversight to the DoW Components to ensure compliance with the authoritative guidance on Payment Integrity. Additionally, FMPR must be notified by the audit agency of any stand-alone audits regarding Payment Integrity.

15.3.2. The FMPR Directorate holds a wide range of responsibilities related to Payment Integrity within the DoW. The Directorate must interpret and guide DoW Components to ensure compliance with authoritative regulations. The FMPR Directorate also coordinates efforts to reduce monetary loss, compiling and submitting quarterly reports to OMB for any high-priority programs that project over $100 million in improper payments. A key part of their role is to establish and report baselines for payment integrity, then work with DoW Components to set reduction targets and develop plans to meet them. They are responsible for reviewing and consolidating all payment integrity data from the Components, reporting the final results in the consolidated DoW AFR and to OMB through the Annual Data Call. Furthermore, the FMPR Directorate prepares and submits all DoW-wide reports on Payment Integrity and serves as the primary liaison for annual OIG DoW and Government GAO audits, ensuring timely information transmission and implementation of auditor recommendations. They also provide administrative and technical support to the DoW PIIA Senior Accountable Officials Steering Committee, which oversees the Payment Integrity program. Finally, the FMPR Directorate is responsible for keeping the Payment Integrity policy within the DoW Financial Management Regulation current and for retaining all documentation submitted by DoW Components, in accordance with official financial records retention policies. For additional information on FMPR retention requirements, refer to OSW Records Disposition Schedules.

15.4 DoW Component Roles/Responsibilities

15.4.1. The DoW Components ensure that their payments are valid, accurate, and complete. Additionally, the DoW Components ensure that their payments are subjected to post-payment reviews that align with the Department's Payment Integrity lines of effort.

15.4.2. For each DoW program under Phase 1, conduct a program-specific risk assessment to determine if the DoW program or activity is susceptible to significant improper payments.

15.4.3. For each DoW program under Phase 2 that has been determined to be susceptible to significant improper payments, develop a statistically valid S&EMP. In addition, implement the S&EMP to produce statistically valid improper payment and unknown payment estimates for all DoW programs and activities determined to be susceptible to significant improper payments. Report annual results of improper payments and unknown payments to OUSW(C), FMPR, for adjudication, consolidation, and reporting in the Payment Integrity section of the consolidated DoW AFR and to OMB through their Annual Data Call.

15.4.4. For programs or activities determined to be susceptible to significant improper payments and unknown payments above the statutory threshold designated by OMB, identify the root causes of improper payments and unknown payments and develop cost-effective CAPs that eliminate the root causes of improper payments and unknown payments and prevent and reduce improper payments and unknown payments. Submit results on a quarterly basis to OUSW(C), FMPR, for consolidation and reporting in accordance with OMB for high-priority programs. High-priority programs must provide quarterly Payment Integrity Scorecard reporting on PaymentAccuracy.gov.

15.4.5. Implement a cost-effective payment recovery program to recover improper overpayments that resulted in monetary losses.

15.4.6. Support the annual OIG DoW performance audit and relevant GAO audits in a timely manner by furnishing all required provided-by-client documentation, providing responses to auditor's inquiries, and implementing auditor recommendations. Provide support for all ad-hoc requests from external oversight bodies (i.e., OMB, GAO, and Congress). Notify OUSW(C), FMPR of any stand-alone audits regarding Payment Integrity that directly impact their Component. Retain documentation submitted by the DoW Components.

15.5 OMB Circular No. A-123 Appendix C

DoW Components must implement the requirements in OMB Circular No. A-123, Appendix C, or its successor publication.

15.6 OMB Circular No. A-136

15.6.1. The Department must implement the requirements in OMB Circular No. A-136, or its successor publication. The Department must complete the annual OMB Data Call and include a link to PaymentAccuracy.gov in its consolidated AFR. Key responsibilities include contacting OMB by September 1st to gain access to the Data Call and reviewing its guidance to determine applicable requirements. If recovery audits are conducted and the contractor recommends actions to prevent overpayments, the Department should report on these actions in the AFR.

15.6.2. High-priority programs are required to provide in the annual consolidated DoW AFR a summary of their payment integrity activities and results.

16.0 REVENUE AND OTHER FINANCING SOURCES, GAINS AND LOSSES

16.1 Revenue

16.1.1. The DoW generates revenue from its normal operations and may experience gains or losses from unusual or nonrecurring transactions. Revenue is defined as an inflow of resources that the government either demands, earns, or receives as a donation, resulting in an increase in assets, a decrease in liabilities, or both, which ultimately increases the Net Position. A prime example of how a decrease in liabilities impacts revenue is the reduction of "Liabilities for Advances and Prepayment" after the delivery of goods or services.

16.1.2. Exchange and Nonexchange Revenues

16.1.2.1. DoW activities (WCF within the Military Departments and Other Defense Organizations, and construction agents) earn exchange revenues when they provide goods and services at cost to other government entities and the public. They must recognize revenue at the actual price received or receivable as soon as the value is delivered and post exchange revenue at the actual price that is received or receivable under the established pricing arrangement.

16.1.2.2. Nonexchange revenues are inflows of resources that the government demands or receives by donation.

16.1.2.3. Cost of goods sold must be recorded when exchange revenues are generated by providing goods and services. Costs must be recorded in the appropriate accounts, such as Cost of Goods Sold for Inventory Sales or Operating Expenses/Program Costs for services sales. The cost of goods sold account is discussed in Section 17.

16.1.2.4. Nonappropriated Funds (NAF) Activity Revenues must be accounted for in accordance with Volume 13. NAF Activities are not included in federal financial statements and are non-federal activities for budgetary and proprietary accounting purposes. They follow the standards of the FASB rather than FASAB.

16.1.2.5. Refunds are recoveries of overpayments and can result from errors in paying invoices or items returned to the vendor, not revenue.

16.1.3. Reimbursements and Collections

16.1.3.1. The Component requires specific legal authority to retain collections from providing reimbursable goods and services; otherwise, all funds collected must be transferred to a miscellaneous receipt account. The expenses incurred for this work must be recorded in full and cannot be reduced or offset by reimbursements. See Volume 11 for additional information about reimbursements.

16.1.3.2. The Component must record revenue in the financial records, collect it promptly, and deposit it in the appropriate Treasury account.

16.2 Exchange Revenue Recognition and Measurement

16.2.1. Exchange revenues are earned when both parties in a transaction sacrifice and receive value, such as with user charges or intragovernmental cost reimbursements. The revenue recognized from these transactions is the price received or receivable for the exchange.

16.2.2. Revenue from advance payments must be deferred until the related goods or services are provided. Upon receipt, these funds must be recorded as an increase to cash and a liability, such as "unearned revenue," and this liability is only cleared once performance is complete.

16.2.3. A receivable must be recorded when revenue is recognized, and payment is not received. If the full amount is not expected due to credit losses, returns, allowances, or price redeterminations, bad debt expense must be recognized. An appropriate allowance for estimated bad debts must be established.

16.3 Exchange Revenue Disclosures

16.3.1. Each DoW Component that provides goods or services to the public or another government agency must disclose information about exchange revenue.

16.3.2. If increased prices for the exchange revenue may cause reduced demand, the entity must provide an estimate of the possible revenue foregone and provide calculation assumptions.

16.4 Nonexchange Revenue Recognition and Measurement

16.4.1. Nonexchange revenues, such as taxes, fines, and donations, stem from the government's power to demand payment. They are recognized in the financial results of operations only when a specifically identifiable, legally enforceable claim exists, collection is probable, and the amount is measurable. Detailed guidance on reporting these revenues can be found in Volume 6.

16.4.2. Donations from non-federal entities, whether financial, such as cash or securities, or non-financial, such as land or buildings, are recognized as nonexchange revenue at their estimated fair market value. However, no value is recognized for donations of heritage assets or stewardship land, unless they are classified as multi-use heritage assets, which must be recorded at fair market value.

16.4.3. The Component must deposit collections not authorized for retention as miscellaneous receipts into the Treasury's GF, regardless of whether they are exchange or nonexchange revenue. If the underlying asset is predominantly nonexchange, the revenue is nonexchange. While the collecting entity is responsible for measuring any nonexchange revenue, it is the legally entitled recipient entity that must formally recognize it, as detailed in SFFAS 7.

16.5 Nonexchange Revenue Disclosures

Each DoW Component must disclose nonexchange revenue.

16.6 Other Financing Sources

The DoW Component must categorize appropriations used, asset transfers from other government entities, and imputed financing from cost subsidies as “other financing sources.”

16.6.1. Appropriations

DoW Components do not consider appropriations a financing source until they use them. When appropriations are available for apportionment, the Component recognizes them in its capital accounts as ‘unexpended appropriations.’ The Component then reduces this balance as it

uses the funds or makes adjustments for changes like rescissions and transfers. The Component recognizes the net change in unexpended appropriations as a change in its net position. Once used, appropriations become a financing source in determining the net results of operations. DoW Components 'use' appropriations when they receive goods and services, provide benefits and grants (which the Component provides when grantees meet the requirements), and establish the related liability.

16.6.2. Imputed Financing

16.6.2.1. Government entities frequently receive goods and services from other government entities without fully reimbursing them or incur costs like pensions that are paid by other entities. These transactions create imputed costs for the provider and imputed financing for the recipient. Recognizing these imputed costs and their corresponding offsets is crucial when such costs contribute to government goods or services provided for a fee.

16.6.2.2. WCFs must recognize these subsidized costs as an imputed financing source equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period.

16.6.2.3. GFs do not recognize imputed financing. However, OMB requires GFs to recognize certain imputed costs. These exceptions include: employee pension, post-retirement health, and life insurance benefits; postemployment benefits for terminated and inactive employees, such as unemployment and workers' compensation under the Federal Employees' Compensation Act; and losses from litigation proceedings that the Treasury Judgment Fund pays.

16.6.2.4. DoW Component imputed costs can include military personnel costs, retirement benefits, other postemployment benefits, unreimbursed tenant's costs, and unreimbursed environmental cleanup costs, when administered outside the DoW reporting entity.

16.7 Transfers

For unreimbursed intragovernmental asset transfers, the receiving entity must recognize a transfer-in as an additional financing source, while the transferring entity recognizes a transfer-out as a decrease in its result of operations. The transfer must be recorded at the asset's book value; if the book value is unknown, the asset's estimated fair market value on the transfer date is used. Trading partners should record reciprocal transfers in the same accounting period to avoid reconciliation differences. Refer to the procedures for more on PP&E transfers and refer to OMB Circular A-11 for guidance on the budgetary impact of transfers.

16.8 Gains or Losses

16.8.1. The Component must recognize gains or losses for unusual or nonrecurring transactions, such as the sale, exchange, or disposition of government assets (excluding inventory held for sale). A loss is also recognized when inventory is reclassified as excess, obsolete, or unserviceable because its value falls below its acquisition cost. The difference between an asset's sale proceeds and its book value is recognized as a gain or loss upon sale. This principle applies to assets, PP&E, receivables, and investments where the selling entity retains the proceeds.

16.8.2. Base Realignment and Closure gains and losses are discussed in Volume 12.

16.8.3. Record unrealized holding gains/losses on securities available for sale in accordance with FASAB's ASC 321-10-35; fair value hedges, cash flow hedges, and accounting for a hedge of a net investment in a foreign operation under ASC 815-20-25; and foreign currency matters under ASC 830-10.

16.9 Volume 4 Appendix

Refer to the appendix within the Supplemental. The appendix provides accounting standards used for classifying transactions that finance the DoW cost of operations and a significant number of lesser transactions aligned to SFFAS 7. This appendix is divided into the following groups: nonexchange transactions; exchange transactions that produce revenue; other financing sources; revaluation gains and losses; and transactions not recognized as revenues, gains, or other financing sources.

17.0 EXPENSES AND MISCELLANEOUS ITEMS

Expenses represent a cash outlay, consumption of assets, and/or the incurrence of liabilities during a period of providing goods, rendering services, or carrying out other normal operating activities related to the entity's programs and missions, which results in a decrease in the entity's net position. Accounting systems must be capable of reporting transactions in sufficient detail to support budget preparation and cost accounting requirements.

17.1 Exceptions to Cash Outlays

While most expenses require cash outlays, exceptions include depreciation, other losses, and bad debt expenses. Miscellaneous non-cash items can also arise from extraordinary transactions, prior period adjustments, and changes in actuarial liabilities.

17.2 Unusual or Nonrecurring Transactions

Costs from extraordinary or unexpected events are classified as miscellaneous items. However, unusual or nonrecurring transactions, or those from an entity's incidental activities, should be recognized as a gain or loss rather than revenue or expense.

17.3 Budgetary Accounts

An expense typically involves the use of budgetary or other resources. When goods and services are ordered and received, they are recorded as expended authority in the budgetary accounts and as an expense in the proprietary accounts, supporting financial control over resources and accurate accounting during budget execution.

17.4 DWCF Expenses

The treatment of expenses by some DWCF activities differs compared to the treatment of appropriation-funded activities. Expenses are costs accumulated in asset accounts such as

Construction in Progress (CIP) or Inventory Work in Process and are subsequently billed to customers. Expenses are also costs to the activity or cost center, similar to appropriated funded activities. Refer to Volume 11 for DWCF policy.

17.5 Presentation in Financial Statements

17.5.1. Expense Recognition

Expenses are commonly reported at the time they are incurred, not when invoices are received. Goods and services (costs) acquired from or provided to other government trading partners or programs (i.e., intragovernmental) must be recorded separately from those purchased from nonfederal entities (i.e., the public).

17.5.2. Program Costs

Program costs, as required by Volume 6 for the Statement of Net Cost, encompass the full costs of program outputs, including direct costs, costs directly traced or allocated on a cause-and-effect basis, and nonproduction costs. These costs must also include services provided by other entities, even if not fully reimbursed, and costs paid by other entities that accounting standards require to be recognized within the financial statements.

17.5.3. Production and Nonproduction Costs

The Component must report costs related to the production of outputs separately from nonproduction costs on the Statement of Net Cost. Nonproduction costs are reported as a separate item in the financial statements and are addressed in the SFFAS 4.

17.5.3.1. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets. Costs associated with multi-use heritage assets are capitalized and depreciated over the expected useful life if they meet the capitalization criteria.

17.5.3.2. The acquisition cost of acquiring stewardship land.

17.5.3.3. The cost of maintenance not performed but delayed to a future period (deferred maintenance) reported in the Required Supplementary Information (RSI) section of the financial statements. Refer to Volume 6.

17.5.4. Expenses and Miscellaneous Items

Operating expenses, which include personnel costs, contractual services, and OM&S, can also include allocations of prior capital outlays (depreciation/amortization) or cost recovery for operations. Also known as program costs, these expenses are tied to specific programs or functions and often require a budgetary entry to record obligations from the unexpended obligation (undelivered order) to the expended authority (delivered order). Examples include personnel, travel, communications, contractual services, and other program expenses. DWCF activities typically record these expenses to a cost of goods sold account to match costs with revenue.

17.5.5. Property, Plant and Equipment

Costs for PP&E acquired or constructed for a project must be capitalized if the acquisition cost exceeds the Department's threshold, the items are not for sale in the ordinary course of operations, are intended for entity use, and have a life expectancy of over two years. Conversely, an asset may be expensed if it falls below the purchasing agency's capitalization threshold or has a useful life of less than two years, even if acquired from another federal agency.

17.5.6. Work in Process Account

WIP accounts must accumulate the costs of goods or services. The WIP cost amounts and applicable inventory accounts serve as the basis for calculating the cost of goods sold.

17.5.7. Depreciation, Amortization and Depletion Account

Depreciation, Amortization and Depletion are used to record the allocation of the cost of an asset (tangible or intangible) over the period of time benefited or the asset's useful life.

17.5.8. Benefits Expense

17.5.8.1. The employer's contribution to various employee benefit programs including retirement funds, life insurance, Voluntary Separation Incentive Payments (VSIP), FECA, unemployment, Social Security, and Medicare, constitutes a benefit expense. This expense must be recorded in the entity's General Ledger by the program and/or administering agency as it is incurred for benefit payments.

17.5.8.2. Employer contributions to the Thrift Savings Plan are nonfederal expenses. The account must be supported by subsidiary accounts to show the types of transactions for which entitlement benefits were incurred.

17.5.8.3. Administrative expenses incurred for benefit payments are generally nonfederal expenses. This includes (but is not limited to) costs for retirement, life insurance, health insurance, VSIP, FECA, unemployment, entitlements, and insurance guarantees (i.e., flood insurance).

17.5.9. Cost of Goods Sold Account

The cost of goods sold account is used to record the cost of goods or services sold from inventory by various DoW activities, including DWCF activities and other entities authorized to provide services to federal and nonfederal organizations. While predominantly used by revolving fund activities, this account must also be used by appropriated fund activities to support their reimbursable programs.

7.5.10. Imputed Costs Account

All DoW activities receiving goods or services without reimbursement from outside their reporting entity must use the Imputed Cost account. Refer to SFFAS 55 for the recognition of

significant inter-entity costs among federal agencies for business-type activities. Business-type activities, like the DWCF, are self-sustaining, financing operations through exchange revenues.

17.5.11. Future Funded Expenses

Future funded expenses are accrued expenses requiring future year appropriations. Examples include accrued annual leave (except for WCFs), accrued workers' compensation, upward re-estimates for credit reform loan programs, and projected future cleanup costs for hazardous materials associated with PP&E.

17.5.12. Expense Transactions Not Requiring Budgetary Resources

Some expense transactions, such as depreciation, imputed costs (paid by other entities), or future-funded expenses, do not require the use of current budgetary resources. For these, only proprietary accounts are used, often allocating costs over multiple reporting periods.

17.5.13. Losses

Losses are associated with transactions not incurred in the normal operation of the organization (such as the loss on the disposal of property).

17.5.13.1. Losses on Disposition of Assets Account

The Losses on Disposition of Assets account is used to record a loss incurred on the disposition of DoW-owned assets. Such losses can result from the sale, exchange, casualty, or retirement of assets. Losses are reported net of any received proceeds.

17.5.13.2. Components of Losses on Disposition of Assets Account

The Losses on Disposition of Assets account must be used only by DoW Components authorized to dispose of DoW property; however, any DoW Component having control over personal and real property may incur such losses due to events beyond its control. The effect of such losses must be recorded in Losses on Disposition of Assets in the Statement of Net Cost.

17.5.13.3. Other Losses

Other Losses must be used to record the loss on assets resulting from events other than disposition, such as investment losses and miscellaneous losses.

17.5.14. Extraordinary Items

Events are classified as extraordinary items when they are both unusual and infrequent, considering the entity's operating environment. The total amount of all extraordinary items is included in the Statement of Net Cost's applicable Gross Program Cost or Non-Production Cost lines, and their nature and amount must be disclosed in the financial statements.

17.5.15. Prior Period Adjustments

Circumstances may arise requiring an entity to adjust prior period financial statements due to a change in accounting principle or correction of a material error. Such circumstances include the retrospective application of a change in accounting principle or the correction of a material error in prior period financial statements pursuant to SFFAS 21. Refer to Volume 6 for information on reporting prior period adjustments in the financial statements.

17.5.15.1. Change in Accounting Principle

A change in accounting principle involves adopting a new, preferable GAAP, including new federal financial accounting standards, to produce more accurate and meaningful financial statements and disclosures. The term "accounting principle" encompasses both the principles themselves and their application methods. Unless otherwise specified in the transition instructions section of a new federal financial accounting standard, the cumulative effect of the change on prior periods should be reported as a change in accounting principle, with the adjustment made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

17.5.15.2. Correction of Errors

If material errors are discovered after financial statements have been issued, corrections must be made. For comparative statements, the error should be corrected in the earliest affected period presented by adjusting individual financial statement amounts. If the error occurred before the earliest period shown, its cumulative effect should be reported as a prior period adjustment to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position for the earliest period presented. The nature of the error and the effect of its correction must be disclosed. Importantly, prior period financial statements should only be restated for errors that would have caused them to be materially misstated.

18.0 MANAGERIAL COST ACCOUNTING

18.0.1. Managerial cost accounting standards provide reliable and timely information on the full cost of federal programs, projects, activities, and outputs. This information is the foundation for accurate and consistent cost accounting, and it clarifies the relationship between cost accounting, financial reporting, and budgeting. Cost accounting information is also crucial for DoW program managers and stakeholders, aiding in informed decisions regarding budget control, performance measurement, pricing, program evaluations, and economic choices. As an integral part of the financial management system, managerial cost accounting concepts provide a basis for accounting, recognition, and measurement.

18.0.2. The five fundamental elements of managerial cost accounting are as follows: First, costs of activities must be accumulated and reported on a regular basis for management information purposes. Second, responsibility segments should be established to match costs with outputs. Third, the full costs of government goods and services need to be determined. Fourth,

the costs of goods and services provided among Federal entities must be recognized. Finally, appropriate costing methodologies should be used to accumulate and assign costs to outputs. Agencies have flexibility in designing a cost accounting methodology that meets both internal and external user needs. Refer to SFFAS 4.

18.0.3. Managerial cost accounting helps an organization determine at what point a program might experience a cost overrun given its current spending plan. It also clarifies the full costs to deliver goods and services by organization, line of business, or region. Ultimately, this information provides insight into how effectively the organization is managing its resources for mission success and cost efficiency, and how well it has met its strategic goals with the resources available.

18.1 Assignment and Methodologies

Managers must establish appropriate procedures for collection, measurement, analysis, interpretation, and communication of consistent cost information with a system or the use of cost assignment approaches that link financial expenses to an organization's outputs. The primary method for assigning costs is by directly tracing them whenever feasible and economically practical. If direct tracing isn't possible, costs should be assigned based on a cause-and-effect relationship or, as a last resort, allocated on a reasonable and consistent basis. While no specific costing methodology is mandated by SFFAS 4, the standard requires that once a methodology for accumulating and allocating costs is chosen, it must be used consistently and guided by the USSGL and the SFIS.

18.2 Systems, Sources and Cost Finding

18.2.1. A system is a continuous and systematic process designed to accumulate and assign costs from a common data source to various objects, either routinely or as managers require. This data source can include a wide variety of financial and non-financial information to support cost, financial, and budgetary accounting.

18.2.2. When data systems cannot provide the necessary cost information, or for non-recurring needs like budget estimates and special analyses, personnel can use cost-finding techniques such as analytical or sampling methods and special studies. These techniques should not, however, replace consistent and regular managerial cost reporting when it is available.

18.3 Reporting and Analysis

Reporting and analysis of reliable cost information offers a deeper understanding of programs, including their costs, changes over time, and overall efficiency. This data supports budgetary, financial, and managerial decisions. Aligning planned and actual performance data brings additional benefits, such as capturing the full costs of products and manpower, creating transparency in pricing, and ensuring consistent reporting for historical analysis and forecasting.

18.4 Users

All stakeholders, regardless of their function, require accurate reporting to identify cash, disbursements, collections, and the full cost of resources, activities, capabilities, and operations. For DoW Reporting Components, this is particularly crucial for making better decisions at the cost element level, knowing the cost of operations and activities, and linking budget planning to actual expenditures. This level of reporting also enables responses to both external and internal cost inquiries and makes costs visible to DoW leadership, component leadership, operational commanders, and program managers.

18.4.1. Internal Users

Government managers are the primary users of cost information, as they are responsible for carrying out program objectives. Program managers use this data to control costs, make resource acquisition decisions, improve the efficiency of program activities, and prepare budget proposals for agency heads and Congress. Concurrently, financial managers, including accountants and budget analysts, rely on cost information to calculate unit costs, analyze variances, formulate standard costs, compile financial reports, and analyze cost behavior for decisions such as whether to buy or lease. Additionally, franchise activity managers use it to set prices or reimbursements. At the executive level, government leaders utilize cost information to evaluate overall program performance, assess future resource requirements for financial plans and budgets, and develop proposals to the President and Congress on resource allocations and program modifications.

18.4.2. External Users

Congress uses cost information to make policy decisions, set program priorities, and allocate resources through the appropriations process. This data allows them to compare alternative courses of action, make authorization decisions by assessing costs and benefits, and evaluate program outcomes. Citizens, including the news media and interest groups, use this same information to assess the efficiency and effectiveness of how those resources are allocated.

18.4.3. Decision Making

To interpret cost data effectively, it is crucial to distinguish between direct and indirect, fixed and variable, and full and relevant costs. The availability of accurate, detailed historical cost information is essential for providing insight into budgets, cost estimates, and performance metrics. This information allows organizations to manage spend plans, understand the full cost of delivering goods and services, and make informed decisions regarding budget control, performance measurement, pricing, program evaluations, and economic choices.

18.4.4. Budget and Cost Control

Budget planning and control serves an important function within the Federal Government. Managers use historical and current costs of program activities as a basis in estimating future budgets and to measure actual performance against established goals. Once budgets are approved and executed, current cost information serves as budget feedback. DoW financial managers use

this feedback from the current cost-to-budget analysis to control and reduce costs, as well as to find and avoid waste. Organizations should produce a Statement of Net Cost (actual to budget) in accordance with Volume 6.

18.4.5. Performance Measurement

18.4.5.1. Federal Agencies must improve financial management and accountability as mandated by the CFO Act, Government Performance and Results Act, the Government Management Reform Act, and the Federal Financial Management Improvement Act. As mandated, program managers must establish performance goals based on the direct and indirect costs of programs, and align strategic resources to results as documented within the annual performance plans. The leading practice in performance management is to measure "outcomes," which are the actual results or goals. Managerial cost accounting provides the detailed performance data that leadership needs to determine if an organization is achieving its desired outcomes. By defining clear cost goals, managers can deploy resources more efficiently to achieve the desired performance.

18.4.5.2. An annual performance plan connects measurements for major activities, goods, and services to anticipated resource levels. In the budget formulation process, managers link federal resources to results. Managerial cost accounting requires that all federal resources, including both direct and indirect costs, are factored into planning. A complete performance report must include all direct and indirect costs.

18.4.5.3. Performance measurement can be viewed as the government equivalent of private sector profitability measurements. Cost should be combined with an effectiveness measure, such as the percent of a goal achieved at a level of expected performance, to improve the accuracy of the output.

18.4.5.4. As suggested by SFFAS 4, measuring cost is an integral part of measuring performance for efficiency and cost effectiveness. Efficiency is measured by relating outputs to inputs, often expressed as cost per unit of output.

18.5 Reimbursements and Fee/Price Setting

Management uses essential cost information to set prices and user fees for government goods and services. In the Federal Government, however, pricing is a policy matter, often governed by statutory provisions, regulations, or departmental policies. For specific guidance, refer to SFFAS 4, OMB Circular A-25, and for more information on WCF see Volumes 3 and 11.

18.6 Program Evaluations

The cost of federal resources is a critical factor in policy decisions regarding program authorization, modification, or discontinuation, although these decisions are often subject to policy constraints. Such evaluations require consideration of both social and economic costs and benefits, sometimes necessitating advice from external entities. The Office of the Director, Cost Assessment and Program Evaluation (CAPE), provides independent analytic advice on all aspects

of the Defense program, including alternative weapon systems, force structures, and the cost-effectiveness of defense systems.

18.7 Economic Choice Decisions

As noted in SFFAS 4, agencies and programs often face decisions involving choices among alternative actions, such as whether to do a project in-house or contract it out, to accept or reject a proposal, or to continue or discontinue a good or service. Making these decisions requires cost comparisons among available alternatives.

18.8 Cost Assignment and Costing Methodology

SFFAS 4 requires managers to accumulate costs by responsibility segment and resource type, track outputs produced, and assign the full cost of all resources to those outputs using consistent costing methodologies. Management should evaluate alternative costing methods and select the method with the best results considering its operating environment and economic feasibility. In accordance with SFFAS 4, the costing methodology, once adopted, should be used consistently so that cost information can be compared from year to year. This requirement does not preclude necessary improvements and refinements to the system or methodology, so long as the effect of any change is documented and explained.

18.9 Cost Accumulation

SFFAS 4 states that cost accumulation is the process of collecting cost data in an organized way and that the accumulation is for costs incurred within each responsibility segment and does not include costs incurred by other supporting segments. Refer to Volume 4 Supplemental for more information.

18.10 Cost Assignment Authoritative Guidance

18.10.1. Cost assignment is the process that identifies the accumulated costs to cost objects (an activity or item whose cost is measured). Refer to Volume 1 and the SFIS resources web page for cost assignment authoritative guidance. SFFAS 4 details the approaches for assigning costs to outputs.

18.10.2. Agencies and responsibility segments select the appropriate cost assignment approach based on their operational needs. Operational needs tend to follow historic practices (if reliable historic data is available); however, cost assignment approaches can change if the operating environment or regulations change.

18.10.3. Responsibility segments that produce a single output assign all production costs directly to that output. For segments that provide intermediate goods or supporting services, the costs are assigned to the receiving segments. Similarly, inter-entity costs are assigned to the responsibility segments that use the goods and services from other federal entities, and the receiving entity must formally recognize these costs.

18.10.4. It is a requirement to document changes to a cost assignment approach. Documenting changes may also require noting in the financial statements. It is important to maintain a consistent cost assignment approach, where possible, for reporting and pricing efforts.

18.11 Direct Tracing

Direct tracing applies to resources used directly in producing an output, such as materials, direct employee effort, and dedicated facilities. This method can also be used for specific resources from outside entities. In some cases, support costs that are normally classified as indirect (such as IT support or equipment maintenance) can be "directly traced" if they are tracked to a single, specific task via dedicated job orders or work codes.

18.12 Cause and Effect Basis

When direct tracing of costs to a final output is not feasible, a cause-and-effect basis can be used. This method assigns costs to intermediate activities and then allocates those activity costs to the outputs that required them. This approach is most effective when production is consistent and should not be used if a clear relationship between the cost and the final output cannot be established.

18.13 Cost Allocation

18.13.1. Cost allocation is the process of assigning costs that cannot be directly traced or assigned using the cause-and-effect basis. General and Administrative services used by various common segments apply cost allocation to assign costs to benefiting cost objects. Cost allocation provides the least detail in costs incurred and is used for indirect costs only.

18.13.2. The Component allocates General and Administrative support costs first to the segments and then to the outputs of that segment on a pro rata basis.

18.13.3. The usual basis for cost allocations is the relevant common denominator or the allocation base. The basis of cost allocation may include the number of employees, direct hours worked, or the amount of direct costs incurred in segments. Grouped costs should be accumulated and assigned using a consistent and relevant base. The allocation frequency and base should remain consistent to allow cost comparison over a period of time.

18.13.4. Cost allocations are typically based on a relevant common denominator, or allocation base, such as the number of employees, direct hours worked, or direct costs incurred. Costs should be grouped and assigned using a consistent and relevant base. To facilitate cost comparison over time, the allocation frequency and base should remain consistent.

18.13.5. Costs accumulated for intermediate cost objects must be homogeneous. Examples include human resource departments, program management offices, and general and administrative offices.

18.14 Costing Methodologies and Cost Behaviors

The costing methodologies described in paragraphs 18.15 through 18.18 are not mutually exclusive nor all-inclusive and can be utilized in combination based on the objective, job order, or process costing and can be applied to both ABC and standard costing systems.

18.15 Job Order Costing

Job order costing is a methodology where the system accumulates and assigns costs to discrete jobs.

18.15.1. In a job order costing system, different products with varying degrees of production time and different amounts of direct materials consumed are tracked separately by work orders. Job order costing provides more control, less estimation, and more direct and reliable allocation of costs.

18.15.2. Direct materials and supplies owned by the performing activity, acquired from a WCF or from an inventory account financed by appropriated funds, are charged to a job order in accordance with established costing procedures for the segment.

18.15.3. The structure for job order data must be consistent with SFIS.

18.15.4. Each identified cost object is assigned a job order number, creating a framework similar to a Work Breakdown Structure for tracking and reporting. This number is used to accumulate direct labor, direct materials, and overhead costs for each specific job. For detailed DoW-specific transactions, refer to the DoW USSGL Transaction Library, ensuring consistency with Volume 1. Refer to Volume 11 for reimbursable policies for activities financed by annual appropriations and WCFs.

18.16 Process Costing

18.16.1. Process costing accumulates costs by individual processing cost center. These processing cost centers are involved in a continuous flow of effort, with each center contributing towards the completion of the end products. The output of a processing center becomes the input of the next processing cost center or becomes a part of the end product.

18.16.2. Process costing is appropriate for production of goods or services when production involves a regular pattern of processes, the output consists of homogeneous units, and all units are produced through the same process procedures.

18.16.3. Each cost center accumulates costs, assigns the costs to its outputs, and calculates the unit cost of its output.

18.17 Standard Costing

Standard costs are predetermined or expected costs applied to activities, services, or products on a per-unit basis, serving as a goal to compare against actual costs. A standard cost is

a fixed price per unit that specifies both the non-financial resources required for a task (such as hours or materials) and the expected financial cost, covering direct materials, direct labor, and indirect costs. For more information on Reimbursable Operations and WCF activities, refer to Volume 11.

18.18 Activity Based Costing (ABC)

ABC focuses on activities of a production cycle, based on the premise that output requires activities to produce, and activities consume resources. ABC uses cost drivers to assign costs through activities to outputs. The ABC cost assignment process is a two-stage process. The first stage assigns the cost of resources to activities. The second stage assigns activity costs to outputs. Job order or process costing would be costing activities that occur in the production of a final output. ABC can be used in conjunction with job order costing or process costing.

18.19 Data Systems, Data Sources and Cost Finding

Financial accounting, budgeting, and managing are three essential components of accountability. Data systems are the source of cost and programmatic information used for reporting. SFFAS 4 requires that each reporting entity accumulate and report the cost of activities on a regular basis. Data system-based reporting should be prioritized over cost-finding reports to ensure the routine collection of reliable data from a common source. These systems integrate information from various organizational segments, such as accounting, time records, and asset data, to provide comprehensive cost information. A data system can also incorporate evaluation and decision-support information derived from prior reporting and feedback. DoW data systems, to the extent practicable, should be integrated with an organization's accounting, budgetary, and financial system(s). Data systems will support cost analyses used to compare actual to anticipated costs. To meet managerial cost accounting needs, data systems should use uniform and basic cost, transactional, or programmatic data. Refer to SFFAS 4.

18.20 Data Sources

Data sources, whether internal or external, must be relevant to the reporting segment, retain data for historical reference and forecasting, and be regularly checked for accuracy and reliability and dispositioned IAW the DoW Components or NARA records retention schedules. Per SFFAC 1, the focus is on developing GAAP standards for reporting on the financial operations, financial position, and financial condition of the Federal Government and its component entities and other useful financial information. Although data sources must adapt to changing operational needs, they must also conform to standards like Objectives of Federal Financial Reporting (OFFR), SFIS, and SLOA to support consistent and useful federal financial reporting.

18.21 Cost, Budget, and Financial System Relationships

Proper financial management requires that cost, budget, and financial systems work closely together to provide useful information. Per FASAB, OFFR should consider the needs of both internal and external users, the decisions they make, and the information they need. The

established data systems must follow the DoW USSGL Transaction Library and DoW SCOA for consistency of the cost information.

18.22 Cost Finding

Cost finding is a tool that uses analytical or sampling methods to generate cost data when a data system is insufficient, particularly for projects with limited scopes or for analyzing indirect costs. These techniques are used to create special-purpose reports for financial decisions, such as planning for replacement or capital costs. However, cost finding is not a substitute for a robust data system. Its use should be limited, with a clear timeframe for updating the report. As actual data becomes available and normalized, it should replace the cost-finding report.

18.23 Cost Finding Application

18.23.1. Cost findings generated manually outside of the standard reporting tools should utilize an established managerial cost accounting data system where possible. The process must be thoroughly documented. Documentation must be sufficient to replicate the cost finding process used with consistent results.

18.23.2. Within the DoW, cost finding techniques will be used to compare costs of different organizational units or operations performing the similar output.

18.23.3. Cost finding techniques are used for a number of different circumstances. A cost accounting system is not in place for full cost of a cost objective, the data system does not have the full costs incurred to provide an output or product, activities do not have formal cost accounting capability as part of their financial management system, and the cost of an item has not been recorded in the accounting system and that the item is being transferred, sold, or recorded in the accounting system for the first time.

18.23.4. When the purpose of a cost finding includes the preparation of an internal report or an external report for another Federal agency or non-Federal organization, GF and WCF Components should follow the guidance contained in Volume 11 to ensure that all applicable costs are considered. When the purpose is to establish the cost of an activity associated with the Security Cooperation Program, managers and users will follow the guidance contained in Volume 15.

18.24 Cost Finding Requirements

Cost finding techniques must be repeatable and set up in a manner that is consistent with similar prior cost finding reports in the cost collection approach and align with the SFIS Business Rules. A thoroughly documented cost-finding approach requires identifying the cost objects or outputs (intermediate and final) to which techniques will apply, alongside the relevant funds (WCF, GF) and involved organizations, detailing tasks performed by each. It must also specify applicable cost elements, outline specific cost-finding techniques with selection criteria, and describe how these techniques will estimate the cost object. The documented statement and related work papers should be retained. Refer to their DoW Component records retention requirements for document retention and audit readiness.

18.25 Pricing for a Cost Finding Report

18.25.1. Pricing elements (labor, materials and overhead) for cost finding reports are estimates based on prior same or similar purchases, projects, or programs. When pricing for a cost finding primarily uses financial system data, it improves the accuracy and confidence in the estimate. Common elements such as labor, raw materials, and materiel are examples of standard costs found in financial systems.

18.25.2. Information available from CAPE, such as full cost of manpower and defense employment and purchase projection system, is available to support pricing of labor costs. In addition to base pay, these sources provide additional costs related to labor, including fringe benefits and training.

18.25.3. Materials and supply pricing tools are also available from CAPE. These tools can support costs for common purchase items. Pricing for materials and supplies should include the full cost of procurement, which can include material handling and destination charges.

18.25.4. A pricing Basis of Estimate (BoE) will vary for services provided by a GF Component versus a WCF Component. A WCF-financed activity must include general and administrative costs and other overhead in a BoE to satisfy requirements for full cost recovery. Under reimbursable policies set forth in Volume 11, DoW activities that finance reimbursable operations using annual appropriations generally do not include such costs in charges to customer activities within the DoW.

19.0 NET POSITION

Net Position, the difference between total assets and total liabilities on a balance sheet, represents the U.S. Government's net investment in the DoW. It can be either positive or negative. For DoW-wide financial statements, Net Position must include all departmental operations, including GFs, WCFs, and Special and Trust funds. This section contains the general policy for accounting for the Net Position of the U.S. Government within the DoW. Posting entries and account listings for the Net Position accounts are provided in the "DoW USSGL Transaction Library" and "DoW Standard Reporting Chart of Accounts," respectively, which are available on the Office of the DCFO SFIS web page.

19.1 Accounting Policy for Net Position

19.1.1. Activities Financed by Appropriations

For activities financed by appropriations, operational results must be recorded as reductions to the Unexpended Appropriations account on a per-transaction basis, while the equity impact is reflected in the Cumulative Results of Operations account. New appropriations increase the Unexpended Appropriations account, while expenditures or withdrawals reduce it.

19.1.2. Activities Financed by Revenues

For activities financed by revenue, operational results directly increase or decrease the Cumulative Results of Operations account, a process that includes asset transfers recognized as financing sources. In contrast, appropriations received for a specific purpose are held in the Unexpended Appropriations account and are only recognized as a financing source when used.

19.2 Recognition in Financial Statements

The Component reporting entity's Net Position accounts are Unexpended Appropriations and Cumulative Results of Operations, and each must be shown in the consolidated Balance Sheet and Statement of Changes in Net Position. Refer to Volume 6.

19.2.1. Unexpended Appropriations

Unexpended appropriations, encompassing both undelivered orders and unobligated balances, must be consistently reported on both the Balance Sheet and the Statement of Changes in Net Position. If material, unexpended appropriations from Dedicated Collections require separate disclosure on the Balance Sheet and reconciliation with the financial statement notes, as mandated by OMB Circular A-136.

19.2.2. Cumulative Results of Operations

Cumulative results of operations represent the net results of operations since inception, inclusive of prior-period adjustments, donations, and non-reimbursed asset transfers. This amount must be identical on both the Balance Sheet and the Statement of Changes in Net Position. Furthermore, if material, any portion attributable to Funds from Dedicated Collections must be separately disclosed on the Balance Sheet and reconciled to the notes as required by SFFAS 27.

19.3 Accounting for Net Position

Transactions affecting net position frequently require a posting to both the proprietary and the budgetary accounts. Refer to the "DoW USSGL Transaction Library".

19.4 Correction of an Error or a Change in Accounting Principle

Financial statement errors arising from mathematical mistakes, misapplication of accounting principles, or the misuse of facts existing at the time of preparation must be corrected if they are discovered after issuance and are material to the statements.

19.5 Changes in Accounting Principles

A change in accounting principle involves switching from one GAAP to another, justifiable as preferable, and includes adopting new federal accounting standards. Unless a new standard's transition instructions specify otherwise, any such change impacting prior-period financial statements may require adjustment.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 5: "DISBURSING POLICY"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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September 2026

VOLUME 5

DISBURSING POLICY

1.0 GENERAL

1.1 Purpose

Volume 5 establishes the financial management policy governing disbursing operations across the Department of War, including the appointment, authority, and accountability of disbursing and certifying officials; the collection, safeguarding, and disbursement of public funds; and the control and reporting of those funds. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.2 Authoritative Guidance

Please refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Please refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Please refer to the procedures document listed throughout this volume.

2.0 PURPOSE, ORGANIZATION, AND DUTIES

2.1 GENERAL

2.1.1. This volume establishes disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers (COs), and other accountable officials throughout the DoW. If new legislation conflicts with Volume 5, the highest-level guidance governs.

2.1.2. This volume is issued under the authority of DoD Instruction (DoDI) 7000.14, DoW Financial Management Policy, implements the Treasury Financial Manual (TFM) Volume I, and establishes disbursing policy throughout the DoW. It applies to the Secretary of Defense (SecDef), Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoW Inspector General, Defense Agencies, and DoW Field Activities (collectively, DoW Components).

2.1.3. Send recommended changes and exceptions to policy through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))/Chief Financial Officer (CFO). Coordinate requests for deviations from or exceptions to Volume 5 with the Accounting and Finance Policy, Strategy, Policy and Requirements (SPR) Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPTA/IN), 8899 East 56th Street, Indianapolis, IN 46249-0050, dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil.

2.1.4. Use of Volume 5

2.1.4.1. Volume 5 prescribes the use of specific forms (see the DoD (DD) Forms Management Program). DoW Components using systems and producing their own forms in lieu of those prescribed that were in operation at Volume 5's initial issuance (December 16, 1993) may continue using those systems and forms until DoW implements a single standard disbursing system. A DoW Component electing to use a computer-generated version of a prescribed DD Form must use an exact replica of that form or submit a request for exception per DoD 7750.08, DoW Forms Management Program Procedures, to the address in subparagraph 2.1.3.

2.2 ORGANIZATION

2.2.1. DFAS-ZPTA/IN is under the direction, authority, and control of the Director, SPR. This division:

2.2.1.1. Develops and promulgates standard DoW disbursing policy and cash management guidance.

2.2.1.2. Responds to all inquiries pertaining to disbursing policy and cash management within DoW.

2.2.1.3. Initiates, changes, and implements DoW disbursing policy and cash management guidance per Treasury regulations.

2.2.1.4. Acts as the point of contact for all non-criminal investigating officers regarding loss of funds investigations.

2.2.1.5. Performs technical reviews of relief-of-liability cases for DoW Components and activities, including the quarterly minor loss reports.

2.2.2. DoW Component Heads, through command channels, ensure that DOs in their commands follow this volume. Commanders monitor disbursing operations and require DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. Commanders ensure DOs are

accountable for Funds Held Outside of Treasury (FHOT) and report transactions per I TFM 2-3400. DOs, in turn, direct disbursing operations accordingly.

2.2.3. Commanders ensure that COs, DAOs, and payment review officials in their commands follow Section 6.0, subparagraph 6.3.5.

2.3 ACCOUNTABILITY AND RESPONSIBILITY

2.3.1. Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds (see Section 6.0, paragraph 6.7, and Section 7.0, paragraph 7.3).

2.3.2. Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

2.3.3. Accountable individual, accountable official, and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in 31 U.S.C. § 3527 to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Appoint such officials using a DD Form 577, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials (see Section 3.0, subparagraph 3.1.1).

2.3.3.1. Disbursing officials include DOs, DDOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under 31 U.S.C. § 3321(c)(2), the SecDef must designate personnel of an agency as disbursing officials to disburse public money available for expenditure by the agency (see Section 3.0, subparagraph 3.1.2).

2.3.3.2. Under 31 U.S.C. § 3325(a)(1), "a disbursing official in the executive branch of the United States Government shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers." A DoW agency cannot disburse a payment unless a properly appointed CO certifies it. These statutory COs must be officers or employees of the Federal agency concerned and are accountable because, unless granted relief, they are pecuniarily liable under 31 U.S.C. § 3528(a) for any payments they erroneously certified. Appointment as a CO is a precondition to enforcement of pecuniary liability under 31 U.S.C. § 3528(a) (see Section 6.0, paragraph 6.4.1).

2.3.3.3. In certifying payments, DoW's statutory COs often must rely on information and data provided by agency systems and by other personnel. For this reason,

Congress authorized DoW to impose potential pecuniary liability on an additional class of agency officers and employees: those formally appointed as a DAO under 10 U.S.C. § 2773a. The SecDef may designate any DoW civilian employee or member of the U.S. armed forces under the Secretary's jurisdiction as a DAO. DAOs are responsible for providing COs with information, data, or services the CO directly relies upon in certifying vouchers for payment. Title 10 U.S.C. § 2773a does not mandate that DoW organizations appoint DAOs to perform such activities; instead, appointing DAOs to perform any particular function or class of functions is an option available to management for inclusion in the risk management and internal control program (see subparagraph 2.3.5).

2.3.3.4. In deciding whether to appoint foreign nationals in overseas areas as COs and DAOs, organizations must consider whether enforcement of pecuniary liability of such individuals to the United States is precluded, as a legal or practical matter, by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment as both COs and DAOs because the agency is the legal employer and such individuals qualify as officers or employees of the United States. If not constrained by such agreements or local law, DoW can enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts.

2.3.3.5. Foreign national indirect hire employees cannot be appointed as COs or DAOs because the United States cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the legal employer. However, this regulation does not prohibit organizations from assigning indirect hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or perform services relied upon by COs to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

2.3.3.6. Do not appoint contractors and contractor support personnel as DAOs or COs.

2.3.4. DoW implemented procedures for reporting Funds Held Outside of Treasury (FHOT), also known as Cash and Investments Held Outside Treasury. This guidance requires agencies to record cash obtained from the Treasury General Account to a DoW Treasury Appropriation Fund Symbol (TAFS) at the time of withdrawal, and applies to both monthly and daily reporters to Treasury's Central Accounting Reporting System (see I TFM 2-3400). FHOT refers to physical cash held by a DO, DDO, or paying agent in a vault or in a Limited Depository Account under the responsibility of the DO. DoW requires cash in

domestic or foreign currency for essential operations and contingency missions when electronic funds transfer methods are inappropriate or unavailable. DOs are accountable to the Treasury for all daily and monthly reported FHOT transactions. FHOT reporting, or assigning cash to a DoW TAFS in any manner, does not affect DO accountability. DOs continue to use all existing funds control processes.

2.3.5. Risk Management and Internal Control (RMIC) are specific policies, procedures, and activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission and are required by OMB Circular A-123, Management's Responsibility for Internal Control, which implements 31 U.S.C. § 3512(c)(1). DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of RMIC to determine their adequacy, compliance, and effectiveness.

2.3.5.1. Management determines the applicability of these RMIC standards at the operational level.

2.3.5.1.1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

2.3.5.1.2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

2.3.5.1.3. Control Activities. RMIC activities ensure the implementation of management's directives and must be effective and efficient in achieving an organization's control objectives.

2.3.5.1.4. Information and Communications. Record and communicate information to management and others within an organization who need it, in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

2.3.5.1.5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

2.3.5.2. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties to different individuals to minimize the risk of loss to the Government, including certification of fund availability; contracting (obligating the Government); authorizing, approving, and recording

transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments.

2.3.5.2.1. Do not assign DOs duties that create potential conflicts of interest (see Section 3.0, subparagraph 3.3.4).

2.3.5.2.2. Separation of duties is not always practical or possible due to time constraints, work force shortages, or the use of electronic systems. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. For example, payments and collections through the Intra-governmental Payment and Collection (IPAC) system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured; likewise, financial systems that allow adjustments to data outside the normal application include appropriate controls and audit trails for those adjustments. Other situations may require closer scrutiny. Report all situations of inability to separate appropriate responsibilities to the DO's commander, with a request for a waiver and recommendations to mitigate the risks.

2.3.5.3. Personnel may use electronic and digital signatures to receive, accept, and certify financial documents processed through automated information systems.

2.3.5.4. Titles 15 U.S.C. § 7001 and 15 U.S.C. § 7021 require that any of these media a person uses to sign (for example, certify) a financial document be unique to that person; under that person's sole control or custody; linked to the data signed throughout their processing so that if any of the data are changed the electronic or digital signature is invalidated; and capable of being verified by the paying DO.

2.3.6. Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Several tools aid this effort, among them the Specially Designated Nationals List maintained by Treasury's Office of Foreign Assets Control, a list of individuals and entities covered by Executive Order 13224, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. Do not initiate, certify, or make payments, or draw checks or warrants payable, to individuals or organizations on this list (see also I TFM 4A-2030).

3.0 DISBURSING OFFICES, OFFICERS, AND AGENTS

3.1 GENERAL

3.1.1. Under 31 U.S.C. § 3321(c)(2), the Secretary of War may designate DoW personnel as disbursing officials to disburse public money available for expenditure. To disburse money, an

activity must request establishment of a disbursing office. When establishing disbursing offices and appointing accountable positions, DoW Components must apply the internal control guidelines in subparagraph 3.3.2.

3.1.2. Official funds must be received and disbursed by order or on the authority of the commanding officer, except when a superior in the chain of command directs otherwise or the Comptroller General of the United States sanctions it. Under 31 U.S.C. § 3325, DoW DOs may disburse public funds on receipt of properly certified vouchers.

3.2 POLICY

3.2.1. Request for Establishment of a Disbursing Office

3.2.1.1. An activity requesting to establish a disbursing office at a new activity, or an activity receiving disbursing services from an external source, sends a memorandum through its chain of command. The memorandum must also address appointment of the DO and of agents who regularly receive and maintain custody of public funds. The DO may appoint any officer, enlisted member, or civilian employee the DO considers satisfactory as an agent.

3.2.2. Disbursing Station Symbol Number (DSSN)

3.2.2.1. DSSNs are permanent, and are either open or closed. Coordinate proposed changes to the designation or location (mailing address) of an operating DSSN, including tactical deployment, with the Total Force Pay Directorate, Compliance and Analysis Division (DFAS-IN/JTDC), dfas.indianapolis-in.jjf.mbx.essdisbursing@mail.mil, who will advise Fiscal Service.

3.2.2.2. The DSSN must appear on all payments, collection vouchers, and Treasury and limited depositary account (LDA) checks the disbursing activity processes.

3.2.3. A DO who disburses taxable funds must ensure that entitlement activities receiving payments have secured an Employer Identification Number (EIN) to report taxable income, or income and withholdings.

3.2.4. A DO activating a disbursing office must notify Fiscal Service, Check Reconciliation Branch, through DFAS-IN/JTDC by memorandum immediately on commencing disbursing operations. The memorandum must include the name of the disbursing activity, the assigned DSSN, the DO's name and rank or grade, the account opening date, and the first and last serial numbers of all blank Treasury checks on hand in each check range. Send a copy to the supporting DFAS site.

3.3 APPOINTING DOS, DEPUTY DOS (DDOS), AND OTHER ACCOUNTABLE OFFICIALS

3.3.1. To ensure proper security and accounting for public funds, assign responsibility to receive, maintain custody of, and disburse or otherwise dispose of public funds to a limited number of authorized persons.

3.3.2. Use DD Form 577, Appointment/Termination Record-Authorized Signature, to appoint accountable officials. The form does not allow simultaneous multiple appointments and is the only document required to support this type of appointment. Send a copy of the DD 577 and the required original specimen signature specified in subparagraph 3.4.4.1 to DFAS-IN/JTDC for the DO's files.

3.3.3. Exceptions

3.3.3.1. An individual who occasionally receives public funds need not be formally appointed as an accountable official. Funds may be received at times, locations, and circumstances that preclude any advance arrangement for their receipt, and at some activities collections are too infrequent to make a formal designation practical. A person who is not formally designated but receives funds must promptly forward them to the servicing disbursing office or to another formally designated person.

3.3.3.2. A DO at a DFAS site may hold appointments to more than one DSSN and may serve concurrently as a DDO to other DFAS DOs. Each DDO appointed by a DFAS DO may serve under one or more of the appointing DO's assigned DSSNs and may serve more than one DFAS DO concurrently. A DO or DDO at a DFAS site who holds multiple DSSN appointments must complete a separate DD 577 for each applicable DSSN.

3.3.3.3. A DO and DDOs aboard Navy vessels may serve concurrently in other accountable positions (for example, ship's stores officer or food service officer) when the ship's manpower authorization does not provide Supply Corps officers for each accountable function.

3.3.3.4. When directed by appropriate authority, DOs, DDOs, and their agents may accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping. Where personnel resources are limited, a person serving as a DO or other accountable official may also serve as a safekeeping custodian at the commander's discretion.

3.3.4. Except as specifically authorized, do not assign a DO the additional duties of order-approving authority, certifying officer, custodian of any fund, or any other conflict-of-interest assignment.

3.3.5. Terminate appointments using Section IV of the appointing DD 577.

3.4 DOs

3.4.1. To be eligible for appointment as a DO, an individual must be a U.S. citizen and must have previous experience as a DO or have completed, or agreed to complete, the specific DO training the appointing authority defines.

3.4.2. The commander, director, or equivalent appoints a DO using a DD 577.

3.4.3. Terminate a DO appointment using Section IV of the appointing DD 577.

3.4.4. Submission

3.4.4.1. Before commencing disbursing operations, a DO and all appointed DDOs must determine which of their given names or initials comprise their official signatures and must use them on all checks, vouchers, correspondence, and official documents pertaining to the DoW, Government Accountability Office (GAO), and Treasury. Send the DD 577 and Fiscal Service (FS) 3023 to DFAS-IN/JTDC using permanent dark blue, blue-black, or black fade-resistant ink that is not readily soluble in water.

3.4.4.2. If checks will be drawn on a depositary other than the Treasury, send the DO's official signature, and those of DDOs authorized to sign depositary checks, to the depositary. An officer whose signature is known to the depositary must certify the forms.

3.4.4.3. A DO or DDO may change an official signature by submitting a new FS 3023 to DFAS-IN/JTDC.

3.4.5. Immediately on commencing disbursing duties, a DO who activates a new disbursing office, reactivates a disbursing office, or relieves another DO must prepare a memorandum that includes the name of the disbursing activity; the assigned DSSN; the DO's name and rank or grade; the account opening date; and the beginning and ending serial numbers of all blank Treasury checks on hand in each check range. If applicable, also include the relieved DO's name and rank or grade. Keep the original memorandum in the disbursing office and send copies to DFAS-IN/JTDC and the supporting DFAS site.

3.4.6. Transfer of Disbursing Duty

3.4.6.1. The outgoing and incoming DOs establish the date to transfer accountability, subject to command approval. Because a full Central Accounting Reporting System (CARS) daily reporter reports accountability daily, a transfer of disbursing duty need not occur on the last day of the month, as it must for CARS non-daily reporters. In a daily reporting environment, the Standard Form (SF) 1219, Statement of Accountability, need not be submitted to the Treasury.

3.4.6.1.1. Verify and transfer all documentation supporting balances in clearing accounts **F3880 (Unavailable Check Cancellations and Overpayments (Suspense)), **F3875 (Budget Clearing Account (Suspense)), and **F3885 (Undistributed Intra-governmental Payments), which the TFM requires be cleared to the proper appropriations or funds as expeditiously as possible. To clear account **F3880, the outgoing DO must present a detailed list of individual subsidiary transactions, supporting documentation, and current status. The documented evidence must include certification that the DO or designated DDO personally reviewed the account balances within the last month.

3.4.6.1.2. Validate unreconciled differences, such as check issue and deposit discrepancies and Intra-governmental Payment and Collection system differences. Also ensure that the outgoing DO's accountability, the balance amount on DD 2657, Daily Statement of Accountability, reconciles with the DO Cash Treasury Account Symbol (TAS) on the daily CARS Account Statement. If the outgoing DO cannot provide documentation supporting the unreconciled items, the DO must process the discrepancies as losses or overages of funds.

3.4.6.2. On relief from disbursing duty, the outgoing DO must follow the Supplemental Guidance, subparagraph 3.3.2.

3.4.6.3. The incoming DO must ensure that all reconciliation of the account is accomplished, documented, and verified before signing for the accountability.

3.4.6.3.1. If a signature medium cannot be obtained before the transfer date, the incoming DO may request DFAS-IN/JTDC to authorize use of the outgoing DO's medium until a new one arrives, to allow continued operation of the disbursing office. The incoming DO is accountable and pecuniarily liable for payments made on or after the date of transfer of accountability.

3.4.6.3.2. The incoming DO must appoint at least one DDO and send the DD 577 and FS 3023 to DFAS-IN/JTDC, and must appoint agents, cashiers, and other accountable officials as necessary.

3.4.6.3.3. The incoming DO must verify the adequacy of safekeeping facilities for funds, blank checks, stored value cards, and other accountable documents. If facilities are inadequate, the DO must report the deficiencies to the commander and request proper facilities (see Section 4.0, paragraph 4.2).

3.4.6.3.4. The incoming DO must change all safe combinations.

3.4.6.3.5. The incoming DO must review cash-on-hand requirements. If the current cash holding authority is valid, the DO may retain it until the normal resubmission date;

otherwise, the DO must submit a new cash holding authority request as soon as possible after assuming the account. (see Section 4.0, subparagraph 4.3.1.2.).

3.5 DDOs

3.5.1. An officer, enlisted member, or civilian employee who is a U.S. citizen and acceptable to the DO may be appointed as a DDO.

3.5.2. DOs appoint their DDOs using the DD 577.

3.5.3. A DO may terminate a DDO's appointment at any time by completing Section IV of the appointing DD 577. When a DO is relieved from disbursing duties, the DO revokes the appointments of all DDOs. In all cases, send a copy of the DD 577 to DFAS-IN/JTDC. If another individual will succeed a DDO, send a copy of the appointing DD 577 and FS 3023 for the new DDO, with the copy of the notice of revocation, to DFAS-IN/JTDC. If a DDO appointment is terminated for cause, include the reason for termination when sending the DD 577 to DFAS-IN/JTDC.

3.6 CHANGE IN THE STATUS OF DOs OR DDOs

3.6.1. During an authorized absence, the DO remains accountable for the account unless or until it is officially transferred. Accountability need not be transferred unless, in the DO's judgment, not doing so would impair proper supervision. The DO must maintain an adequate system of controls to avoid errors and must ensure those controls are implemented and effective. For relief of liability to be considered, the DO must show clearly what the procedures were and how they were implemented during the absence (for example, records must show that any loss was not the result of bad faith or lack of reasonable care).

3.6.2. Death, Disability, or Removal of a DO

3.6.2.1. When a DO dies, becomes disabled, or is removed from disbursing duty for cause (including unauthorized absence), a DDO, under 10 U.S.C. § 2773, may continue to disburse under the DO's accounts through the last day of the second month after the month of death, disability, or removal. If there is more than one DDO, the commander, DFAS Director, or designee designates one DDO to disburse in the DO's name.

3.6.2.2. On the death, disability, or removal of a DO, the commander, DFAS Director, or designee must:

3.6.2.2.1. Seizes and seals all disbursing spaces, keys, property, and safes to ensure the security of the funds, property, and spaces involved.

3.6.2.2.2. Appoints a board of at least three disinterested but qualified persons to inventory the vouchers, funds, and property on hand.

3.6.2.2.3. Appoints, based on the disbursing needs of the activity:

3.6.2.2.3.1. A qualified person (normally a DDO) to take charge of the DO's vouchers, funds, and property and perform as acting DO until regular relief reports or is appointed, or until the last day of the second month following the date of death, disability, or removal.

3.6.2.2.4. Notifies the supporting DFAS site of all actions taken and provides an information copy to DFAS-IN/JTDC.

3.6.2.3. The appointed board inventories all public funds, including advances to deputies, agents, and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits; stored value cards, if applicable; and property of the DO, in the presence of the immediate custodians and the appointed custodian, acting DO, or incoming DO. The board must also verify that the departed DO's accountability balance on the DD 2657 is reconciled with the DO Cash TAS on the daily CARS Account Statement. If no documentation supports the unreconciled items, the incoming DO processes the discrepancies as losses (Section 7.0, paragraph 7.4) or overages (Section 7.0, paragraph 7.8) of funds.

3.6.2.3.1. The board verifies all official records to confirm that cash on hand agrees with the records, verifies that all checks and stored value cards issued in the current accounting period are properly accounted for, and inventories blank checks to determine whether any are missing.

3.6.2.3.2. All members of the board prepare and certify an original and four copies of the inventory as true and accurate. The board turns over all public funds and property certified on the inventory to the appointed custodian, acting DO, or incoming DO. The incoming DO retains a copy of the inventory report, provides the original to the commander, and provides a certified or notarized copy to each board member.

3.6.2.4. On receipt of the original inventory, the custodian assumes custody of the public funds and property held by the former DO. The custodian may conduct no transactions other than collections. When the disabled DO returns or a new, permanent DO reports, the custodian and the DO inventory and transfer all vouchers, funds, and property per the relief procedures.

3.6.2.5. The DDO appointed to serve as the acting DO performs, and is accountable for, all official duties that would have been required of the DO, including submitting financial

reports for the DO as of the date of death, disability, or unauthorized absence. The reports include only those vouchers actually paid by the former DO. The DDO submits the reports in the name of the former DO.

3.6.2.6. The DDO signs all checks drawn in the manner normally used. If the volume of checks warrants, the acting DO may use the former DO's signature plates. The acting DO is accountable and pecuniarily liable for all payments and official acts after the death, disability, or unauthorized absence of the DO.

3.6.2.7. If the commander appoints an individual as DO to relieve the deceased, disabled, or removed DO, the incoming DO is responsible for performing all actions required in subparagraph 6.2.3 and for rendering financial reports in their own name.

3.6.2.8. The commander should protect the rights of a deceased, disabled, or removed DO, and of the custodian, acting DO, or incoming DO, so that responsibility for any differences discovered during settlement of the accounts may be assigned to the appropriate individual. The acting or incoming DO completes the vouchers, closes the accounts, maintains custody of records, and renders the final reports of the outgoing DO. That individual signs documents prepared in connection with the administration and settlement of the outgoing DO's accounts as follows: _____ (Name of Disbursing Officer) By_____ Acting (appointed per 10 U.S.C. § 2773). The commander of an exonerated DO restored to duty after arrest, suspension, or other disability directs a second inventory to be taken by the restored DO and the custodian, acting DO, or incoming DO. The guidance in subparagraph 3.4.6.1 on transfer of accountability from an outgoing to an incoming DO applies.

3.6.2.9. On the death, disability, unauthorized absence, arrest, or other emergency absence of a DDO at a branch disbursing office, the local commander advises the DO as expeditiously as possible. Depending on the circumstances, the DO requests the local commander to appoint a board to inventory the DDO's accountability and property and to appoint a suitable person to take custody of the accountability and property until the DO can take an inventory. If practical, the DO takes an inventory of the accountability and property in the presence of a competent witness.

3.7 OTHER AGENTS OF DOs

3.7.1. Officers, enlisted members, or civilian employees satisfactory to both the appointing officer and the DO may be appointed as agents (for example, disbursing agents (DA), cashiers, paying agents (PA), collection agents, change fund custodians, imprest fund cashiers). No agent may be appointed or used over the protest of the accountable DO, serve concurrently in any other accountable position, or be charged with handling or custody of any other funds.

3.7.1.1. DOs' agents are pecuniarily liable under accountable official laws for losses of public funds in their possession. When appointing agents, appointing authorities should carefully consider appointing non-U.S. citizens as accountable officials, because in some instances foreign nationals and other non-U.S. citizens may be precluded from being held pecuniarily liable for losses of funds (see Section 2.0, subparagraph 2.3.3.4).

3.7.1.2. For security, do not allow an excessive number of individuals to have access to public funds.

3.7.1.3. After an individual ceases to serve in an appointed position, the DO maintains the appointing documents for the retention period per the guidance in Section 16.0, paragraph 16.8. Appointments as agents of DOs are effective only while the DO continues to serve as DO of that disbursing activity.

3.7.1.4. The appointing officer terminates appointments when appropriate (for example, when the DO is relieved, when the agent ceases to perform the duties for which appointed, or for cause), using Section IV of the original appointing DD 577.

3.7.2. DAs

3.7.2.1. A DA is a DO's agent who is not a DDO. A DA's responsibilities may include all duties, assignments, and functions of a DDO except the authority to sign Treasury checks.

3.7.2.2. The appropriate major command or Defense Agency establishes DA positions in writing.

3.7.2.3. The DO appoints DAs per paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the DA, a copy to the office where the duties are performed, and retains a copy on file.

3.7.3. Cashiers

3.7.3.1. An officer, enlisted member, or civilian employee with working knowledge of cash functions and operations, and acceptable to the DO, may be appointed as a cashier. The DO should also obtain a credit report, if access to a credit reporting service is available, charging the associated costs to the Operations and Maintenance funds available to the activity. The DO must safeguard credit reports against unauthorized access.

3.7.3.2. Cashiers disburse, collect, and account for cash and perform other duties as required concerning the receipt, custody, safeguarding, and preparation of checks. A cashier may prepare DO accountability reports, but the DO, DDO, or DA must personally validate them.

3.7.3.3. The DO appoints cashiers per paragraph 3.3, which includes the appointee's acknowledgement. The DO sends the original copy to the cashier, a copy to the office where the duties are performed, and retains a copy on file.

3.7.3.4. A cashier may not:

3.7.3.4.1. Sign checks;

3.7.3.4.2. Accept checks drawn (and endorsed to the cashier) in the name of the DO, DDO, or DA to procure and disburse cash for any purpose;

3.7.3.4.3. Prepare billing documents and accept collections for the same items. This restriction also applies to a DA performing cashier duties.

3.7.3.4.4. Prepare vouchers that they will later pay; and

3.7.3.4.5. Prepare vouchers on days when they perform cashier functions.

3.7.4. PA

3.7.4.1. Commanders appoint PAs only when adequate payment, check cashing, or currency conversion services are not otherwise available (see paragraph 3.3). Appointments are for a specific transaction or time period. Do not appoint PAs solely as a convenience when a DO, DDO, DA, or cashier can make the required transactions. In unusual situations (for example, when payments or currency conversions must be made at remote locations where use of checks is not feasible), the DO may request a remote location commander to appoint a PA to make the necessary payments for and in the name of the DO from cash advanced for that purpose.

3.7.4.2. PAs may not act as certifying officers (see Section 6.0, subparagraph 6.3.4) or purchasing officers. Escort officers serving as PAs for expenses related to official travel likewise may not be purchasing officers. See Section 2.0, subparagraph 2.3.5.2 for guidance on separation of duties and Section 6.0, subparagraph 6.3.1.2 for guidance on micro-purchases in contingency operations.

3.7.5. Collection Agents

3.7.5.1. Commanders may establish collection agent positions to receive funds derived from functions such as hospitalization fees and other charges at medical facilities (for example, communication charges; rentals and other charges at housing developments; fees for research or reproduction of records; safekeeping deposits where the DO does not perform the safekeeping function; and similar functions when appropriate).

3.7.5.2. The commander appoints collection agents per paragraph 3.3. Unless revoked by the appointing authority, collection agent appointments remain in effect through succeeding appointing authorities.

3.7.6. Change Fund Custodians

3.7.6.1. A change fund custodian receives a change fund from the parent DO, safeguards it, is pecuniarily liable for any loss, and makes change for sales transactions. The commander provides a detailed description of the duties to be performed.

3.7.6.2. The sales activity commander (for example, commissary or hospital) establishes the position.

3.7.6.3. The activity commander or designee appoints a change fund custodian per paragraph 3.3 in coordination with the parent DO.

3.7.7. The activity commander appoints an imprest fund cashier per paragraph 3.3 to make authorized cash payments for materials and non-personal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. An imprest fund cashier may be an officer, enlisted person, or civilian employee who is not responsible for originating, approving, or processing imprest fund requirements. An imprest fund cashier (or alternate) may not have access to or control of more than one fund. The commander keeps the appointing document and the approval to establish the imprest fund in a permanent file, and furnishes two copies to the cashier and one copy each to the DO and the installation or activity contracting office (see paragraph 3.9).

3.7.8. Alternate Agents

3.7.8.1. When required, one or more alternate agents may be designated to serve only during the absence of an appointed primary agent. Alternate agents for DDOs are not permitted. The official authorized to appoint the primary agent also appoints alternates per paragraph 3.3. When serving in place of the primary, the alternate agent is subject to all regulations applicable to the primary. Alternate agents may not merge funds received with those of the primary agent and must maintain separate records to establish the amount for which each is responsible. Alternate agents may not handle public funds concurrently with the primary.

3.7.8.2. Under paragraph 3.3, a commander may appoint an alternate imprest fund cashier to provide service during a principal's absence. Appointment requirements for principal cashiers apply to alternate cashiers. On the principal's return, the alternate returns paid receipts, subvouchers, and residual cash to the DO.

3.7.8.2.1. In planned absences of the principal cashier and with the appointing official's written authorization, the principal may advance cash to the alternate in any amount up to the limit of the fund, using a DD 1081 for the advance.

3.7.8.2.2. In the unforeseen absence of the principal cashier, the DO may advance funds to the alternate in the normal manner. These funds are in addition to the amount advanced to the principal under the established fund but may not exceed the authorized amount of the fund.

3.7.9. On the death, disability, or unauthorized absence of an agent, the appropriate commander follows subparagraph 3.6.2. for deputies at branch offices but appoints relieving agents following procedures applicable to the position involved. For an imprest fund cashier, the relieving imprest fund cashier prepares the final voucher.

3.8 DEACTIVATING OR CLOSING A DSSN

3.8.1. Deactivation

3.8.1.1. To eliminate monthly financial and checking account reports during inactivity, the DO deposits all currency, coin, and negotiable instruments; closes the LDA and, if applicable, properly disposes of all undeliverable checks; submits the memorandum required to close a disbursing office, noting the account is closed temporarily; and retains blank Treasury check stock for reactivation (see Section 8.0, subparagraph 8.2.4. for inventory and storage requirements). A DO preparing an office for closure ensures the DO's accountability balance on the DD 2657 and the DO Cash TAS in CARS are reconciled (Agency Location Code settlement). The DO may reopen that same DSSN at any time by submitting the report of commencement of disbursing operations. A DO may not close a DSSN temporarily if any cash or documents representing cash are on hand. Any assets on hand, including deficiencies such as dishonored checks or losses of funds, require monthly submission of an SF 1219.

3.8.1.2. The supporting DFAS site designates another disbursing office as the settlement office to handle uncleared transactions for the closed office.

3.8.1.3. The DO must:

3.8.1.3.1. Notify all affected activities, agencies, commercial concerns (including LDAs when applicable), and individuals of the disbursing office deactivation date and the name and location of the settlement office to which all accounts will be transferred;

3.8.1.3.2. Notify Fiscal Service by memorandum through DFAS-IN/JTDC that the disbursing office is being deactivated pending closure. Include the DSSN, date of deactivation, the office to which accounts and records have been or will be forwarded for

settlement, and the last check number of each check range issued by the DSSN. Also include the date and check number of the last check signed in each check range by each DDO where separate check series are assigned to DDOs at branch offices. Send a copy of the memorandum to the supporting DFAS site. Once a disbursing office is reported to Fiscal Service as being in settlement status, it may not be reopened or transferred without Fiscal Service approval. Once the settlement office meets all requirements in paragraph 3.8 to close the disbursing office, Treasury closes the DSSN permanently.

3.8.2. A DO preparing an office for closure ensures no discrepancies exist in the DO's accountability. The supporting DFAS site reviews all accounts transferred to settlement offices and may order collection action against a relieved DO who submits a disbursing account with unresolved deficiencies in the accountability (for example, dishonored personal checks, unconfirmed deposits, check issue records and reports, physical losses of funds, and unresolved open debit items in **F3875, **F3880, and **F3885 clearing accounts).

3.8.3. Only the Treasury may close a DSSN. Follow the policies in paragraph 3.8 to pursue closing a disbursing office permanently. Once closed, a disbursing office may be used only for settlement purposes. To reopen the office, the DO must request and receive reactivation approval from the Fiscal Service through DFAS-IN/JTDC. The Fiscal Service must also approve a new check range.

3.9 IMPREST FUNDS

3.9.1. Imprest funds are generally not authorized for DoW activities. Exceptions are allowed for contingency and classified operations. Submit specific requests for exception per Section 2.0, subparagraph 2.1.3, with adequate justification, and demonstrate that a government purchase card, third party draft, purchase card convenience check, government travel card, or other reasonable alternative is not feasible for the situation. Agencies authorized to disburse imprest funds must classify imprest fund transactions using the established TAS/Business Event Type Code (TAS/BETC). DOs advancing or receiving funds from an imprest fund cashier treat the transactions like advances to other accountable agents. The Shared Accounting Module website provides Enterprise Reference Data for the TAS/BETCs. In lieu of imprest funds, use the government purchase card for micro-purchases of supplies or services and the government travel card for travel payments formerly made from imprest funds. If an imprest fund is authorized, the DO and the imprest fund cashier keep a copy of the signed authorization to establish and maintain the fund. Detailed regulations concerning establishing, using, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are in:

3.9.1.1. I TFM 4A-30165;

3.9.1.2. GAO Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Fiscal Guidance, Section 7.0; and

3.9.1.3. The Federal Acquisition Regulation Part 13, subpart 13.305.

3.9.2. Safeguard cash and disbursement documents at all times (for example, in safes or locked cash drawers) as prescribed in Section 4.0. The imprest fund cashier maintains a location on the installation or activity that is organizationally and physically convenient for making payments to vendors or carriers. Do not commingle imprest funds with other cash funds, such as disbursing funds, change funds, or cash receipts for other funds. The imprest fund cashier must be able to account for the full amount of funds held at any time. The responsible imprest fund cashier is accountable to the advancing DO for receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund, together with the cash on hand, in support of the total amount of the fund, and is subject to review by the DO at any time.

3.10 SETTLEMENT OF DO ACCOUNTS

3.10.1. Responsibility to clear outstanding items in the accounts of a DO relieved from disbursing duty is normally assigned to a designated settlement office. The DO of that office (the settlement officer) follows this guidance to resolve discrepancies in a relieved DO's accountability. All correspondence and vouchers the settlement officer initiates show the name and DSSN of the accountable officer and the date and number of the voucher or account, and are signed "By (name of settlement officer), Settlement Officer for (name and DSSN of accountable officer)." Normally, the settlement officer is also responsible for other residual disbursing functions, such as issuing stop payment requests, performing records research for claims against the government, and clearing all suspense accounts.

3.10.1.1. In all instances, the relieved DO is responsible for resolving deficiencies before relief, if possible. If a deficiency exists in a relieved DO's account, no action appears to have been taken to remove it from the accountability, and no relief request is pending, the settlement officer initiates collection action against the accountable DO.

3.10.1.2. At non-tactical disbursing stations, settlement duties are normally the relieving DO's responsibility. When such a station closes, the supporting DFAS site designates another non-tactical disbursing station within the site's area to assume the closed station's disbursing operations and perform the settlement function.

3.10.1.3. For naval vessels and tactical units, the servicing DFAS site performs the duties of settlement officer for relieved DOs whether or not the disbursing function of the vessel or unit is closed.

3.10.2. Despite the appointment of a settlement officer, the relieved DO remains responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under paragraph 3.10 relieves the DO only of the paperwork incident to settling the account. Accountability for illegal, incorrect, or improper payments that cannot be adjusted despite the settlement officer's diligence remains with the DO. The relieved DO, at all times, keeps the settlement officer informed of current mailing address and answers inquiries on settlement of outstanding items, furnishing any advice or suggestions that may aid prompt and complete clearance.

3.10.3. The settlement officer is the incumbent DO. Subparagraphs 10.3.1 through 10.3.5 apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the settlement DO is assigned. In addition to accounting for and taking settlement action on deficiencies that occurred during a former DO's incumbency and were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the former DO's account. Most transactions to establish, increase, reduce, or remove deficiencies in the former DO's account resemble the routine transactions of a DO.

3.10.3.1. To keep a complete history of the settlement process, the settlement officer maintains a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders must be available to the next relieving DO.

3.10.3.2. Losses of funds in a former DO's account that were unresolved on the date of relief are recorded and reported until resolved.

3.10.3.3. Other accountability items are unresolved deficiencies in a former DO's account that cannot be classified as check issue overdrafts or losses of funds. These items are reported until resolved. Overpayments caused by negotiation of both the original and recertified check are addressed in Section 8.0, paragraph 8.13.

3.10.3.4. This subparagraph applies only to DOs designated to settle the accounts of DOs of tactical units or naval vessels relieved from disbursing duty and the accounts of former DOs of closed disbursing stations. These settlement officers perform settlement functions for a DSSN other than the one to which they are assigned as a DO. Transactions to the former DO's account resemble the routine transactions of a DO.

3.10.3.4.1. Any transaction affecting a relieved DO's accountability, including initial establishment of the settlement account, requires the settlement officer to submit monthly financial reports for the relieved DO. The settlement officer submits the financial reports to the servicing DFAS site in the same manner as other financial reports.

3.10.3.4.2. To keep a complete history of the settlement process, the settlement officer maintains a record of actions taken to clear deficiencies in separate settlement folders for each former DO. The settlement folders must be available to the next relieving DO as part of the relief process.

3.10.3.5. Normally, preparing and processing vouchers to settle a former DO's accounts does not affect the settlement officer's disbursing account. The settlement officer maintains a separate series of locally assigned voucher numbers (for example, C0001 for collections and D0001 for disbursements) for settlement transactions. These collection and disbursement voucher numbers must not be taken from the voucher-number logs of the DO at the settlement activity. The settlement officer does not maintain the DD 2657 for the former DO.

3.10.3.6. The settlement officer submits financial reports for a former DO every month until the former DO's accountability is cleared. The documents normally required are a supplemental SF 1219, appropriate copies of the deposit ticket or debit voucher, and any supporting disbursement or collection vouchers prepared. The general requirements in paragraph 16.7 govern preparation and submission of financial reports. In addition to the normal distribution, one additional copy of each document is forwarded to the servicing DFAS site. Each document clearly identifies the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring a signature are signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

3.10.4. Settlement Procedures for Naval Vessels

3.10.4.1. Even though the DO assigned to a naval vessel does not perform settlement functions, the incumbent DO must perform certain actions to assist the designated settlement officer. The incumbent DO follows the actions prescribed in paragraph 3.10 for each described transaction received after the date of relief that affects the accountability of the relieved DO.

3.10.4.2. Debit vouchers issued by a general depositary or the Treasury for dishonored personal checks, forged Treasury checks, or dual negotiation of both the original and recertified Treasury checks are not recorded in the current DO's accountability unless the accounts of the DO accountable for the deficiency are subject to the 90-day retention period described in Section 16.0, subparagraph 16.8.1., or the drawer or endorser of the dishonored check is locally available for collection action. If neither condition applies, the current DO forwards the debit voucher and copies of all related documents by email to the servicing DFAS site with a cover letter stating that the accountability should be recorded against the previous DO's account. If follow-up action initiated by the relieved officer recovers funds, the relieving officer forwards the funds as an exchange-for-cash Treasury check to the servicing DFAS site.

4.0 OBTAINING AND SAFEGUARDING PUBLIC FUNDS

4.1 CASH OPERATIONS

4.1.1. A commander, director, equivalent civilian head, or designee may approve cash holding authority (CHA) for DOs, DDOs, agents, and cashiers within their commands. The Defense Finance and Accounting Service (DFAS) Director or designee approves requests for DFAS DOs. DFAS DDOs, agents, and cashiers outside the main DFAS disbursing office may hold cash at personal risk, with the amount subject to approval of the parent DO and the local activity commander based on their responsibility to safeguard public funds. Keep cash on hand at the minimum amount necessary to meet normal requirements. Approving authorities must review each request to ensure good cash management procedures are in effect.

4.1.2. Determining Cash Requirements

4.1.2.1. When special circumstances require a DO to increase the CHA beyond the authorized limit (for example, operational contingencies), the DO must describe the circumstances and duration of the expected need in the request to increase cash held at personal risk. If the circumstances are more than temporary (over 30 days) or are expected to become permanent, the DO must re-compute the CHA and submit a new request based on the anticipated services.

4.1.2.2. DOs and their agents may hold cash collections for operating requirements within their CHA. Cash collections that increase cash on hand above the authorized limit must be deposited immediately (see Section 12.0, subparagraph 12.8.2.).

4.1.3. Requests for Approval

4.1.3.1. A DO requests a CHA from the approving authority cited in subparagraph 4.1.1. Do not include scheduled payday cash requirements (for example, the amount required to cash payday paychecks) in a request. The approving authority must ensure the requested amount follows the guidance in the Supplemental Guidance paragraph 4.2 and that management controls exist for routine reviews of cash requirements. Submit requests semiannually, allowing enough time for CHA authority to become effective on October 1 and April 1 of each year. Also submit a request whenever a review of cash requirements results in a major change.

4.1.3.2. A CHA request includes the amount to be held personally by the DO and the DO's DDOs, agents, cashiers, and other custodians of public funds, but not amounts held by authorized imprest fund cashiers and change fund custodians, which receive separate approval. The approving authority approves all requests by endorsement and returns them to the DO for retention. To preclude compromise of classified information, CHA requests for emergency and extraordinary expense funds may omit security items (for example, duty station, description of

payments, or facility location), but the DO must keep this information on file for review by cleared personnel.

4.1.4. Funds that qualify as cash held at personal risk, also known as DO's cash, include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (for example, a PA), negotiable checks (not check stock), and cash on deposit in an LDA. The Central Accounting Reporting System (CARS) DO cash Treasury Account Symbol (TAS) balance must never exceed the approved CHA amount or the day's ending cash on hand.

4.1.4.1. A DO that maintains physical cash associated with a DD 1131, Cash Collection Voucher, must cite the appropriate Standard Line of Accounting, including the TAS/Business Event Type Code (TAS/BETC), for the collection transaction. Multiple collection vouchers may be consolidated under one end-of-day transaction reported to Treasury only if they fall under the same program TAS/BETC and Agency Location Codes. The DO must ensure any consolidated transactions have an audit trail that can be validated at the individual transaction level.

4.1.4.2. A DO or other accountable official leaving the disbursing activity or arriving to pick up $10,000 and above must notify the commander and the security police through the command or other duty officer. The DO must provide the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate, for entry in the ship or station log.

4.1.4.3. The commander of the installation requesting cash is always, responsible for securing that cash. Deciding whether to have an armed escort, the number of escorts, and the type of transportation is a command responsibility. The commander should consider the amount of cash, distance and terrain, and the type of transportation and local security forces available.

4.1.4.4. An accountable official (DO, DDO, agent, cashier, or other custodian of public funds) who has signed for the cash is pecuniarily liable for it, pending its return to the DO. An accountable official who believes the command has not provided adequate security may refuse to disburse the funds and return them to the DO.

4.1.4.5. The accountable official must verify all cash received before acceptance. Verify unsealed money by actual count before acceptance or immediately upon receipt of shipment. The DO or DDO, at their own risk, may bundle-count sealed new money bricks presented with the FRB's packaging intact. When opening a bundle, verify it immediately with individuals present to witness both the breaking of the seal and the count. The accountable official must report discrepancies immediately by issuing a claim to Treasury via the bank that provided the money, identifying the bundle or brick in question and including a signed statement from the witnesses. For a disapproved claim, follow the request for relief of liability procedures in Section

7.0, paragraph 7.6. Verify and accept cash shipped to the accountable official in front of witnesses immediately upon receipt, depending on how the money is packaged.

4.1.4.6. Charge bank fees and shipping costs incurred when procuring U.S. or foreign currency to the disbursing activity's operating fund account.

4.1.4.7. Under 31 U.S.C. § 3341, a DO of the U.S. Government may sell government warrants, checks, drafts, or obligations not the property of the official at a premium, or dispose of the proceeds, only if the official deposits the premium and the proceeds in the Treasury or with a depositary for the credit of the government. Credit General Fund Accounts XX 3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the USD equivalent (USDE).

4.1.4.8. DOs may obtain cash by transfer from another DO without issuing an exchange-for-cash check only upon the relief of a DO and only from the DO being relieved (see Section 3.0, subparagraph 3.4.6).

4.1.5. A TAS is established for each DoW Component to document the balance of DO cash held outside the Treasury. DOs operating in a CARS daily reporting environment must classify each cash transaction with the DO Cash TAS. DFAS Accounting sites use monthly SF 1219 data to report the DO Cash to the proper TAS.

4.1.6. DOs must reconcile daily all transactions reported on the DD 2657 and the DO Cash TAS reflected on the CARS daily account statement. To facilitate reconciliation, DOs must maintain a log of all cash transactions, annotating the DO Cash TAS associated with each transaction. The log of cash transactions must include:

4.1.6.1. The DD 2659, Voucher Control Log; and

4.1.6.2. The detailed deposit activity report; or

4.1.6.3. A system generated report from the disbursing system.

4.2 SAFEGUARDING CASH AND RELATED DOCUMENTS

4.2.1. All accountable officials are responsible for safeguarding public funds. DOs should minimize the number of accountable officials required to store public funds. Use the most secure container, vault, or safe available to safeguard, in order of priority, currency, undelivered checks, negotiable instruments, paid vouchers, blank U.S. Treasury and LDA checks, signature media, valuables (see Section 17.0, paragraph 17.3), and other records. The command security program must consider the maximum amount of each of these items normally on hand at any time. Store classified material separately from public funds and documents.

4.2.2. Responsibilities

4.2.2.1. The responsibilities of the Commander include:

4.2.2.1.1. Approves a DO's request to hold cash at personal risk and ensures unannounced quarterly verification of cash and other assets in the disbursing office (see Appendix A).

4.2.2.1.2. Provides every individual entrusted with public funds a vault, safe, or other adequate secure facility (for example, a strongbox) for the exclusive use of the assigned individual. If separate safes are not possible, furnish separate locked compartments in a safe, or separate strongboxes stored in a safe or vault. Always store public funds separately from other funds.

4.2.2.1.3. Develops a security program and publishes it in a command instruction or notice. The security program must provide adequate protection for the maximum amount of public funds and related documents and instruments on hand at any given time.

4.2.2.1.4. Ensures personnel protection is included in the overall disbursing security program, including periodic review of the adequacy of security measures in place and semiannual testing of the security equipment for proper operation.

4.2.2.1.5. Provides armed guards to escort public funds to and from the disbursing office and, when necessary, acquires an armored car service using locally available mission funds (see subparagraph 4.1.4.3.).

4.2.2.1.6. Provides fire protection of government facilities and funds.

4.2.2.2. DOs must safeguard all public funds they collect or have in their custody or control, and are accountable and subject to pecuniary liability for their loss. DOs must not lend, use, deposit, or exchange public funds in their possession for other funds except as specifically allowed by law. DOs must secure public funds until ordered by proper authority to transfer or disburse them. When DOs receive orders for transfer or payment, they must execute transactions and perform all other duties imposed by law or regulation in conformity to the law. In a disaster, DOs should secure and preserve the accounts of all personnel, public money, and other papers and property in order of importance as circumstances permit.

4.2.2.3. DOs, DDOs, agents, cashiers, custodians, or alternates with custody of public funds must assign each person a separate secured container. Although all appointed or assigned accountable officials are liable for any loss of public funds in their custody, the DO holds overall responsibility and is subject to pecuniary liability, jointly or severally, for any losses associated with these personnel. DOs must therefore ensure that all DDOs, agents, cashiers,

imprest fund cashiers, and other custodians of public funds are fully aware of their responsibilities to properly handle and protect public funds. The DO or designee must personally inspect office security at least semiannually, keeping a record of each inspection, to ensure that:

4.2.2.3.1. Vaults and safes must not be accessible to unauthorized persons (for example, limit access to vaults using vault day gates to which only authorized personnel have the keys);

4.2.2.3.2. Cash exceeding the amount required and authorized for official purposes must be deposited promptly;

4.2.2.3.3. Windows and doors must be limited and barred or always locked after business hours;

4.2.2.3.4. Access to the working area must be marked conspicuously with "AUTHORIZED PERSONNEL ONLY." Conduct transactions from a cage, room, or counter enclosure constructed to provide a physical barrier to normal traffic with minimal interference from other office activities and personnel;

4.2.2.3.5. Security devices for check-signing machines, digitized signature media, meters, and plates must always be in the custody of the DO or authorized DDOs;

4.2.2.3.6. Internal office procedures must be established and implemented to provide adequate controls on all undelivered and returned checks. Assign responsibility for checks, including receipt, holding, and final distribution, in writing;

4.2.2.3.7. The commander must be made aware of any security shortfalls or breaches, and of any request for adequate safeguarding facilities previously denied. Inform the supporting DFAS site of unresolved facility issues that affect the ability to safeguard public funds;

4.2.2.3.8. All DDOs, agents, cashiers, and custodians must receive written and oral instructions on the proper care and handling of cash and other accountable documents. The DO should keep an affidavit from each accountable individual attesting to receipt of such instructions;

4.2.2.3.9. All cash, blank Treasury and LDA checks, and related items must be kept in a vault, safe, or security container that meets the minimum-security standards prescribed in subparagraph 4.2.4.;

4.2.2.3.10. All safes and security containers aboard ships and on installations that are on rollers or weigh less than 750 pounds must be stored in a vault or secured to prevent movement;

4.2.2.3.11. A vault, safe, or security container visible from the exterior of the office must be illuminated;

4.2.2.3.12. The combinations of all vaults, safes, and security containers must be changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable official. The accountable official must not share the combination or key with anyone and must place the combination of each safe and the duplicate key of each strong box in separate sealed, signed, and dated envelopes so that an unauthorized opening can be detected. The DO must keep the sealed envelopes of all accountable officials in their safe or vault and must deliver the combination or keys to their own safe or vault to the commander, security officer, or another designated official for retention. Authorized personnel may access the sealed combinations only in an emergency requiring the opening of the safe or vault;

4.2.2.3.13. A record of combination changes, dated and signed by the accountable official, must be kept inside each vault, safe, or container;

4.2.2.3.14. To limit the possibility of the combination being observed, the dial to the vault, safe, or container must be concealed by a shield made of suitable material;

4.2.2.3.15. The name and phone number of the accountable official must be posted on the inside of the vault, safe, or container. DOs may use an SF 701, Activity Security Checklist, or an SF 702, Security Container Check Sheet, as appropriate, to help control and safeguard public funds stored in vaults, safes, or containers. If the forms are not available, post a unique container number and a "24 hour" duty phone number on the outside of the vault, safe, or container so duty personnel can contact the accountable official;

4.2.2.3.16. Keys to the workspace or disbursing office must be strictly controlled. Keep a record identifying who has keys and when they were issued and surrendered; and

4.2.2.3.17. All security equipment must be tested at least every 6 months for proper operation. Keep a record of the tests.

4.2.3. Intrusion Detection Systems (IDS)

4.2.3.1. Maintain and regularly test a system maintenance program to ensure the alarm system operates properly. Protect against bypassing the alarm system consistent with DoW requirements.

4.2.4. Storage Containers

4.2.4.1. When possible, provide a disbursing office a built-in, fire-resistant vault with at least a three-position, dial-type combination lock, with the door and vault able to resist fire for a minimum of two hours. Store all safes containing funds, and when possible the instruments and documents cited in subparagraph 3.4.2, in the vault. Follow the DoW Physical Security Equipment Guide, UG-2045-SHR, when constructing new vaults, doors, and intrusion devices.

4.2.4.2. When vaults are not available, DOs, DDOs, agents, cashiers, and other custodians of public funds must use combination three-tumbler-lock, tool-resistant safes available through General Services Administration (GSA) Global Supply or GSA Federal Supply Schedules (FSS) to store public funds. If such a safe is not available, use a field safe secured properly to an immovable object, and post a guard in an unsecured building at the direction of the commander. Store irreplaceable checks, bonds, or other perishable records in combination three-position, dial-type, insulated, built-in fire-resistant money cabinets or safes. For temporary storage, use Class 5 file cabinets with three-position, dial-type, built-in combination locks to protect against forced entry. File cabinets with steel lock bars or without forced-entry protection are not adequate.

4.2.4.3. DoW Component security and resource-protection programs must ensure compliance with the following minimum requirements for storing currency, negotiable instruments, and paid vouchers. Previously approved storage containers currently in use may continue to be used. The Naval Sea Systems Command may designate specific containers for use on Navy ships.

4.2.4.3.1. Under $7,500, commanders establish the requirements. Any security container or burglary-resistant safe listed in subparagraph 3.4.1.1.2 is acceptable.

4.2.4.3.2. For $7,500 to $50,000, use a security container with a Class 1 or Class 5 rating, or a burglary-resistant safe with at least an Underwriters Laboratories classification of TL-15 and a Group 1R combination lock.

4.2.4.3.3. For $50,000 or more, use a burglary-resistant safe or vault with at least an Underwriters Laboratories classification of TL-30 and a Group 1R combination lock.

4.2.4.4. Blank checks, signature media, and personal valuables held for safekeeping (see Section 17.0) are not part of a DO's accountability. Store them in a security container with at least a Class 1 or Class 5 rating, or a burglary-resistant safe, separate from the one used to store the items listed in subparagraph 3.4.2.1.

4.3 ADVANCING CASH TO AGENTS

4.3.1. Deputy Disbursing Officers (DDOs), Agents, and Cashiers

4.3.1.1. DOs advance cash for official use to their DDOs, agents, and cashiers on a DD 1081, Statement of Agent Officer's Account, by cash disbursement, by EFT, or by exchange-for-cash checks with instructions to negotiate the checks only as funds are needed. The DO must report un-negotiated checks as funds with agents; DDOs, agents, or cashiers report them as "Cash on Hand." Monthly, the DO must report funds in the custody of DDOs, agents, and cashiers, both in the main disbursing office and outside it, on the SF 1219 (see Section 16.0, paragraph 16.6).

4.3.1.2. Under normal conditions, do not advance an amount of cash to a DDO, agent, or cashier that exceeds the CHA. Cash may be entrusted to DDOs, agents, or cashiers in other amounts when required to maintain efficient operations (for example, during the authorized absence of the DO and on paydays). The total amount held by the DO, DDOs, agents, and cashiers must not exceed the DO's CHA.

4.3.1.3. Each DDO, agent, or cashier must store entrusted cash in a safe or adequate container assigned for their exclusive use. Only the assigned DDO, agent, or cashier may know the combination of the safe or container. If the commander deems it necessary to access the safe or container, open it and verify the contents.

4.3.1.4. DDOs, agents, and cashiers entrusted with official funds must balance the cash in their custody daily using the DD 2665, Daily Agent Accountability Summary, as the permanent record of balancing (see Section 16.0, paragraph 16.3). The DO must ensure that each DDO, agent, or cashier is aware of the frequency for balancing and submitting the DD 1081, and must use it as a summary of cash transactions and as a receipt for cash and vouchers on hand. Each DO must submit a DD 1081 no less frequently than monthly. A DDO, agent, or cashier who will be absent for more than 5 workdays must return all funds and accountable documents to the DO with properly executed DD 2665s and DD 1081s before departure, reporting any shortage or overage immediately.

4.3.1.5. DDOs, agents, and cashiers in the main disbursing office must account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents on a DD 2665 and turn them in daily to the DO under cover of a DD 1081. They must retain currency collected over and above currency disbursed only when authorized by the DO and only if total funds held are within the limitations of the cash holding authority. The DD 1081 also serves as a receipt for funds remaining in the official's custody. When additional funds are required because disbursements exceed collections or for other authorized transactions, the DO may replenish funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD 2665s and DD 1081s. The DO prepares a DD 1081 for the amount of funds advanced (see Section 16.0, paragraph 16.4).

4.3.1.6. DDOs, agents, or cashiers not under the same command as the DO must deposit negotiable instruments whenever possible (for example, an investigative service or support

center, intelligence command, or U.S. Defense Attache Office). If a deposit is $5,000 or more, mail or present the deposit to the nearest FRB or its branch. Transmit deposit tickets, collection and disbursement vouchers, and other accountable documents electronically, or send them by mail or messenger to the DO. Account for the transactions on a DD 2665 with a cover DD 1081. The DO may determine that the volume of transactions is small enough to allow a single monthly DD 1081.

4.3.1.7. Identify transactions made by other than the DO by the name of the DDO, agent, or cashier. The DO determines the method to be used. Identify negotiable instruments cashed by someone other than the DO per Section 5.0, subparagraph 5.2.4.3.

4.3.2. DOs must furnish PAs written instructions to ensure they observe pertinent disbursing procedures, including safeguarding funds; identifying payees and obtaining their signatures; requiring vouchers, documents, and certifications; and returning funds and vouchers.

4.3.2.1. Complete a DD 1081 to document the cash entrusted to PAs authorized to make payments, currency conversions, or check cashing transactions. The DO must establish and implement controls to preclude advancing amounts in excess of requirements for the assigned mission or other anticipated valid requirements. PAs must not commingle cash advanced to them with any other funds and must not advance it to any other person.

4.3.2.2. Normally, PAs must not retain advanced cash overnight but must promptly return the paid vouchers, negotiable instruments, and residual cash to the DO with a properly completed DD 1081. When circumstances require a PA to retain cash overnight, follow the custody requirements in paragraph 4.2 and return the paid vouchers, negotiable instruments, and residual cash as soon as possible after making the authorized payments, normally within 24 hours. The DO must notify the PA's commander when the PA fails to make a prompt return or if a loss of funds or vouchers occurs.

4.3.3. Agents of Friendly Foreign Nations

4.3.3.1. DoW DOs may advance cash to DOs, cashiers, or other members of a friendly foreign nation's armed force to disburse pay and allowances to their members if the President has made an agreement with the foreign country under 10 U.S.C. 2396(b)(2). An advance may also be used to allow that armed force to purchase necessary supplies and services under a basic intergovernmental agreement negotiated per DoD Instruction 5530.03, International Agreements, including coordination with the Combatant Commander involved, the U.S. Ambassador or Chief of Diplomatic Mission, the DoW General Counsel, and the governments of the friendly foreign nation and the United States.

4.3.3.2. A supplemental agreement must establish:

4.3.3.2.1. The type of personal identification required for a DO or individual member when drawing an advance of funds;

4.3.3.2.2. The maximum amount that may be advanced to an individual;

4.3.3.2.3. Protection for the lender nation against loss from fluctuating exchange rates;

4.3.3.2.4. The address of the respective settlement offices to which the lender nation DO forwards receipts for fund advances with requests for reimbursement;

4.3.3.2.5. Procedures for local settlement when feasible or, if not feasible, between the signatory nation's representatives in Washington, DC, or another designated location;

4.3.3.2.6. That settlement may be in cash or by check, and in the type of currency used to make the advance. Make settlement in the lender nation's medium of exchange (when possible); and

4.3.3.2.7. Other provisions local conditions may require.

4.3.3.3. A DO advances cash only against the signed receipt of the individual armed force member receiving the advance, and only for the following purposes and under the following conditions:

4.3.3.3.1. To a DO of a friendly foreign nation's armed force wanting to provide pay and allowances for troops or purchase necessary supplies and services. The receiving DO must present proper personal identification, and the unit must be serving in an area where personnel temporarily cannot obtain funds from their own nation; or

4.3.3.3.2. To individual armed force members of a friendly foreign nation in need of funds, serving in an area temporarily separated from their units when that force's DO is not available to make payments. These individuals must be identifiable as members of a friendly foreign nation's armed force covered by an intergovernmental advance agreement.

4.3.3.4. The receipt must include the name, rank, service number, title, organization, and country of the individual receiving the advance; the purpose for which the advance is needed; the type and amount of currency advanced; the prevailing rate of exchange to one USD at the time of the advance, if applicable; and the name, rank, organization, and address of the DO making the advance.

4.3.3.5. Payment of rewards to assist in combating terrorism is authorized by 10 U.S.C. § 127b. When payment of these rewards by U.S. personnel is not practical, DOs may

advance cash to agents of friendly foreign nations' armed forces to make the payments. The international agreement and authorities in subparagraph 4.3.3.1 do not apply.

4.3.3.6. Agents of friendly foreign nations appointed under Section 3.0, paragraph 3.7 are agents of the DOs who advance cash to them. Commanders and DOs have the same oversight and internal control responsibilities for these agents as for U.S. PAs. DOs may advance cash to properly appointed PAs only in amounts required to pay specific approved reward payments to identified payees.

4.3.4. Change Funds

4.3.4.1. When a clothing sales store, government laundry, or other appropriated fund activity selling property or services requires cash for making change, the activity's officer in charge requests that the commander establish a change fund. After approval, the commander or designee appoints a change fund custodian. The appointing document specifies the amount of cash the DO or DO's agent advances. When advancing the fund, the DO or agent issues the custodian written instructions covering the custodian's responsibility for safeguarding the cash and their pecuniary liability for losses. The DO or agent providing disbursing service to the installation or activity provides the authorized advance and records it in their accountability as cash in the custody of government cashiers.

4.3.4.2. A change fund may not exceed $250 for each cash register operated in an activity. When a cash register has more than one drawer, each drawer may be considered a register. The commander may authorize additional amounts consistent with good cash management principles. With the commander's approval, authorized collecting agents may also serve as change fund custodians to facilitate making change.

4.3.4.3. A commander may authorize an additional $50 for each cash register and an amount not to exceed $500 for each accountable medical services' change fund custodian. For extended operations (such as Sunday operations) with limited or no banking support, a commander may approve an additional amount up to $50 per cash register.

4.3.4.4. The DO or agent prepares a DD 1081. The custodian signs and returns the original to the DO or agent for the amount advanced, returns all cash on termination of the appointment, and prepares a DD 1081 to document the return; the DO or agent acknowledges receipt by signature on the duplicate copy and returns it to the custodian. A DO or agent may recall a change fund to verify the DO's or agent's cash, then re-advances the funds after verification. The cash verification team must conduct unannounced inspections, including cash counts of change funds, at least quarterly.

4.3.4.5. The custodian follows Section 7.0 and immediately informs the officer who advanced the funds of any fund irregularity (such as a shortage or overage).

4.3.5. Imprest funds are authorized only as an exception to this volume. See Section 3.0, subparagraph 3.9.1.

4.4 SHIPMENT OF PUBLIC FUNDS

4.4.1. Authority and Methods

4.4.1.1. Shipment of valuables is authorized by the Government Losses in Shipment Act (40 U.S.C. Chapter 173). Shipments are insured under this authority; do not purchase supplementary insurance.

4.4.1.2. A DO may ship public funds to deposit into an official checking account; deliver funds to another DO as an exchange-for-cash transaction; ship damaged or mutilated currency; and obtain funds from a bank or another DO by exchange of a check-for-cash.

4.4.1.3. Ship public funds in a manner that provides the greatest possible protection against risk of loss, destruction, or damage to the funds.

4.4.1.3.1. Do not use certified mail to ship currency and coins. Use government conveyance or railway express only for currency or coin of excessive weight or bulk.

4.4.1.3.2. Transfers between DOs afloat using airlift (helicopter) or high line are also authorized during underway replenishment at sea; attach a buoy or other reliable flotation device to the container to aid any required recovery.

4.4.1.4. In addition to the accounting documents required for transfers and deposits of public funds, and to provide the record Treasury regulations require, describe each shipment of funds in detail on a DD 165, Shipment of Funds.

4.4.2. Shipment of Funds

4.4.2.1. Use a DD 165 to ship coin or currency, regardless of the amount. This form is not required for shipments for deposit to the Treasury or to a bank if the shipment consists only of checks and money orders and the record of instruments deposited required by Section 12.0, paragraph 12.8 is otherwise maintained. The shipping DO keep the retained copy of the DD 165, the registry or other carriers' receipts, and any other documents incident to the shipment until assured the shipment is complete and no claims actions will be initiated.

4.4.2.2. When a shipment's weight or bulk makes other methods impracticable, government conveyance may be used. The DO makes the necessary arrangements and receives the bill of lading for delivery with the shipment. In all cases, the DO is the shipper and the consignee is responsible for receipt of the funds. The DO is responsible for direct delivery to the carrier and for obtaining a receipt on a copy of the bill of lading.

4.4.2.3. Shipment of funds by commercial armored car service is authorized when it is cost effective and offers the greatest protection against loss. Charge the cost to the operations and maintenance or working capital funds available to the DO.

4.4.3. Action by Consignee

4.4.3.1. On receipt of a copy of a DD 165 as notice of shipment, the consignee (the intended recipient or authorized official designated by the receiving activity) is responsible for arranging to receive the shipment. On receipt, the consignee ensures the shipment is opened and inspected by one or more responsible employees, signs the original DD 165, and returns it to the shipping officer as a receipt. If a courier made the shipment, the consignee signs and returns a copy of the DD 165 to the courier as acknowledgment of receipt.

4.4.3.2. When the shipment represents funds for deposit, the consignee completes the deposit ticket and returns the required copies to the DO. The consignee immediately advises the shipping officer of any difference between the DD 165 and the actual shipment at opening. If the shipment fails to arrive in due course, the consignee immediately notifies the shipping officer and the post office or other carrier's office that arranged delivery, and immediately notifies the shipping officer of any damage. All of the consignee's findings in such cases are a matter of record subject to inspection in any necessary investigation.

4.4.4. The consignor (shipper) takes prompt action to trace a shipment of funds for which a signed DD 165 is not received within a reasonable time. The consignor initiates telephone or message contact with the consignee to ensure compliance with subparagraph 4.5.3.

4.4.5. Accountability for public funds rests with the consignor until the consignee has received and verified all cash listed on the DD 165. If funds shipped as prescribed are lost, destroyed, or damaged, the shipping officer sends an immediate written report to the Bureau of Public Debt (BPD), Division of Financial Management, Department of the Treasury, Room 201, PO Box 1328, Parkersburg, WV 26106-1328. The shipping officer also notifies the agent in charge of the nearest U.S. Secret Service (USSS) office, the appropriate investigative service, and the local post office or local carrier office to place a tracer on the shipment, and takes any other action necessary to facilitate recovery. The shipping officer sends a copy of the report to the consignee and to DFAS Indianapolis, ATTN: (DFAS-ZPTC/IN), 8899 E. 56th Street, Indianapolis, IN, or email to dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil. If the loss,

destruction, or damage is $10,000 or more, or delay in reporting might delay the government's recovering the shipment, the shipping officer sends the report with written confirmation of the shipment's details.

4.4.6. Recovery Action

4.4.6.1. Recovery action is the responsibility of the officer accountable for the lost or damaged shipment. When an exchange-for-cash check has been issued, this responsibility and accountability rest with the shipping bank or DO (consignor). Accountability for the check remains with the check-issuing DO (consignee), who reports the amount on the SF 1219 as funds in transit. The consignee determines the shipping officer's actions and monitors the subsequent investigative process.

4.4.6.2. For cash lost in transit to a depositary, accountability rests with the shipping DO, who takes the reporting and recovery actions required under Section 7.0, paragraph 7.4. The shipping DO records the loss on Line 7.3, Losses of Funds, on the SF 1219. If the DO is reassigned before recovery can be effected, the relieving DO does not take responsibility for the loss but records it on Line 9.3, Losses of Funds, on the SF 1219. The relieving officer also ensures that necessary claims are properly filed and that the proceeds from the claims are properly applied against the loss.

4.4.6.3. The DO acts to recover the amount of lost negotiable instruments under Section 12.0, subparagraph 12.8.3.5. If this recoups the full amount of a lost deposit, do not file the claims described in subparagraph 4.5.4. If it does not result in full recovery, the DO may request relief of liability for the unrecovered portion, supported by copies of all correspondence pertaining to the unsuccessful recovery action.

4.4.6.4. The DO sends claims for the value of lost currency shipments exceeding $100 to the Secretary of the Treasury through the supporting DFAS site. The DO ensures:

4.4.6.4.1. The proof of claim includes satisfactory proof of loss, destruction, or damage. The claim must include the original DD 165, which will be returned after the claim is adjusted. The DO ensures all applicable blocks on the form are complete and the form is signed, or the BPD will not process the claim. The consignor (shipping officer) submits a statement concerning the loss, destruction, or damage to the shipment or any part of it.

4.4.6.4.2. If the consignee receives a shipment with contents not intact, the statement describes the circumstances of the condition in which the shipment was received and the manner of inspection and verification of its contents. The claim must also include affidavits covering the loss, destruction, or damage from the consignee and the carrier, as well as statements and recommendations of the investigating officers.

4.4.6.4.3. For lost shipments where an exchange-for-cash check was issued to an FRB or another DO, the check-issuing DO requests that the shipping officer provide copies of all documentation. All necessary and reasonable steps to recover the lost, destroyed, or damaged shipment must continue after filing the claim. DOs ensure that all recoveries and refunds received after favorable consideration of the claim are turned over to the Treasury. See Title 31, Code of Federal Regulations (CFR), part 361 for claims under the Government Losses in Shipment Act.

4.4.6.5. The BPD grants claims for relief for lost, damaged, or destroyed shipments only if the shipping officer strictly followed prescribed procedures. If a claim is denied, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability under Section 7.0. The request will be adjudicated and U.S. laws and regulations applicable to accountable official liability. If a claim is approved, the BPD sends a refund via the Intra-governmental Payment and Collection (IPAC) system. The DO must provide an agency location code before transmission. If no IPAC capability exists, contact the supporting DFAS site.

4.4.7. Unfit U.S. Currency and Coin

4.4.7.1. At least three disinterested persons must inventory damaged or mutilated U.S. currency or fragments recovered from inadvertent wartime destruction or peacetime catastrophes affecting DoW property and personnel (for example, aircraft crashes, ship sinking, building explosions, chemical spills). These persons normally can determine the currency value; if they cannot, the DO sends a BEP Form 5283, Request for Examination of Mutilated Currency for Possible Redemption, with the currency to the BEP for a value determination. The form and shipping instructions are on the BEP web page. The DO must insure the shipment and request a return receipt.

4.5 WEAPONS-FOR-CASH PROGRAM

4.5.1. The weapons-for-cash program requires Secretary of War authorization. The senior operational commander provides funding authorization for weapons procurement. The total amount advanced to PAs under this program must not exceed this authorization. The commander must adjust the authorization before providing additional funds.

4.5.2. Each disbursement requires proper accounting. Use an SF 44, Purchase Order-Invoice-Voucher, or other available chain-of-custody receipt. Each seller's receipt must include the seller's name and (if possible) identification number, the weapon description and serial number, and the amount disbursed. The PA must ensure the seller's signature appears on the receipt. Prepare the original and three copies of the disbursement document (seller's receipt): provide the original and one copy to the DO, attach one copy to the weapon for inventory control, and give one copy to the seller.

4.6 COUNTERFEIT OR ALTERED U.S. CURRENCY

4.6.1. A DO must confiscate U.S. currency presented for exchange or for payment of an obligation to the United States that the DO determines is counterfeit or altered, give the person presenting it a receipt showing the type, denomination, and amount confiscated, and obtain information from that person about the currency's source. The DO delivers the currency, by letter of transmittal with all available information, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. Because such currency is suspect, no entries in the DO's accounts are required.

4.6.2. Detected After Acceptance

4.6.2.1. On discovering counterfeit currency, the DO must request reimbursement from the source from which it was received and follow paragraph 4.7. No loss to the DO accrues, and no entries in the DO's accounts are required.

4.6.2.2. If the source of counterfeit currency is unknown, or is known but reimbursement is not obtained, the DO delivers the currency, with a detailed report of all known circumstances, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. The DO must send the currency receipt, with a signed copy of the DO's report by memorandum stating why reimbursement was not obtained, through the DO's commander to DFAS-ZPTC/IN, and report it on the SF 1219 as a physical loss of funds.

4.6.3. When a bank operating a Treasury General Account (TGA) notifies a DO that currency the DO deposited is suspected to be counterfeit, the DO must reimburse the TGA for that currency and obtain a receipt describing the currency and stating that it is suspected to be counterfeit and has been withdrawn from circulation. The TGA surrenders any suspected counterfeit currency to the USSS and provides depositors a photocopy of Secret Service Form 1604, Counterfeit Note Report, or other documentation. The DO contacts the USSS to confirm whether the surrendered currency is counterfeit and must ensure the TGA processes a deposit ticket for the amount the USSS determines is not counterfeit, crediting that amount to the appropriation that funded the loss. The DO reports the amount the USSS determines is counterfeit on the SF 1219 as a physical loss of funds.

4.7 EMERGENCY DISPOSITION

4.7.1. DoW Component heads must develop and maintain contingency plans and standby procedures to dispose of cash and other assets under emergency conditions. These plans must address emergency conditions, emergency destruction, sudden destruction, and accounting for destroyed cash and other assets, and must include internal controls to minimize the risks of fraud,

waste, and abuse. Emergency operations include, but are not limited to, combat and peacekeeping operations, humanitarian assistance efforts, noncombatant evacuation operations, disaster relief efforts, and disposal of contaminated cash.

4.7.2. Policy

4.7.2.1. Under conditions that may require the evacuation, disposal, or destruction of cash and other assets, commanders execute their contingency plans. DOs or their designees must evacuate cash and other assets under these conditions (for example, in anticipation of enemy action) to a designated safe haven, such as a secured vault or safe.

4.7.2.1.1. On initial notification of a threat that may require the destruction of cash and other assets, the DO, DDO, or other designee must determine cash requirements, recall or purchase excess cash, and evacuate it and other assets held at personal risk to a designated safe haven. If the DO, DDO, or commander determines that capture of these assets is possible, the responsible official must secure them to minimize the risk of capture or destroy them following subparagraph 4.7.2.1.2.

4.7.2.1.2. If capture of funds is inevitable, burn paper currency, checks, and other burnable documents completely to ashes. If burning is not possible, use chemical decomposition, shredding, or pulping. The alternative methods must render the items non-negotiable by completely destroying their original character and appearance.

4.7.2.1.3. Dispose of coins and other valuable non-burnable items by scattering them in deep bodies of water or physically destroying them when possible. When no suitable bodies of water are present, discreetly bury these items in the ground. Coins may also be fused or mutilated to make them unrecognizable. Fragment and scatter bars, ingots, and other units of precious or valuable substances to make their recovery impossible or at least uneconomical.

4.7.2.2. The DO/DDO prepares an original and three copies of a DD Form 2669, Destruction Schedule for Currency, for all U.S. currency to be destroyed, noting the reason in the space provided. For full or partial packages of new currency, note the beginning and ending serial numbers of each denomination. Three persons must witness the destruction: U.S. commissioned or noncommissioned officers, or U.S. Government civilian employees who are U.S. citizens. The DO/DDO may serve as the third witness only if one of the other two witnesses is senior in rank to the DO/DDO. Witnesses must enter their name, rank or grade, and signature in the spaces provided. A DO/DDO serving as a witness completes block 5 and the applicable section of block 8. Indicate the method of destruction in the space provided for the witnesses' certifications.

4.7.2.3. When ordered by the commander, these activities deliver their U.S. cash to the nearest DoW DO/DDO in exchange for a U.S. Treasury check, and the DO is then accountable for the cash. If an exchange cannot be made, the activity custodians or managers prepare a destruction schedule similar to the DD 2669 and, after verification, burn the currency to ashes in the presence of at least one activity representative and two U.S. commissioned or noncommissioned officers or U.S. Government civilian employees.

4.7.2.4. If foreign cash must be destroyed, the appropriate authority (for example, a NAF custodian, MBF, or other activity manager) transports it to the nearest DoW DO/DDO and exchanges it for a receipt stating that the foreign currency is accepted for safekeeping and that neither the DO/DDO nor the U.S. Government is accountable for loss or destruction resulting from the existing emergency. A DO/DDO who has accepted the currency and coin and needs to use it for operational requirements issues a U.S. Treasury exchange-for-cash check to the appropriate authority for the USDE of the foreign funds purchased. If destruction becomes necessary and time permits, the DO/DDO prepares a DD 2669. When an exchange cannot be made, the appropriate authority prepares a destruction schedule similar to the DD 2669 and, after verification, burns the currency to ashes.

4.7.2.5. DOs/DDOs in areas of elevated tension must anticipate the possibility of emergency destruction and maintain procedures to rapidly inventory and destroy their cash and other assets. If there is not enough time to destroy all funds held by the DO/DDO, prioritize the destruction in the following order:

4.7.2.5.1. U.S. and foreign cash, and negotiable instruments carried as cash in the DO's accounts;

4.7.2.5.2. Blank U.S. Treasury checks;

4.7.2.5.3. Blank LDA checks;

4.7.2.5.4. Currency, negotiable instruments, and other valuables held for safekeeping;

4.7.2.5.5. Coins; and

4.7.2.5.6. Other valuables (e.g., signature media).

4.7.2.6. When currency and coins are destroyed by explosion, fire, sinking of a vessel, or aircraft accident, the accountable DO prepares a written statement identifying the circumstances of the destruction and sends it, with a request for relief of liability, to DFAS-ZPTC/IN. If the DO does not survive the disaster that destroyed the funds, the officer

designated to settle the account acts on the DO's behalf by reconstructing the DO's accountability and initiating the appropriate requests for relief.

4.7.2.7. DOs must account for destroyed currency, coin, and negotiable instruments held as public funds by recording them on the DD 2657 and the SF 1219 and attaching copies of the supporting DD 2669 to both forms.

5.0 ACCOMMODATION EXCHANGE

5.1 GENERAL

5.1.1. 31 U.S.C. § 3342 allows DOs to provide check cashing and accommodation exchange services when authorized by the appropriate commander (a theater commander, base or installation commander, commanding officer or officer-in-charge, director of a supporting Defense Finance and Accounting Service (DFAS) site, or equivalent civilian head in the DO's chain of command) for eligible individuals (see subparagraph 5.2.3).

5.2 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS

5.2.1. Policy

5.2.1.1. In the United States, a commander may request the Director, DFAS or designee to authorize a DO to cash negotiable instruments. Submit requests, with justification, to DFAS, Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050.

5.2.1.2. In overseas areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments. The command must have a written check cashing policy approved by the theater commander or designee identifying the services offered and the personnel eligible to receive them. The policy must provide that the DO may deny check cashing privileges to anyone based on the non-availability of cash or personnel resources. Resources must be available to provide these services without impacting levels of other financial services (for example, primary disbursing and related functions).

5.2.2. A DO may cash U.S. Treasury checks, money orders, traveler's checks, third-party checks, state and local government checks, credit card checks, business checks, and personal checks payable in U.S. dollars for eligible payees. These instruments may be processed through the Over-the-Counter Channel Application (OTCnet) (see Section 12.0, paragraph 8.1). DO accountability is not affected until the checks are reported in Treasury's OTCnet. The DO must use the appropriate DO Cash Treasury Account Symbol (TAS) and the appropriate Business Event Type Code (BETC) when depositing accommodation exchange transactions.

5.2.3. Personnel permanently assigned to units in the area served by the DO are eligible for check cashing services. These include:

5.2.3.1. Members of the U.S. Armed Forces;

5.2.3.2. Civilian employees of the U.S. Government who are U.S. citizens;

5.2.3.3. A veteran hospitalized or living in an institution operated by an agency;

5.2.3.4. Contractors and their employees engaged in U.S. Government projects are eligible only if the contractor is a U.S. firm and the employee is a U.S. citizen:

5.2.3.4.1. The company's on-site representative must furnish the DO with a list of employees authorized to cash personal checks and enter into a written agreement. The agreement must stipulate that the DO will suspend check cashing privileges for that company's employees if the DO receives a dishonored check written by a company employee and the DO cannot collect for the dishonored check; and

5.2.3.4.2. The DO will notify the company representative when a dishonored check is received from one of its employees and suspend check cashing services for all the company's employees. The suspension remains in effect until the DO collects on the dishonored check. The check cashing agreement is permanently terminated if the DO is unable to collect the dishonored check within 30 calendar days from the notification to the company representative;

5.2.3.5. U.S. citizens who are employees of authorized nongovernment agencies operating with U.S. Government agencies, (e.g., the American Red Cross);

5.2.3.6. Dependents of the personnel named in subparagraph 5.2.3, as defined in 31 U.S.C. § 3342(b)(3)(A)-(B) and the Definitions Chapter.

5.2.3.6.1. At a U.S. installation at which adequate banking facilities are not available, and

5.2.3.6.2. Holding proper identification and powers of attorney and who possess valid DoW identification cards; or

5.2.3.6.3. Ordered to safe haven posts due to emergency evacuation (see Section 14.0, subparagraph 14.3.2 for accommodation restrictions), and

5.2.3.6.4. In the case of negotiation of negotiable instruments, if the dependent's sponsor (as defined in the Definitions Chapter) authorizes, in writing, the presentation of negotiable instruments to the DO for negotiation.

5.2.3.7. Third-country national civilian employees under contract to the U.S. Government as contractors or subcontractors employed by U.S. firms engaged in U.S. Government projects in foreign countries with U.S. Treasury checks or U.S. dollar checks issued by the contractors;

5.2.3.8. A Federal credit union operating on U.S. military installations in a foreign country but only if that country does not permit contractor operated military banking facilities (MBF) to operate on installations;

5.2.3.9. Personnel on temporary duty or temporary additional duty (TDY/TAD) are eligible when approved by a DO's commander. These personnel must provide the DO a copy of their TDY/TAD orders and any other items of identification the DO may require;

5.2.3.10. An authorized agent, authorized by a properly executed power of attorney, is eligible for personal checks drawn on the account of a member, personal checks drawn on joint accounts to which the member is a party, and other checks drawn in favor of the member. The agent must present valid identification during all transactions. Restrictions that apply to benefiting members also apply to their agents under the terms of the executed DoD (DD) Form 2761, Personal Check Cashing Agreement, which serves as a power of attorney; or

5.2.3.11. A member of the military forces of an allied or coalition nation who is participating in a combined operation, combined exercise, or combined humanitarian or peacekeeping mission with the Armed Forces of the United States is eligible only if:

5.2.3.11.1. Such disbursing official action for members of the military forces of that nation is approved by the senior United States military commander assigned to that operation, exercise, or mission; and

5.2.3.11.2. That nation has guaranteed payment for any deficiency resulting from such disbursing official action.

5.2.4. Commanders and other individuals in the chain of command are responsible for implementing and maintaining internal controls that preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum:

5.2.4.1. All instruments are endorsed, "Pay to the Order of the Disbursing Officer, (name of ship, station, activity, unit, disbursing station symbol number, or the DFAS site);"

5.2.4.2. The payee(s) sign or endorse each instrument in the presence of the DO, a Deputy DO (DDO), the DO's authorized agent, or a cashier;

5.2.4.3. The identity of the DDO, DO's agent, or cashier cashing the instrument must be clearly identifiable on that instrument, and the person cashing the instrument may be held pecuniarily liable if the instrument is altered or forged. The DO may also be held pecuniarily liable if the instrument becomes nonnegotiable and their identity is not apparent; and

5.2.4.4. The person cashing a negotiable instrument must verify the identity of the person(s) presenting the instrument. Record the payee or endorser identification (for example, legible name, social security number (SSN), phone number, and identification card number and duty station, if applicable) on the negotiable instrument so recovery can be made if the instrument is dishonored. A DO may use the DD 2761 as an alternative to annotating this information on a check, which alleviates identity-theft concerns created by exposing the SSN. Attach a photocopy of the negotiated check to the DD 2761 and file it for records retention.

5.3 CASHING PERSONAL CHECKS

5.3.1. Check Cashing

5.3.1.1. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent in writing to immediate collection against their pay for the total of any dishonored check. Dishonored checks are not delinquent debts. The DO has no authority to assess a service charge (penalty) but must recover any insufficient fund charges assessed on the DO by financial institutions.

5.3.1.2. Immediate deduction from the pay account is authorized for the face value of the dishonored check(s) plus any charges assessed against the DO by a financial institution for their processing.

5.3.1.3. The DO may not use partial payments as a means of resolving a dishonored check.

5.3.1.4. When a check is returned for a contract employee, the DO must immediately seek reimbursement from the company employee, as indicated in the employee's company agreement.

5.3.1.5. If a military member or DoW civilian employee is separated or has resigned and cannot be located to make restitution, the DO follows paragraph 5.5.

5.3.1.6. Writing checks in advance of the availability of funds (floating a check) is illegal. Deny check cashing privileges to individuals who abuse it by writing checks against insufficient funds.

5.3.1.7. Retain check cashing documents as follows:

5.3.1.7.1. The DO keeps the original signed DD 2761 for all personal checks honored.

5.3.1.7.2. For all dishonored checks, keep the original DD 2761 with the dishonored check file until resolved. If the consent statement is stamped on the front of the check and the check is dishonored, the DO, deputies, agents, or cashiers make copies of the front and back (if applicable) of the check. Keep a copy of the check, along with a copy of the agreement if the individual is a contractor, until the matter is resolved.

5.3.2. Limitations

5.3.2.1. Commanders establish maximum amounts for cashing personal checks by authorized personnel or their agents. In overseas areas where personnel of two or more Services are operating, the senior commander ensures a uniform policy to provide check cashing privileges within sound financial management practices. The policy and applicable limits are based on the circumstances of the local economy and cost-of-living. The supporting DO should publish deviations from established command maximum limits for each exception.

5.3.2.2. The DO provides a copy of an authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient-fund checks and associated charges that financial institutions may assess for personal checks cashed (see paragraph 5.4). Personal checks being cashed must be drawn in multiples of 5 dollars unless local conditions make that increment impractical. U.S. Treasury checks or checks issued by banks or other similar financial institutions may be cashed without regard to a dollar amount.

5.3.2.3. Checks must be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas MBFs operated under U.S. Government contract. Checks must also be payable in U.S. dollars through U.S. banks or credit unions, including banks located in the Commonwealth of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The DO establishes the days and hours during which check cashing service is available and makes appropriate notification of any changes.

5.3.3. A DO of a naval vessel may cash personal checks for crew members when the vessel is in a U.S. port and adequate check cashing facilities are neither available nor adequate for nonresidents of the area. A non-tactical disbursing activity in the United States may provide check

cashing service when a unit, squadron, or detachment without a DO or disbursing capability is performing TDY/TAD away from its permanent station or homeport where adequate check cashing facilities are not available. This authority applies when units, squadrons, or detachments are engaged in training or exercises that preclude use of available check cashing facilities. For situations not described in paragraph 5.2, a commander may request the Director, DFAS or designee to authorize check cashing services. Submit the request following subparagraph 5.2.1.1.

5.4 ACCOUNTABILITY FOR DISHONORED CHECKS

5.4.1. DOs who accept checks from external activities for the sale or transfer of something of value (for example, property disposal sales, clothing sales, commissary sales, ships stores, or housing offices) that a depositary later returns unpaid on a debit voucher must record the debit voucher on the DD 2657, Daily Statement of Accountability, as a reduction of deposits, prepare a reverse collection voucher as a reduction of reimbursements, and send one copy of the collection voucher and one copy of the dishonored check to the collection activity concerned. All dishonored checks returned by the Treasury on a debit voucher are automatically classified back to the TAS annotated on the OTCnet deposit ticket. Collection activities are responsible for pursuing collection action per their regulations and Volume 16. Because these checks were collected into an appropriation and then reversed, there is no deficiency in the DO's accountability.

5.4.2. Checks accepted from external activities or to satisfy an obligation (debt) due the United States do not impact the DO Cash TAS and are classified under a program TAS. DOs who accept checks to satisfy a debt to the United States (for example, overpayment of travel allowances) that are later returned unpaid by a depositary must follow subparagraph 5.4.1. The activity responsible for originating the charge (for example, military pay or travel pay) reestablishes the debt based on the dishonored check and the reverse collection voucher and pursues collection action per their regulations and Volume 16. A DO who is the collecting officer for these dishonored checks initiates collection action following Volume 16. Because these checks were collected into an appropriation and then reversed, there is no deficiency in the DO's accountability.

5.4.3. Checks accepted in check cashing transactions authorized by 31 U.S.C. § 3342 that are later returned unpaid by a depositary on a debit voucher must be recorded on the DD 2657 as decreases to deposits and increases to dishonored checks receivable. Dishonored checks related to accommodation exchange transactions impact the DO Cash TAS and stay on the DO accountability until recouped or until the uncollectible receivable is processed for removal from accountability as provided in Section 7.0, subparagraph 7.4.2.1.1. Unlike the checks in paragraphs 4.1 and 4.2, treat these as erroneous payments because public funds have been disbursed. DOs pursue collection of these checks following section 3.0 and Volume 16, Chapter 2, section 2.0. If the checks become uncollectible, the DO reports the losses and requests removal of the deficiencies through the Loss of Funds Team, DFAS Accounting and Finance Policy Division, DFAS

Indianapolis (DFAS-ZPTA), Location 211X, 8899 E. 56th Street, Indianapolis, IN 46249 (see paragraph 5.5).

5.5 REMOVAL OF DEFICIENCIES

5.5.1. Request for Removal

5.5.1.1. Upon notification that a check has been dishonored, start collection action immediately and pursue it through recovery. If the DO has followed the check cashing policy and collection requirements in paragraph 5.3 and Volume 16, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If the debtor is no longer employed, in the military service, or is an inactive reservist, and all attempts to collect have been exhausted, the DO sends a written request for removal of the deficiency to DFAS-ZPTA through their command channels.

5.5.1.2. If the DO has followed the check cashing policy and collection requirements in paragraph 5.3 and Volume 16, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If DFAS-ZPTA approves removal of the deficiency, it sends the requesting DO a memorandum authorizing a charge to Treasury Account Symbol ***6763, Gains and Deficiencies on Exchange Transactions. The removal-of-deficiency transaction impacts the DO Cash TAS. Process the removal of deficiency with a Classification Transactions and Accountability transaction citing account ***6763 and BETC and the appropriate DO Cash TAS/BETC. The DO sends a copy of the memorandum to the activity to which it submits financial reports. DFAS-ZPTA advises the Debt and Claims Management Office to continue attempts to recover the debt and, if successful, credit the appropriation charged when the deficiency is removed as a result of successful debt recovery. If DFAS-ZPTA does not authorize removal, the deficiency cannot be charged to account ***6763, and the DO can either repay the loss or request relief of liability as prescribed in Section 7.0, section 6.0.

5.5.2. If a dishonored check held in the disbursing office is lost, treat it as a physical loss of funds (see Section 7.0, paragraph 7.4).

5.5.3. If a forged check is processed and paid, a loss-of-funds investigation is required (see Section 7.0, paragraph 7.4). If the investigation cannot identify the forger, or if recovery from this person cannot be accomplished, the DO, DDO, agent, or cashier who cashed the forged instrument is liable for the loss but may be eligible for relief of liability (see Section 7.0, paragraph 7.6). The DO, DDO, agent, or cashier may submit a request for relief of liability to DFAS-ZPTA for the improper payment. The request should include a copy of the investigation results, all related documents, and a description of the procedures used to preclude forgery.

5.6 REDEEMING SAVINGS BONDS IN OVERSEAS AREAS

5.6.1. MBFs are authorized to redeem savings bonds in overseas areas. Where none are available, DOs may request this authorization through their chain of command. This is the only situation where DOs may redeem savings bonds. Disbursing offices with current authority to redeem savings bonds may continue this service provided no change in area support by a local MBF has occurred.

5.6.2. Cashing Bonds

5.6.2.1. The DO authorized to redeem savings bonds must use the savings bond calculator on the Treasury Direct website. Series EE and I Bonds issued after February 2003 must be at least 12 months old, based on the date of issue, before the DO may redeem them.

5.6.2.2. The DO issues an IRS Form 1099-INT, Interest Income, to recipients of $10 or more in interest paid on redeemed savings bonds. This form includes the amount of interest paid; the name, address, and Taxpayer Identification Number (usually the bondholder's SSN); the name of the person paid; and other information needed by the IRS. DOs are prohibited from cashing bonds for individuals who refuse to furnish their SSN. Because individuals redeeming bonds may change their address before calendar year-end without notification, DOs should furnish the form to the recipient at the time of the transaction.

6.0 CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS

6.1 GENERAL

6.1.1. Authoritative Guidance

6.1.1.1. Under 31 U.S.C. § 3325(a)(1) and (b), a DoW disbursing official may disburse money only as provided by a voucher certified by the Secretary of Defense (SecDef), a DoW officer or employee, or a member of the U.S. Armed Forces having written SecDef authorization to certify vouchers.

6.1.1.2. Under 10 U.S.C. § 2773a, the SecDef may designate any DoW civilian employee or member of the U.S. Armed Forces under the Secretary's jurisdiction as a DAO. DAOs must provide COs with information, data, or services the CO directly relies on to certify payment vouchers.

6.2 POLICY

6.2.1. DoD Directive 5118.03 delegates authority to appoint COs (under 31 U.S.C. § 3325(a)(1) and (b)) and DAOs (under 10 U.S.C. § 2773a) to the USD(C). This volume re-delegates that authority to DoW Component Heads, who may further re-delegate it. See Section 3.0, paragraph 3.3 for who may be appointed to positions of accountability to the U.S.

6.2.1.1. Under the separation-of-duties principle in Section 2.0, subparagraph 2.3.5.2, DOs, their deputies, and agents may neither be appointed as, nor appoint, COs for payments they will eventually make. See subparagraph 6.3.1.2 for conditions that may require deviation.

6.2.1.1.1. DOs and DDOs may certify cover vouchers supported by properly certified sub-vouchers. See Section 10.0, subparagraph 10.4.8.

6.2.1.1.2. Where a DO supervises separate computation and disbursing functions, computation section personnel may be COs. In limited situations (e.g., afloat units, noncombatant evacuations, contingency operations, training exercises), disbursing office personnel may be appointed as COs. Make these appointments through command channels, excluding the DO, and describe the circumstances in Item 7 of the appointing DD Form 577.

6.2.1.2. Certification of Funds Availability vs. Certification of a Payment Voucher

6.2.2. Certification

6.2.2.1. As key funds control personnel, resource managers must certify funds availability before goods or services are ordered, based on funding authorizations that allow incurring obligations the U.S. Government will pay at a future date (see subparagraph 6.3.2). This does not create pecuniary liability under 31 U.S.C. § 3527 or § 3528 (see subparagraph 6.7.1) but may have Antideficiency Act implications (see Volume 14).

6.2.2.2. Certification of a voucher for payment is an attestation by a properly appointed and trained CO that a voucher is correct and proper for payment. It normally occurs before payment but may occur simultaneously with receipt and payment, particularly in tactical situations. Only persons properly appointed on a DD 577 may make these certifications. See paragraphs 6.5 and 6.7.

6.3 RESPONSIBILITIES

6.3.1. DoW Component Heads or their designees, as appointing authorities:

6.3.1.1. May appoint COs and DAOs, other than themselves, and terminate appointments when required (see subparagraph 6.4.1);

6.3.1.2. Oversee the appointees and their execution of the duties in subparagraphs 6.3.4 and 6.3.5. For micro-purchases supporting contingency operations, balancing mission accomplishment with acceptable risk and cost benefit may require deviating from the separation-of-duties and internal-control principles in Section 2.0, subparagraphs 2.3.5 and 2.3.5.2, and the policy in subparagraph 6.2.1.2. Deviations are at the commander's discretion; the commander must recognize the increased risk of errors, theft, and fraud from merging payment-certification responsibilities with other functions and must make every effort to mitigate those risks. Mitigation tools include post-payment reviews, rotation of duties, reviews of financial data, and management or external reports. The micro-purchase threshold is defined in Federal Acquisition Regulation Subpart 2.101; and

6.3.1.3. Implement controls to effect timely appointment terminations.

6.3.2. Supervisors must ensure subordinate COs and DAOs are trained in their responsibilities, including initial and annual refresher training (see subparagraphs 6.3.4.1.2 and 6.3.5.2); periodically review their performance for compliance with regulations, policies, and procedures, including local standard operating procedures; review appointments annually for validity and current status; and make appropriate change recommendations to appointing authorities.

6.3.3. Resource managers or other key fund control personnel maintaining a funds-control system are responsible for certifying funds availability and assigning proper funding citations on commitment and obligating documents. They should coordinate with requiring officials (e.g., program managers, contracting officers, engineers) to verify that requests comply with applicable funding statutes, that the obligating document lists capital and expensed items on different line items, and that delivery of supplies or the service period of performance aligns with the lifecycle of the associated funds so the obligation meets the bona fide need rules in Volume 3. A certification of funds availability is not a certification for payment (see subparagraph 6.2.2 and Volume 14).

6.3.4. COs

6.3.4.1. CO qualifications:

6.3.4.1.1. Must have knowledge of the subject matter, background, or experience in preparing a payment voucher; in appropriations and other funds and accounting classifications; and in the payment process (e.g., location of designated paying and accounting offices). See subparagraph 6.2.2;

6.3.4.1.2. Must complete an approved "Certifying Officer Legislation" training course applicable to their mission area before appointment, complete refresher training annually, and provide proof of completion to their supervisor. Evidence of completing this training is required before performing as a CO. On-the-job training is not acceptable.

6.3.4.2. COs must ensure the automated and manual processes supporting their voucher certifications reasonably satisfy I TFM 4A-2000, and must also:

6.3.4.2.1. Check the accuracy of facts stated on a voucher and in supporting documents and records, and may rely on data from reliable automated systems certified as compliant with the Federal Financial Management Improvement Act of 1996 (FFMIA) (see Volume 1);

6.3.4.2.2. Verify the accuracy of a voucher's computation before certification;

6.3.4.2.3. Determine the legality of a proposed payment from the appropriation or fund cited on the voucher (see Section 2.0, paragraph 2.3.6 for prohibited-payment policy);

6.3.4.2.4. Ensure a legal obligation to pay exists (e.g., a contract);

6.3.4.2.5. Ensure the payee has fulfilled the prerequisites to payment (e.g., an invoice, receiving report, approved travel claim);

6.3.4.2.6. Ensure the payment is legal under the appropriation or fund involved (e.g., the correct appropriation and fiscal year);

6.3.4.2.7. Seek advance decisions on questionable vouchers (see Section 13.0, paragraph 13.2);

6.3.4.2.8. Repay a payment that is:

6.3.4.2.8.1. Determined to be erroneous (e.g., illegal, improper, or incorrect) due to an inaccurate or misleading certification;

6.3.4.2.8.2. Prohibited by law; or

6.3.4.2.8.3. Not a legal obligation of the fund or appropriation cited; unless the payment is recovered by collection or offset from the payee or another source, (e.g., collected from a DAO or relief is granted under subsections (b) or (c) of 31 U.S.C. § 3528; also see Section 7.0, subparagraph 7.6.3.3);

6.3.4.2.9. Respond timely to a reviewing official's questionable-payment inquiry; and

6.3.4.2.10. Include the payee's Tax Identification Number (for businesses) or Social Security Number (for individuals).

6.3.4.3. This section applies to DoW employees appointed as Treasury COs who are delegated authority to certify the disbursement of funds and to schedule and classify domestic and international payments the Bureau of the Fiscal Service disburses, as authorized by the Treasury Disbursing Office.

6.3.4.3.1. COs who certify Treasury-disbursed payments must be appointed using Bureau of the Fiscal Service Form 210CO, Designation for Certifying Officer, not the DD 577, unless also serving as a CO for DoW payments disbursed by a Non-Treasury Disbursement Office (NTDO). Treasury-appointed CO designations are valid for one year from the effective date unless revoked earlier. See I TFM 4A-3000 for requirements and forms for scheduling payments disbursed by the Bureau of the Fiscal Service.

6.3.4.3.2. All accountable officials are subject to the pecuniary liability standard under 31 U.S.C. §§ 3527 and 3528 (see Section 7.0, subparagraph 7.1.2). Treasury COs are pecuniarily liable when a fiscal irregularity occurs, based on the "presumption of negligence," whether the payment was disbursed by the Treasury or an NTDO.

6.3.5. DAOs

6.3.5.1. In performing their duties, DAOs are responsible for providing COs with information, data, or services to support the payment certification process. Their unique mission-area responsibilities require supervisors and appointing officials to decide whether DAO appointments are required and to clearly define each DAO's functions. Appointing DAOs is not mandatory; persons whose duties may support a DAO appointment include receiving officials, contracting officers, personnel who make payment eligibility determinations, time and attendance personnel, and travel approving officials. Consider personnel in the following areas for appointment as DAOs:

6.3.5.1.1. Purchase Card Program. Approving officials may be appointed as COs with the additional responsibilities in subparagraph 6.3.4.2. Other purchase card program personnel may be appointed as DAOs (see Volume 10).

6.3.5.1.2. Personnel Programs. Personnel officers must ensure accurate and timely input of personnel data supporting payments.

6.3.5.2. DAOs must complete approved training applicable to their mission areas within two weeks of appointment, complete refresher training annually, and provide a copy of their training completion certificate to their supervisor. Evidence of completing this training is required before performing as a DAO.

6.3.6. AIS administrators operate and maintain the automated systems supporting the entitlement, certifying, and disbursing processes so those systems meet prescribed functional requirements, maintain data integrity, and prevent unauthorized access. They must also ensure the systems they administer are certified as FFMIA-compliant (see Volume 1).

6.4 DD 577

6.4.1. Appointing authorities appoint and terminate COs and DAOs using a DD 577, identifying as necessary the types of payments to be certified (e.g., vendor pay, purchase card, CBAs, travel, transportation, military and civilian pay) and, if appropriate, the entitlement systems involved. Avoid "various" and similar generalities when identifying voucher types. If desired, include the reviewing official's organization on the appointment. The effective date of an Appointee Acknowledgment (Item 15 or 16a-Digital) may not be earlier than the Appointing Authority date (Item 12).

6.4.1.1. Include the appointee's DoW Identification Number (employee number for a direct-hire, non-U.S. citizen outside the U.S.), name, organization, and position. Limit access to any personally identifiable information to those who require it to perform their duties and who follow the Privacy Act of 1974 (5 U.S.C. § 552a).

6.4.1.2. When appointing employees outside the U.S. who are precluded by local law, treaty, or status of forces agreement from being held pecuniarily liable to the U.S. (see Section 2.0, subparagraph 2.3.3.4), make an appropriate comment in Item 7.

6.4.1.3. Appointees acknowledge their appointment in Section III and may not re-delegate their appointed authority.

6.4.1.4. Appointments remain in force until terminated by an appointee's reassignment or for cause. An appointing authority's reassignment does not affect existing appointments.

6.4.1.5. COs who certify vouchers electronically (e.g., Defense Travel System) must submit the DD 577 electronically.

6.4.1.6. COs who certify manual vouchers or submit manual certifications of electronic payments must submit original, manually signed DD 577s (see subparagraph 6.4.1.1) or supplemental documents to support electronic DD 577 submissions.

6.4.1.7. These forms cannot be amended, and pen-and-ink changes are not authorized. Any change (e.g., altering the types of vouchers to be certified) requires terminating the existing appointment and preparing a new one.

6.4.1.8. Terminate appointments using Section IV and submit the DD 577 to all recipients who received copies of the original appointment.

6.4.2. Distribution

6.4.2.1. CO Appointments. Ensure the training required by subparagraph 3.4.1.2 is complete before submission.

6.4.2.2. DAO Appointments. Appointing authorities must ensure the training required by subparagraph 3.5.2 is complete, keep the signed original DD 577s, and send copies to the offices that certify vouchers. Offices and organizations that rely on DAOs must establish and implement mechanisms to identify and communicate with them.

6.5 CERTIFICATION

6.5.1. All payments from appropriated funds must be certified (excluding intra-governmental); see the Government Accountability Office (GAO) Policy and Procedures Manual, section 6.5. Before certifying and submitting vouchers to DOs for payment, COs must review them to ensure the information agrees with all supporting documentation. See Section 10.0, subparagraph 10.4.2 for voucher certification requirements and Volume 1 for records retention policy.

6.5.2. COs certify to (not "for" or "on behalf of") DOs or their agents that vouchers are correct and proper for payment from the appropriations or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (see subparagraph 6.3.4.2). They may certify individual vouchers or a file of several vouchers (see subparagraph 6.5.3). Manual certifications require the CO's signature and typed or printed name, date, and dollar amount. Submit manually certified vouchers to the disbursing office by mail or fax.

6.5.3. Batch certification attests that a file contains a specified number of payments totaling a specific dollar amount equal to the total of the vouchers in the file, and that each voucher has been certified as correct and proper for payment. Pecuniary liability attaches to the original CO for each payment. The person who certifies the file is pecuniarily liable for vouchers in that file not previously individually certified. Once a file is input, a DO processes each payment separately.

6.5.4. More than one CO may be involved with a given payment; this is "successive certification." The successive CO's actions do not diminish the responsibility of the officer who certified the original voucher. If the officer who certifies an additional related voucher differs from the one who certified the original, the first CO is pecuniarily liable for the correctness of the original voucher and the successive CO is pecuniarily liable only for the additional voucher(s). If a voucher is certified and then changed (e.g., to take a discount or add interest penalties), the CO certifying the legality, propriety, and correctness of the changes is pecuniarily liable only for the payments based on those changes.

6.5.5. Altering a certified voucher invalidates the certification. A DO who determines that a certified payment voucher is improper must return it for correction and a new certification. However, post-payment printing and scanning of paid vouchers that were properly certified electronically do not invalidate the original certifications.

6.5.6. Translation of accounting data for a certified voucher is acceptable as long as the correct appropriation or funds involved align with the appropriation or funds cited on the legal obligation to make the payment (e.g., a contract). The translation process must be auditable and reliable, so the certified line of accounting can be mapped to the translated line of accounting. See Volume 1 for more on data translation. DOs and COs may rely on data from reliable automated systems certified as FFMIA-compliant.

6.6 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

6.6.1. Payment review officials are not subject to pecuniary liability because they are not in accountable positions. State their responsibilities in their position descriptions and performance standards, or appoint them by means other than a DD 577.

6.6.2. Examination Requirements

6.6.2.1. Title 7 of the GAO Manual, which implements 31 U.S.C. § 3521(b)(1), requires pre-payment examination of payments over $2,500. For payments of $2,500 or less, statistical sampling procedures may be used instead of examining all payments (see subparagraph 6.6.3). Several publications provide guidance on statistical sampling and pre- and post-payment reviews, including GAO/Accounting and Information Management Division report 21.3.2 (May 2000), Streamlining the Payment Process While Maintaining Effective Internal Control; OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control; and Appendix C to OMB A-123, Requirements for Effective Estimation and Remediation of Improper Payments. GAO reports provide examples for the pre- and post-payment phases, but no single procedure suits every type of disbursing system.

6.6.2.2. Pre-payment reviews may occur any time before payment, at the stage of the voucher-preparation process management judges most appropriate. These reviews ensure vouchers are substantiated by documentation for lawful and proper payment; under manual processing systems, they include verifying the accuracy of computation.

6.6.2.3. Pre-payment review officials who determine that proposed or actual certified payments are of questionable legality, propriety, or correctness must send inquiries to the COs challenging the decision to certify those payments and must keep files of these inquiries and any received from other sources. Inquiries must be resolved within 30 days.

6.6.3. Statistical Sampling Plans

6.6.3.1. DoW Components may use statistical sampling plans for vouchers not exceeding $2,500. Agencies must establish their own dollar limitations within that maximum, based on a cost/benefit analysis of their voucher-examining operations. A CO who uses an approved pre-payment statistical sampling procedure and reviews only the sampled vouchers as a basis for certification must identify the vouchers selected for review. A DoW Component that determines an alternate voucher-examining plan is required must send a written request through the Director, DFAS, to the USD(C) for approval under subparagraph 6.6.3.3. The request must identify the reason for the alternate plan, including a description of the plan, alternate statistical sampling procedures, and a business case showing savings without jeopardizing the Government's interest.

6.6.3.2. Sampling plans must be statistically valid and adhere to technical guidelines in professional Federal and non-Federal texts and publications. Each plan must include the purpose, scope, review frequency, a definition of the population from which the sample will be selected, the sample size and element selection method, procedures to analyze the sampled records, and methods to document and report the results. Sampling plans require review and approval (in most cases, original preparation) by qualified statisticians before submission for final approval. Review and update them periodically to reflect the most recent occurrence-rate trends and to allow population estimates within predetermined sampling probability and precision levels.

6.6.3.3. The Director, DFAS, or designee approves statistical sampling plans for payment vouchers DFAS processes and ensures their implementation at locations for which DFAS is responsible. The USD(C) approves statistical sampling plans for other DoW Components, whose officials ensure implementation.

6.7 PECUNIARY LIABILITY

6.7.1. COs and DOs, but not DAOs, are automatically pecuniarily liable when a fiscal irregularity occurs, based on the "presumption of negligence" under 31 U.S.C. § 3527. A fiscal

irregularity is either a physical loss of cash, vouchers, negotiable instruments, or supporting documents, or an erroneous (e.g., illegal, improper, or incorrect) payment. Physical losses generally apply only to DOs and their agents. Under 28 U.S.C. § 2512, DOs must prove they were neither negligent nor the proximate cause of the irregularity to gain relief of liability. See Section 7.0 for policy on relief and liability of accountable officers.

6.7.1.1. Under 31 U.S.C. § 3325, DOs are pecuniarily liable for payments not made per the vouchers certified to them and for errors in their accounts. DOs who make payments per the certifications of properly appointed COs may be relieved of their liability.

6.7.1.2. Under 31 U.S.C. § 3528, COs are pecuniarily liable for payments resulting from improper certifications.

6.7.1.3. DAOs are not subject to the presumption of negligence but may be held pecuniarily liable under 10 U.S.C. § 2773a(c) for illegal, improper, or incorrect payments resulting from information, data, or services they negligently provide to COs and on which the COs relied to certify payment vouchers. A DAO's pecuniary liability for such losses to the U.S. may be individual or joint and several with that of other liable U.S. officers, employees, or members of the uniformed services.

6.7.2. Under 31 U.S.C. § 3521(c), COs and DOs who pursue diligent collection action are not pecuniarily liable for payments on vouchers in a population subject to sampling but not reviewed. See Section 7.0, paragraph 7.5, for a fraudulent or suspected fraudulent payment.

7.0 PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

7.1 GENERAL

7.1.1. An accountable official is a member of the U.S. Armed Forces or a DoW civilian employee responsible for or having custody of government funds. Accountable officials include certifying officers and departmental accountable officials (DAO) and disbursing officers (DOs), deputy DOs (DDOs), cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of funds for which they are accountable unless granted relief. The Secretary of War decision to grant or deny relief is binding. The Secretary of War has delegated authority to the Director, DFAS, to determine whether to grant or deny all requests for relief of liability, and the Director, DFAS, has re-delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

7.1.2. All accountable officials are subject to the pecuniary liability standard under Title 31, U.S.C. Except for the DAO, an accountable official's basic legal liability arises

automatically by virtue of the loss, regardless of fault or negligence. Relief is a separate process that considers the official's lack of fault or negligence, to the extent authorized by the following:

7.2 DEFINITIONS

7.2.1. A physical LoF can be minor or major. A minor loss is a physical loss of less than $750 without evidence of theft or fraud within the disbursing office.

7.3 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT

Any person who believes an official entrusted with public funds is misusing those funds, or who suspects a fraudulent erroneous payment, must notify the Commander having jurisdiction over the alleged offender within 24 hours of discovery. A physical LoF does not initially affect the DO's Cash Treasury Account Symbol (TAS). The LoF is maintained as part of the DO's accountability and does not affect that balance until recovery, recoupment, or relief of liability is granted.

7.4 PHYSICAL LOSSES

7.4.1. Responsibilities

7.4.1.1. On notification of a possible loss, the DO must:

7.4.1.1.1. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss; and

7.4.1.1.2. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team, per Appendix A, to confirm that a loss has occurred.

7.4.1.2. On notification of a possible loss, the Commander must request that the Cash Verification Team audit the DO's account. If the discrepancy is not resolved and qualifies as a major LoF, report the loss to the DFAS LoF Team within 24 hours, sent to the Disbursing Policy mailbox (dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil) or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 211X, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander commands the DDO, agent, or cashier, a copy of the report must be provided to the DO.

7.4.2. Accounting for Physical LoF

7.4.2.1. All physical losses, major or minor, discovered in the DO's account, including those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians, must be recorded on the DD 2657 using an Optional Form (OF) 1017-G, Journal Voucher, to document the movement of money from one line to another. All losses must continue to be shown on the DD 2657 and the Standard Form (SF) 1219, Statement of Accountability, until the loss is recovered, recouped, or relief of liability is granted. Foreign currency loss must be converted and recorded in U.S. Dollar equivalent (USDE) using the exchange rate at the time the loss occurred.

7.4.2.2. Forward the DD 2667 to the LoF Team within 5 calendar days after the end of each month, sent to the Disbursing Policy mailbox (dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil) or by mail to the LoF Team, DFAS Accounting and Finance Policy Division, DFAS Indianapolis (DFAS-ZPTC), Location 220V, 8899 E. 56th Street, Indianapolis, IN 46249.

7.4.2.3. Physical losses of funds incurred by DDOs, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the agent's accountability documents. The DO must be notified of all physical losses as soon as possible, must reduce the DD 2657 for that agent, and must record the loss on the cumulative DD 2667.

7.4.2.4. For a change fund or imprest fund loss, the DO must record the amount of the loss on the DD 2667 and DD 2657.

7.4.2.5. For a counterfeit currency loss, the DO must record the amount of the loss on the DD 2667 and DD 2657.

7.4.3. An investigation is required for all physical LoF unless the loss is recouped, recovered, or paid back.

7.4.3.1. The type of loss determines the type of investigation required.

7.4.3.1.1. For a loss of $300 or less with no fraud, the DO or DDO (if the DO is not co-located with the DDO) conducts the investigation and completes the written investigatory report. If the loss is attributable to the DO, the primary DDO conducts the investigation and the report. Under no circumstances may the official incurring the loss prepare their own written investigatory report. In all cases, the report must be completed and submitted to the DFAS LoF Team within 30 days from discovery of the loss.

7.4.3.1.2. For a loss over $300 with no fraud, the Commander must appoint an IO to conduct the investigation and complete the written investigatory report. The appointed

official must be someone other than the DO or disbursing office personnel (for example, a member of the Cash Verification Team) and must have knowledge of disbursing office operations, especially the required internal controls, pertinent laws, and applicable directives. In all cases, the report must be completed and submitted through the Commander to the DFAS LoF Team within 30 days from discovery of the loss.

7.4.3.1.3. An IO must be appointed to conduct a formal investigation of a major physical loss.

7.4.3.1.3.1. The following individuals have the authority to appoint an IO: the Commander of the DO who incurred the loss; and for DFAS sites, the Director of the DO who incurred the loss.

7.4.3.1.3.1.1. When the accountable official and the DO are not in the same location, the Commander over the accountable official must appoint the IO.

7.4.3.1.3.1.2. When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

7.4.3.1.3.2. The Commander must provide a copy of the official appointment notification to the DFAS LoF Team within 5 days of appointment.

7.4.3.1.3.2.1. The investigation must be completed and submitted to the DFAS LoF Team within 90 days from discovery of the loss.

7.4.3.1.3.3. An IO must be a commissioned officer (O-3 or above) or a civilian employee senior in rank or grade to the person(s) under investigation and must:

7.4.3.1.3.3.1. Not have a vested interest in the outcome of the investigation.

7.4.3.1.3.3.2. Not be in the chain of command of the DO or accountable officials involved in the irregularity; and

7.4.3.1.3.3.3. Have knowledge of financial accounting controls and pertinent laws and directives. Use Comptroller personnel only when there is no feasible alternative to appoint an IO from another organizational element. The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-HG) must provide technical guidance to IOs who lack extensive investigative or financial backgrounds.

7.4.3.1.3.4. If the IO recommends denial of relief to the DO or any other accountable official(s) pecuniarily liable for the loss, the IO must provide a copy of the report to those officials.

7.4.3.1.3.5. The IO must report the status of the investigation every 30 days through the Commander to the DFAS LoF Team.

7.4.3.1.3.6. When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The Commander must notify the DFAS LoF Team of any authorized extensions.

7.4.3.1.3.7. Unless granted an extension, the IO must submit the ROI through the Commander (who appointed the IO) to the DFAS LoF Team within 90 days after discovering the loss.

7.4.3.1.3.8. Upon receiving the ROI from the IO, the Commander must:

7.4.3.1.3.8.1. Immediately review the ROI for compliance;

7.4.3.1.3.8.2. Determine if the ROI is complete; if not, return it to the IO explaining the discrepancies and request further documentation or information. The Commander must notify the DFAS LoF Team if the ROI cannot be completed and submitted within 90 days from discovery of the loss.

7.4.3.1.3.8.3. The Commander must forward to the DFAS LoF Team any documentation or information that becomes available after the ROI has been forwarded. If there is evidence of fraudulent or wrongful conduct under investigation by authorized law enforcement, the investigative entities may request the Commander to withhold the report until their investigation is complete. If so, the Commander must continue to follow up on the status of their investigation and advise the DFAS LoF Team of the status every 30 days. Copies of the investigative reports may be added as exhibits before forwarding the report through the chain of command to DFAS.

7.4.3.2. DFAS LoF Team (DFAS-ZPTC) must

7.4.3.2.1. Review the ROI upon receipt; and

7.4.3.2.2. Forward the final decision to the appropriate individuals and, where individuals are held liable, must inform them of their right to submit a rebuttal.

7.4.4. Funding

7.4.4.1. Appropriated funds must be made available to remove the deficiency from the DO's SF 1219 if the losses are not recovered. This includes when relief of liability is denied and recoupment cannot be made from the accountable official, or when relief of liability is granted.

7.4.4.1.1. If the accountable official responsible for the LoF was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

7.4.4.1.2. If the accountable official responsible for the LoF was a military member or employee of another DoW Component when the loss occurred, that DoW Component must identify the necessary appropriation and funding to resolve the loss.

7.4.4.2. The DO must clear the LoF from the DD 2667 and DD 2657 based on the instructions given by DFAS.

7.5 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER)

7.5.1. Responsibilities

7.5.1.1. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the Commander must:

7.5.1.1.1. Notify the DFAS LoF Team within 24 hours of notification, through the chain of command;

7.5.1.1.2. Appoint an IO to conduct a formal investigation;

7.5.1.1.3. Ensure the investigation is completed and forwarded to the DFAS LoF Team within 90 days from the appointment of the IO.

7.5.1.2. Upon notification of a fraudulent or suspected fraudulent erroneous payment, the DO must:

7.5.1.2.1. Determine if the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO and, if so, prepare a DD Form 1131, Cash Collection Voucher, transferring the amount of the fraudulent payment back into the appropriation from which it disbursed, increase the DD 2657 if the loss is a predecessor loss, and record the loss on the DD 2667.

7.5.1.2.2. If the erroneous payment occurred due to fraudulent actions of individuals not under the direct cognizance or control of the DO, the payment(s) must remain charged to the appropriation originally charged.

7.5.1.3. Upon notification of an erroneous payment, the certifying officer must:

7.5.1.3.1. Ensure collection action is taken against the recipient of the payment, per Volume 16. This may require submission of the debt to the DO or other responsible area.

7.5.1.3.2. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed.

7.5.1.4. The DO does not need to take any action if the erroneous payment was properly certified.

7.5.1.5. If the erroneous payment was not properly certified:

7.5.1.5.1. The DO must ensure collection action is taken against the recipient of the payment, per Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4 for disposition of the collection.

7.5.1.6. Upon notification of an erroneous payment, the Commander must:

7.5.1.6.1. Determine whether a formal or an informal investigation is required;

7.5.1.6.2. Appoint an IO; and

7.5.1.6.3. Ensure the investigation is completed and submitted to the DFAS LoF Team.

7.5.2. Investigation of Erroneous Payments

7.5.2.1. Formal investigations are required when:

7.5.2.1.1. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

7.5.2.1.2. The Commander determines it to be necessary.

7.5.2.2. The investigation must be submitted to the DFAS LoF Team through the Commander who appointed the IO within 90 days of the IO's appointment.

7.5.2.3. The IO must prepare investigatory comments.

7.5.2.4. The investigation must be submitted to the DFAS LoF Team within 60 days of the Commander's notification of the erroneous payment.

7.5.3. When feasible, all actions required to reach a determination of liability for a LoF due to an erroneous payment should be completed within 3 years after the SF 1219 is certified.

7.5.4. Generally, the DO will not carry an erroneous payment as a LoF on the SF 1219, because an appropriation was charged when the payment was disbursed. Exceptions to this general rule occur when Treasury applies check-issue overdrafts against a disbursing station symbol number, or when an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

7.5.4.1. If the erroneous payment is recovered from the recipient, credit the amount recouped or collected to the appropriation initially charged, unless the appropriation is canceled. Refer to Volume 4 for disposition of the collection of a canceled appropriation.

7.5.4.2. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the collection proceeds to the appropriation originally charged unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4.

7.5.4.3. The amount of the erroneous payment must remain charged to the appropriation it originated from when: relief of liability is granted, or recovery attempts from the recipient are unsuccessful.

7.5.4.4. If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

7.5.5. Retain all documents with the facts of the case to ensure proper response to audits conducted by the Government Accountability Office.

7.6 REQUEST FOR RELIEF

7.6.1. Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO's report must be attached to the request for relief. Erroneous payments paid through the Treasury Direct Disbursing process follow the same process as those paid through a DoW disbursing office. Accountable officials must submit their request for relief as follows.

7.6.1.1. DOs. Submit the request for relief through the Commander or DFAS site director to the DFAS LoF Team.

7.6.1.2. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to the DFAS LoF Team.

7.6.1.3. DDOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to the DFAS LoF Team.

7.6.2. Evidence Required for Granting Relief

7.6.2.1. An accountable official is strictly liable for any erroneous payment or physical LoF placed in the official's care, subject to relief of liability. If the Government establishes that a loss has occurred, strict liability applies to the accountable official involved. The accountable official bears the burden of proving that it is more likely than not that the official: was not negligent; or official's fault or negligence was not the proximate cause of the loss.

7.6.2.2. Generally, the findings of a related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the requestor must supply the required information for consideration in the request for relief and/or the forwarding endorsements. Failure to include all required information could contribute to unfavorable consideration of a request for relief.

7.6.2.3. Each addressee in the requestor's chain of command (including the DO) must provide a forwarding endorsement. The endorsement must include a specific opinion as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence, and a specific recommendation on granting or denying relief.

7.6.3. The general authority to relieve accountable officials from liability of a physical loss is stipulated in 31 U.S.C. § 3527.

7.6.4. The general authority to relieve accountable officials from liability of an erroneous payment is stipulated in 31 U.S.C. § 3527(b)(1)(B), which incorporates by reference 31 U.S.C. § 3528(b)(1)..

7.7 DECISIONS ON LIABILITY

7.7.1. If relief is granted, the DFAS LoF Team will provide a memorandum with instructions for removing the deficiency or authority to leave the payment charged to the original appropriation.

7.7.2. If relief is denied, the DFAS LoF Team will advise the accountable official(s) of the decision and of their right to submit a rebuttal. The rebuttal must be submitted to the DFAS LoF Team within 30 days of notification of the adverse determination. Based on the additional information received, the team will recommend to the Director, Strategy, Policy and Requirements, through the DFAS Office of General Counsel, whether to affirm or reverse the previous decision.

7.7.2.1. If the decision is reversed, the DFAS LoF Team will advise the accountable official(s) accordingly and provide the DO instructions for removal of the LoF or authority to leave the payment charged to the original appropriation.

7.7.2.2. If the decision stands, the DFAS LoF Team will advise the Commander and/or DO to take immediate collection action against the accountable official(s). Cash recouped from a loss and retained for future operating use does not impact the DO Cash TAS balance. Volume 16 provides guidance for completing collection of irregularities.

7.8 OVERAGES OF PUBLIC FUNDS

7.8.1. Do not offset an overage of funds against a physical LoF unless the relation between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is over by equal USDE amounts). Do not offset overages against shortages if the shortage and overage occur on different business days. An overage of funds must be collected into the DO's accountability and reported by CTA transactions to Treasury's Budget Clearing Account (Suspense), F3875, citing the collection Business Event Type Code (BETC) along with the DO Cash TAS/BETC. If the proper location of the overage cannot be determined, the overage must be transferred to Treasury's Forfeiture of Unclaimed Money and Property, R1060, using a CTA transaction. Track overages by recording each occurrence on a separate DD 2667, maintained specifically for overages. Start a new DD 2667 for overages at the beginning of each quarter.

7.8.2. Overages of funds that are $750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the R1060 account.

8.0 U.S. TREASURY CHECKS

8.1 POLICY

8.1.1. Drawing and Dating Checks

8.1.1.1. Inscribe checks drawn on the Treasury to the payee by name, or to a financial institution for credit to the named payee's account, except for checks drawn as exchange-for-cash. Never make a check payable to "Cash."

8.1.1.2. DOs must not issue checks in payment of salaries before completion of the service for which payment is made or before the scheduled payday, unless authorized (for example, advance pay). A DoW Component may mail checks to payees before a military or civilian payday to ensure payments are available when due. When mailing a check before payday, do not date it before the scheduled payday. Agencies using this delivery method must have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (for example, unauthorized absence or separation) and ensure pay intercept procedures can be initiated.

8.1.1.3. A check may be drawn to the order of a legal representative of the estate of a deceased person (for example, "John K. Smith, Executor of the estate of James R. Jones"). Do not make a check payable "to the estate of" a decedent or to a deceased person.

8.1.1.4. A check may be drawn to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized (see Volumes 7A).

8.1.1.5. The payee may authorize another person to receive a Treasury check by a specific power of attorney that clearly states the holder is entitled to receive the check on the payee's behalf. The person receiving the check signs his or her own name on the voucher followed by "Attorney-in-Fact for" and the name of the person granting the power of attorney. The DO verifies the holder's identity and keeps a copy of the power of attorney. Process payments to a power of attorney holder that require "secret" or "confidential identity" using a cover voucher insert. Transmit a copy of the original voucher and of the power of attorney to the supporting DFAS site for handling and storage.

8.1.1.6. Signing blank checks is prohibited.

8.2 PROCUREMENT OF TREASURY CHECKS

8.2.1. The DFAS Enterprise Solutions and Standards Directorate's Tax and Disbursing Division (DFAS-IN/JTDCO) is the sole check sourcing agency for DoW activities. Contact DFAS-IN/JTDCO for current check formats, the procedure for obtaining check stock, and advice on alternative payment methods (DFAS-IN, 8899 E. 56th Street, Indianapolis, IN 46249-2700; dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil). To ensure continuity of operations, DOs must not allow check stock to fall below a 6-month supply, must seek replenishment at the 9-month level, and a DO at a newly established DSSN must request check stock at least 4 months before disbursing operations begin.

8.2.2. Receipt of Treasury Checks

8.2.2.1. If a check shipment contains more than one check with the same serial number, in addition to notifying DFAS-IN/JTDCO, the DO must destroy each check bearing a duplicate number. Because the remaining checks bearing those serial numbers may be issued normally, do not report the duplicate check serial numbers as zero-dollar amounts in the check issue report. Mark the duplicate numbered checks "Void - Not Negotiable" and destroy them locally within 30 days.

8.2.2.2. If checks are discovered missing during receipt verification or at any time thereafter, notify both DFAS-IN/JTDCO and the nearest DoW Component investigative service for referral and liaison with the U.S. Secret Service (USSS).

8.2.3. Count checks transferred between DOs as part of the relief from disbursing duty process by both the transferring and receiving parties when they are not in the original packages (see Section 3.0, subparagraph 3.4.6.1.3).

8.2.4. Security, Storage, and Issuance of Blank Checks

8.2.4.1. Store blank Treasury checks in a secure container (see Section 4.0, paragraph 4.2) in the DO's or deputy DO's (DDO) safe or under lock and key. The DO or designee ensures storage conditions prevent deterioration of the check surface tint and design, which are sensitive to moisture, light, and heat, and may accept checks of satisfactory color and strength and obtain a replacement supply if deterioration occurs later. Give only one individual primary responsibility for maintaining the check stock and related control records, and limit others' access to occasions when the designated custodian is absent.

8.2.4.2. The DO or designee maintains control of the check stock and is always accountable for it. Under joint custody, the DO or designee ensures no break in accountability occurs, providing access to the check stock during brief or unexpected absences of the individual with normal day-to-day responsibility for it.

8.2.4.2.1. The DO or designee maintains a blank check control log for each series of checks to keep a perpetual inventory of checks on hand and control their release. The DO or designee must examine the log daily to ensure all checks drawn and returned unused are accounted for and that no checks have been removed without authority.

8.2.4.2.2. Use the prescribed blank check control log:

8.2.4.2.2.1. The DO or designee issues blank checks to check writers from the check stock in blocks of appropriate size by serial number and monitors the return of blank, voided, or spoiled checks to the vault. The DO or designee also uses the control log to

control issuance and return of checks between the DO and sites external to the disbursing office that prepare checks.

8.2.4.2.2.2. The DO or designee must obtain receipts for checks issued. The designee in charge of working checks must keep a record of checks issued daily to each clerk, examine daily the record of checks drawn and returned unused to account for checks issued, and ensure no checks are removed without authority.

8.2.4.2.2.3. The DO or designee must inventory the check stock at least once every 90 days. Count individually the checks in any open container, and open and individually count any damaged or tampered cartons. Keep a record of the on hand inventory in the disbursing office and provide it to the cash verification team for attachment to the quarterly cash verification report (see Appendix A).

8.2.4.2.3. When blank checks are lost or stolen:

8.2.4.2.3.1. The DO or designee immediately notifies the Commander, the nearest USSS office (by email or telephone), and Fiscal Service at (304) 480-7777. Confirm by letter to Fiscal Service's Physical Security Branch, 6505 Belcrest Road, Suite 613, Hyattsville, MD 20782, with copies to the USSS, the appropriate DoW Component investigative service, DFAS-IN/JTDCO, and appropriate local banks. Include the DSSN, the ICNs or serial numbers of the checks, complete information on the loss or theft, and the date the loss was referred to the USSS for investigation.

8.2.4.2.3.2. If the loss involves a range of consecutive serially numbered checks, report only the beginning and ending serial numbers of the range. Void all checks discovered missing, lost, or stolen before issuance, and report the circumstances per I TFM 4-5040.20.

8.3 ISSUANCE OF TREASURY CHECKS

8.3.1. Check Preparation

8.3.1.1. Issue checks in strict numeric sequence within each series. Essential check information includes place and date of issue, DSSN, serial number, payee, amount, drawer signature, designation of title, and other identifying information. Do not print legends such as "Salaries and Expenses" or "Drawn for Above Object" on the face of a check. Check explanations (for example, exchange-for-cash or salary) and other special information unique to a disbursing activity may be entered at the bottom of the check to the left of the signature area; keep extraneous data to a minimum. Use spaces on the printed check form only for their intended purposes, and

do not leave any space unfilled in a manner that would allow or facilitate alterations or additions that could lead to forgery or fraud.

8.3.1.2. A completed check must have an orderly appearance and good legibility for accurate reading in rapid handling; avoid overprinting, intersecting, and crowding. No check may be issued for more than $99,999,999.99; when the total payment exceeds that amount, issue two or more checks totaling the required payment. No deviation in check writing procedures is permitted unless authority is first obtained from DFAS-IN/JTDCO (see I TFM 4-5000).

8.3.2. Check Print Requirements

8.3.2.1. Data printed or typewritten on checks must be permanent and unaffected by erasure, smudging, moisture, handling, the passage of time, or other methods that might intentionally or unintentionally remove or alter the printing without affecting the check itself.

8.3.2.1.1. Impact printers may be used. Laser printers that fuse the toner into the check may be used. Do not use laser printers that only lay an image on the paper surface. Do not use correctable ribbons for manual check preparation, as they lack the permanence required to protect against undetectable alteration.

8.3.3. DOs must not release checks with erasures, alterations, overprinting, or imperfect figures or letters. Spoil or void such checks and issue replacements.

8.3.4. Each DO must maintain a record of checks issued under their DSSN. The record must contain at least these data elements: payee, amount, DSSN, check serial number, and date of the check. Other information (purpose, document number, voucher number, local identification code) is optional and at the issuing DO's discretion. The record may be kept on paper or an electronic medium designed for data processing.

8.4 CHECK-SIGNING MACHINES

8.4.1. Select check-signing machines that meet Treasury regulations and standards (see I TFM 4-5045.20). Impact check signers using rubber signature dye, or approved laser check printers containing digitized signatures, may be used. The machines must have the following features:

8.4.1.1. Use a key controlled DO signature feature or a removable computer chip containing the digitized signature for laser check printers with digitized facsimile signature capability. Keep the key or the chip controlling the signature capability in a locked safe or vault, or under other equally effective safeguards, when not in use.

8.4.2. Signature Media

8.4.2.1. Normally, a DO and authorized DDOs use only one signature medium. A DO or DDO may obtain multiple signature media only with DFAS-IN/JTDCO approval, and requests for additional media must include justification of the need. If the check-signing machine uses one set of two plates for signing, additional media require DFAS-IN/JTDCO approval.

8.4.2.2. DFAS-IN/JTDCO will not accept facsimile signatures that do not meet required standards. Design facsimile signature media so that the frame or border enclosing the facsimile signature is a single wavy line containing no identifying characteristics. The signature impression must have sharp lines, a continuous and homogeneous deposit of ink, no filling, and no pronounced ribbon pattern.

8.4.2.3. After receiving the signature media, the DO whose signature is reproduced runs 14 specimens of each facsimile signature, certifies two copies as true facsimiles, and mails all 14 copies to DFAS-IN/JTDCO with a memorandum requesting approval of the facsimile to sign checks. The approval reply authorizes use of the check-signing machine. If the specimens do not match, or the medium does not meet required standards, DFAS-IN/JTDCO advises DFAS-IN/ZTA and requests correction. Do not sign checks by facsimile signature before receiving DFAS-IN/JTDCO approval.

8.4.2.4. The DO must establish and implement controls to prevent unauthorized use of signature media. Maintain custody receipts for all signature media held by authorized deputies, keep a record of each run of checks through the check signer, and reconcile that record with the report of checks issued. When not in use, keep signature media in an approved safe or vault. If the signature media are not removable from the check-signing machine, keep the machine keys in an approved safe or vault.

8.4.2.5. Only the DO or designated DDOs should sign checks using signature media. When necessary for efficient operation of the disbursing office, the DO may authorize, in writing, the holder of a specified position other than a DDO to perform this function. Do not appoint individuals as DDOs solely to sign checks by signature media.

8.4.2.6. If a signature medium is withdrawn from service (for example, it will not be used again, the DO is retiring, or the medium is unserviceable), destroy it locally. The destruction must be performed by someone other than the DO and witnessed by two individuals equal to or senior in rank to the DO.

8.4.2.6.1. Before destruction, the DO verifies the signature plate number or the serial number of the digitized signature medium and witnesses the information on the certificate of destruction.

8.4.2.7. If a digitized medium containing the DO's signature is destroyed and that signature had been loaded to a printer or check signer software, the DO verifies that the signature has been permanently removed from the printer or check signer software. The destruction must be performed by someone other than the DO and witnessed by two individuals equal to or senior in rank to the DO. The DO signs the certificate of destruction only after the medium is actually destroyed. Immediately after destruction, give the certificate identifying the specific plate and date of destruction to the DO and to the federal entity official responsible for maintaining specimen signature files. Follow applicable federal and industry information technology regulatory requirements and standards when destroying an electronic file of a facsimile signature (see I TFM 4-5025.20).

8.5 PROMPT DELIVERY OF CHECKS

8.5.1. Once checks are prepared, deliver them promptly to payees. DoW requires participation in the direct deposit program for all newly enlisted, reenlisted, appointed (commissioned), or retired military personnel and all newly hired civilian personnel. Title 31, U.S.C. § 3332 requires that contractors be paid by EFT.

8.5.2. Safeguarding and Handling

8.5.2.1. Properly safeguard checks, handling them as few times and by as few people as practical.

8.5.2.2. Ensure proper custody, signing, and delivery of checks. If checks are handed to payees, require that payees identify themselves. Use the payee identification process in Section 10.0, subparagraph 10.4.3.

8.5.2.3. Promptly return to the disbursing office any checks not delivered within the time the DO specifies.

8.5.2.4. Keep checks in a safe, vault, or locked fireproof cabinet pending distribution or return to the DO.

8.5.2.5. Designate in writing the personnel engaged in pay delivery activities and supervise them to help prevent unauthorized, fraudulent, or other irregular activities.

8.5.3. The normal method of check delivery is by mail through the USPS to payees' residential mailing addresses or post office boxes. At overseas activities, payees' organizational addresses are treated as their residential mailing addresses; organizational addresses are otherwise not valid. When mail delivery is impractical, commanders or their designees may provide specific locations where payees may receive their checks. If checks are mailed to specific locations for

delivery, the DO appoints a person in writing at each location to deliver the checks as a designated third party.

8.5.4. Outside the Continental United States (OCONUS)

8.5.4.1. Under Title 31, Code of Federal Regulations, 211.1 (31 CFR § 211.1), the Secretary of the Treasury prohibits agencies from sending checks to the Republic of Cuba (except to the Naval Base, Guantanamo Bay) and the Democratic People's Republic of Korea (North Korea). DOs instead withhold payment and establish the liability on their books. See the Treasury's Office of Foreign Assets Control website for a complete listing of designated nationals and blocked persons.

8.5.5. Personal delivery of multiple checks may be impractical for the DO, or mailing them to addresses of record may not be expedient. In those circumstances, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

8.5.5.1. A DO may appoint individuals to serve as third parties for bulk check delivery; Fiscal Service (FS) Form 210DA, Designation for Agent to Receive and Deliver Checks, is available for this purpose. A DO may appoint one or more alternates to prevent distribution delays when the designee is absent, and alternates may also assist in check distribution when conditions warrant. The DO must ensure appointments are revoked when an appointee transfers, when bulk delivery is no longer needed, or as other circumstances warrant.

8.5.5.2. Package bulk shipments of prepared checks separately from other correspondence and send them by registered mail. Send bulk shipments for a unit or group of units to a third party for distribution or delivery to payees, or reship them to another third party for delivery where the military unit is located. Include the checks, transmittal letter, and documentation needed for the specific payments.

8.5.5.3. Designated third parties may not release checks to anyone other than the designated payee. When payees are absent at the time of delivery, see subparagraph 8.5.5.5 for handling checks.

8.5.5.4. When advance payments are issued for witnesses subpoenaed for trial, a representative from a DoW Component investigative agency, or a judge advocate charged with serving the subpoena, delivers the checks when the payees are absent at the time of delivery.

8.5.5.5. Unless otherwise directed, return checks for payees not present to the DO before the close of business that day. Inform absent payees to call the disbursing office to receive

them. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified short period. When payees are on extended leave or absence, return their checks to the DO for disposition. Return checks found to be in error to the DO, and the DO issues a new check to the payee after appropriate corrective action.

8.6 EXCHANGE-FOR-CASH CHECKS

8.6.1. Report all exchange-for-cash checks through PIR, citing the DO Cash TAS and the proper BETC code. Spoiled exchange-for-cash checks not yet reported to Treasury are not affected by daily reporting and must follow the guidance in subparagraph 8.8.1. Resolve spoiled checks already reported to Treasury by one of the following methods.

8.6.1.1. Accommodation exchange-for-cash checks are allowed only when satisfactory banking facilities do not exist, and are typically only OCONUS. In OCONUS areas and for ships afloat, the DO's commander may authorize cashing negotiable instruments (see Section 5.0, subparagraph 5.2.1.2.). DOs may prepare and issue these checks for official purposes to a DDO, agent, or cashier as an advance of cash; to the USPS for remitting collections for the sale of postal money orders; or to Western Union for remitting collections for personal messages of military personnel transmitted over DoW communications facilities to points inside the continental United States (CONUS).

8.6.1.2. The DO issues these checks to advance cash to a DDO, agent, or cashier. Checks issued as advances must be endorsed to the order of the bank or other institution furnishing the cash, or, when cashed by another DO, to that officer by title and activity rather than by name, as "Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit)." Make checks issued to remit collections for the sale of postal money orders or personal messages payable to the DO, USPS, or Western Union, as appropriate.

8.6.1.3. See subparagraph 8.9.5.1. for guidance on disposition of canceled available checks. Deposit exchange-for-cash checks in the Over-the-Counter Channel Application (OTCnet) using the DO Cash TAS.

8.6.1.4. Exchange-for-cash checks that are lost, stolen, or destroyed must follow the unavailable check cancellation (UCC) guidance: enter a Standard Form (SF) 1184, UCC, using the DCRM's UCC subsystem with stop reason code "D" (for stop reason codes, see I TFM 4-7055.20c, Appendix 1) and, on receipt, process a Classification Transactions and Accountability (CTA) transaction reducing both the budget clearing account **F3880 (UCC and Overpayments, Suspense) and the DO cash account.

8.6.2. Do not show the name of the remitter or identifying references to invoices on exchange-for-cash checks. DOs may draw these checks payable to themselves, a DDO, or an agent

to obtain operating cash. When authorized in writing by the DO, DDOs may draw these checks payable to themselves to obtain operating cash.

8.6.3. Cash Belonging to Deceased or Missing Persons

8.6.3.1. Exchange cash found in the personal effects of a person who has died or is missing in action for a Treasury check. Make the Treasury check payable to the payee designated by the officer having custody of the personal effects. State the purpose for which the check is drawn as "Exchange-for-cash; personal effects of (name, rank or rate, file or service number)." Draw a separate check for safekeeping deposits of each person (see Section 17.0, paragraph 17.3).

8.6.3.2. Collect cash found in the personal effects of a person whose whereabouts are unknown, including absentees and deserters, into a deposit fund account. Funds held in a deposit fund for more than 1 year may be transferred to account 20X6133 (Payment of Unclaimed Moneys) or to account R1060 (Forfeitures of Unclaimed Money and Property). Make a separate collection for safekeeping deposits of each person.

8.6.4. Do not cancel exchange-for-cash checks issued for advances to DDOs, agents, or cashiers and returned to the DO as "not required." The payee's endorsement on the check is not required. The DO endorses the check and deposits it as prescribed in Section 12.0, subparagraph 12.6.5. DOs may not accept the return of exchange-for-cash checks from any payee other than a DDO, agent, or cashier. Other exchange-for-cash checks are issued to the purchaser and must be negotiated by the payee.

8.6.5. Exchange-for-Cash Checks Lost, Stolen, or Destroyed

8.6.5.1. When the payee of an exchange-for-cash check reports the check as lost, stolen, or destroyed, the DO follows paragraph 8.10. For UCC, the DO may not issue a recertified payment to the payee before receiving credit for the original check from the Treasury, because the original check was issued in exchange-for-cash rather than for an entitlement chargeable to an appropriation.

8.6.5.2. For lost, stolen, or destroyed exchange-for-cash checks issued to advance cash, the DDO, agent, or cashier remains accountable for the cash.

8.6.5.2.1. The DDO, agent, or cashier accounts for the check as a loss of funds. A DO may replace the lost check with a recertified payment check, or a new advance of cash, if the DO considers it necessary due to operational requirements.

8.6.5.2.2. If the lost check is later negotiated after Treasury cancellation (in which case Treasury reverses the previous credit), the DDO, agent, or cashier is accountable for the original lost check and must re-establish the loss of funds.

8.7 CHECK ISSUE DISCREPANCIES

8.7.1. Treasury accepts only one issue/paid record for any given DSSN and check serial number, and will issue a debit voucher to charge the disbursing office for a second check received for payment with the same DSSN and check serial number. If a DO receives a debit voucher for a duplicate check to which the payee is entitled, the DO requests that NPIRC reverse the debit voucher for the correct check serial number of the duplicate check. The DO must also provide a copy of the debit voucher to NPIRC (see I TFM 4-6040.10).

8.7.2. SF 1219, Statement of Accountability Adjustments

8.7.2.1. A common reason for an SF 1219 adjustment made by the DO is a prior-month check issue adjustment. Do not report prior-month check issues as current-month checks issued, because this causes check issue discrepancies for both issue months. An SF 1219 adjustment is necessary to realign the check issue reporting to the proper issue month.

8.7.3. Underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the DO's account. The DO has the authority and the means to correct underdrafts. Overdrafts frequently are not within the DO's power to correct. If a check issue overdraft results in an overpayment of a payee, the overpayment amount is an erroneous payment debt. When the DO has attempted to contact the payee and failed, or the payee has been notified and has neither the ability nor the inclination to make restitution, the DO must transfer the debt to the supporting DFAS site for further collection action. To meet relief of liability standards, the DO must transfer uncollectible overdrafts to the supporting DFAS site within 180 days. After the debt is transferred, the DO may request relief of liability for the illegal, incorrect, or improper payment (see Section 7.0).

8.8 SPOILED AND VOIDED CHECKS

8.8.1. When a check is spoiled during the issue process, the DO must void the check. Spoiled checks are treated as voided checks. The DO must void a check that is misprinted or mutilated during the issue process, or is determined not to be a proper payment and has not been reported as a check issue with a dollar amount greater than zero. The DO must report destroyed unused and lost or stolen blank checks as voids. The DO must render voided checks non-negotiable by typing or stamping the words "Void - Not Negotiable. No Check Issued Under This Number." If a DO cannot report the voided checks as required, it must email Fiscal Service at RRB.OSD-NPIRC-PM@fiscal.treasury.gov (see I TFM 4-6030).

8.8.1.1. A check reported to the Treasury as a valid check in a dollar amount greater than zero may not be voided under any circumstances. The DO stamps the check "Not Negotiable - For Deposit Only. Credit of Agency Location Code ######." The DO deposits the check using OTCnet to credit the proceeds to the appropriation from which it was issued and processes the check as either an available check or UCC, as appropriate, per paragraph 8.9.

8.8.2. The DO must store spoiled and voided checks in the vault or safe, segregated from other checks.

8.8.3. The DO must destroy spoiled and voided checks locally as soon as possible, per the destruction guidance in paragraph 8.14.

8.9 AVAILABLE CHECK CANCELLATIONS

8.9.1. The Competitive Equality Banking Act of 1987 (CEBA) amended 31 U.S.C. § 3328 and created 31 U.S.C. § 3334, which establish time limits on the payability of Treasury checks. CEBA affects the time allowed for negotiating Treasury checks, initiating and processing claims, recovering monies from financial institutions, and requesting replacement check payments. The underlying obligations for which Treasury checks were issued are not affected. CEBA does not impose the same payability restrictions on check payments made from limited depositary accounts. CEBA requires that Treasury checks be negotiated within 1 year of their issue dates. A DO may cancel checks within this 1-year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO. A DO may not cancel a check over 1 year old. Checks may be canceled when the disbursing account is closed or current, or the proceeds are for repayment to an appropriation or fund account that is current or expired (see I TFM 4-7030).

8.9.2. Exceptions Include:

8.9.2.1. The DO stamps checks recovered or returned to its possession after being submitted for a UCC with "Not Negotiable, Previously Treated as Canceled SF 1184 dated ######." The DO retains these checks for 90 days and then shreds them. A DO receiving a returned check for an activity or DSSN no longer in operation stamps the check "Not Negotiable" and sends it to the successor or settlement DO.

8.9.3. The DO must keep a record of undeliverable checks on DD Form 2658, Returned and Undeliverable Check/Bond Record. An electronic system is acceptable to record undeliverable checks if it includes all the same information as DD 2658. The DO provides the information or a copy of DD 2658 to agents, cashiers, and appropriate entitlement offices for their use. The DO must not remove undelivered checks from the safe or vault or allow deputies, agents, or cashiers to hold them except for immediate delivery to payees or for cancellation and deposit.

8.9.3.1. DOs must keep undeliverable checks in a safe or vault, filing them in an order best suited for ready identification when claimed, or for mailing upon obtaining a proper address. At a minimum, DOs must:

8.9.3.1.1. Open mail with returned Treasury checks in the presence of two people.

8.9.3.1.2. Limit access to the returned Treasury checks processing area.

8.9.3.1.3. Secure the checks in a locked container if there is a delay between when the checks are received and when they are defaced.

8.9.3.2. The issuing DSSN must promptly cancel checks payable to deceased military members and credit the value to the individual's pay account pending payment to a properly designated beneficiary.

8.9.3.3. When a DO is relieved by another DO, or the DSSN is deactivated and disbursing for that activity is assumed by another activity due to consolidation, transfer of function, or other reason, the relieving DO or gaining activity must assume custody of and process the undelivered checks. If the DO is transferred from disbursing duty without a relief, or the disbursing function is not assumed by another activity, the DO must process the undelivered checks as collections on SF 1098, Schedule of Canceled or Undelivered Checks, and deposit them whether or not the three-workday holding period has elapsed.

8.9.3.4. When canceling a military pay and allowances check, the DO must ensure the adjustment is also processed on the member's Master Military Pay Account.

8.9.3.5. When canceling a check in payment of civilian pay, the DO must notify the payroll office to make the appropriate payroll adjustment.

8.9.4. SF 1098

8.9.4.1. The DO must credit a check that is undelivered, within three workdays of receipt in the disbursing office, to the appropriation originally charged using an SF 1098 prepared in triplicate.

8.9.4.2. If the proper appropriation to be credited cannot be determined immediately, the DO collects the amount of the check into account **F3875 (Budget Clearing Account, Suspense). The DO includes on the SF 1098 all available information on the identity and location of the payee and keeps a copy of the documentation in a separate file to support each item in the suspense account. The DO must act aggressively to identify the proper appropriation and remove the item from the suspense account as soon as possible. If the proper appropriation

remains unknown after 60 days, the DO must transfer the funds to Treasury's miscellaneous receipt account **R1060 on an SF 1081, Voucher and Schedule of Withdrawals and Credits.

8.9.5. Disposition of Canceled Available Checks

8.9.5.1. The DO must ensure each canceled check is defaced by stamping the legend "Not Negotiable" in a color other than black (preferably red) and in a size prominent enough to remove all possibility of negotiation.

8.9.5.2. Checks received for cancellation do not need to be deposited daily but must be canceled within three business days of receipt. These checks may be held in the DO's safe or vault pending preparation of a consolidated deposit ticket. Where check deposit volume is minimal, or where electronic deposits using OTCnet are not available, the DO must send deposits to the Federal Reserve Bank (FRB) no later than the 25th of the month of receipt. Checks received after the 25th of the month may be retained and deposited the following month. All CONUS DOs deposit canceled Treasury checks with the nearest FRB. DOs in Alaska, Hawaii, and foreign countries deposit them with the general depositary normally used for deposits-for-credit to the Treasury's General Account. See Section 12.0, subparagraph 12.8.2. for deposit reconciliation requirements.

8.9.6. When a claim is received for the proceeds of a canceled available check, and all or part of the amount is due to the claimant, the disbursing office that collected and deposited the original undeliverable check pays the claim on payroll or other vouchers prepared, processed, and certified the same as a current payment. This does not preclude the issuing DO from canceling an undeliverable military paycheck so the member may be paid at a new duty station. The DO uses an SF 1034, Public Voucher for Purchases and Services Other than Personal, to make these payments and charges them to the accounting data credited on an SF 1098, referencing the original undeliverable check by serial number, amount, DSSN, month, year, and account in which it was collected. The DO pays claims received for items transferred to the **R1060 account from the 20X1807 (Refund of Moneys Erroneously Received and Covered) account.

8.10 UCC

8.10.1. The DO cancels unavailable Treasury checks less than 12 months old as lost, stolen, mutilated, or not received by the payee, and also cancels when the DO determines the payee is not entitled to the proceeds. To file a non-receipt claim against a Treasury check, the DO must submit a UCC online through TCIS or via file transmission (see I TFM 4-7045.10). Treasury credits canceled checks to account **F3880 through the Intra-governmental Payment and Collection (IPAC) system. The DO uses a CTA transaction to move the funds out of account **F3880 to the proper program TAS, deposit fund account, or DO Cash TAS along with the proper adjustment BETC code. Such situations include death of the payee before the check issue date,

non-receipt of a recertified payment when the original check has been received and cashed, and receipt of both a cash payment and a check payment for the same entitlement.

8.10.1.1. Checks unavailable to the payee or the DO, and for which entitlement to the payment exists, may be replaced by a new check called a recertified payment check. Such a payment bears a new check serial number and is vouchered, certified, and recorded as a new disbursement. The DO must control, cross-reference, and track original and recertified payments indefinitely, or until both have been paid, recovered and destroyed, or canceled.

8.10.2. The DO must maintain DD 2662, Recertified Payment Register, to provide the necessary cross-reference and control over UCCs. An electronic log is acceptable if it contains the same information as the form (see Volume 1, for records retention).

8.10.3. SF 1184

8.10.3.1. An SF 1184 is required for all cancellations. Bulk losses of original checks require the preparation of a separate SF 1184 for each check.

8.10.3.1.1. Use this form to stop payment, obtain photocopies, or check the payment status of unavailable Treasury checks. Input stop reason codes to designate the desired action. Although this form attempts to stop payment on a check, there is no true stop payment action. The payee may still negotiate the check, and the DO is responsible to recoup the money.

8.10.3.1.2. If a check is presented for payment after Treasury has given the DO a credit to the **F3880 account, Treasury reverses the credit and provides the DO the documentation, including a photocopy of the paid check. The DO must then research and take the appropriate corrective action, including collection efforts when dual negotiation has occurred. See Supplemental Guidance, subparagraph 8.11.2. for guidance on preparing and submitting an SF 1184, and paragraph 8.10.8 for handling the credits and reversals of credit in the **F3880 account.

8.10.4. Claims of Non-receipt, Destruction, Loss, or Theft

8.10.4.1. The DO sends the FS 1133, the FS 3858, the photocopy of the check, and any other supporting documentation for the claim to Treasury for processing. If the payee files an FS 1133 to claim forgery or unauthorized endorsement against the check, a recertified payment is not authorized before receipt of a Claims Disposition Notice (CDN) from the Treasury.

8.10.5. DD Form 2660, Statement

8.10.5.1. A payee who reports the loss, theft, mutilation, or non-receipt of a Treasury check must submit a written statement to the DO. DD 2660 is the preferred form for the

required statement, but a DO may accept a signed letter from the payee in lieu of DD 2660, provided the letter contains the required information and the certification statement found on DD 2660.

8.10.5.2. A payee who submits a statement in lieu of DD 2660 must include the payee's name, SSN, and address; the member's name and SSN if different from the payee; type of payment entitlement; whether the check was received and, if so, whether it was lost, stolen, destroyed, or mutilated; whether the check was endorsed by the payee or had a limited endorsement such as "for deposit only"; the circumstances surrounding the loss, theft, destruction, or mutilation if the check was received; and the payee's signed statement of certification. The statement must contain the signed certification statement exactly as cited in blocks 12-15 on DD 2660. Failure to include this statement could hinder collection efforts if a dual negotiation occurs. If the payee negotiated both checks, the statement could also be used to establish fraudulent intent.

8.10.5.3. Upon receipt of the signed statement, the issuing DO or settlement officer completes the information required to identify the check (issue date, check number, amount, and voucher number). Before entering an SF 1184, the DO must verify the check has not been returned as undeliverable.

8.10.5.4. If the check was re-mailed at a later date, the DO notifies the payee of the later mailing date and allows two weeks' delivery time before processing the claim of non-receipt. If the check has not been returned and enough time has passed for mail delivery, the DO uses the information on DD 2660 to enter an SF 1184 for the unavailable check. The DO must not submit an SF 1184 involving non-receipt of future dated checks, such as those issued for pay and allowance entitlements, before the date of payment.

8.10.5.5. The DO must not enter an SF 1184 involving non-receipt until the third working day after the check payment date.

8.10.5.6. The DO sends a copy of the claimant's DD 2660, or other written statement, and a copy of the SF 1184 documentation to the appropriate entitlement area, which must certify that the entitlement for payment still exists before the DO may issue a recertified payment.

8.10.6. DAS

8.10.6.1. Except for the transmittal documents, Treasury returns a DAS on every SF 1184 received. An essential control technique is for DOs to keep a complete file of submitted SF 1184s. Periodic review of the file shows, either by copy of the DAS or by copy of the agency receipt of batch transmittals, that Treasury received and processed all submissions. The DO must

follow up incomplete file items within 30 days through the supporting DFAS site by telephone and, if necessary, by submitting a second SF 1184 (see I TFM 4-7045.20).

8.10.6.2. Once Treasury issues a DAS with a status indicating "check canceled; crediting agency," future requests to cancel or obtain photocopies of the canceled check receive the response "outstanding check was canceled; agency credited." A photocopy of the check is not available until the check is presented for payment through the banking system. Therefore, once a disbursing office has received a DAS with a status code of "Outstanding," no additional SF 1184s may be submitted for that check number. If the original check is presented through the banking system for payment, the DO receives notification that Treasury has reversed the credit to the **F3880 account. Treasury then provides a photocopy of the original check and the claim forms FS 1133 and FS 3858.

8.10.7. Authorization to Issue Recertified Payments

8.10.7.1. Treasury delegates authority to DOs to replace checks they originally issued, including checks lost, stolen, or destroyed in transit or after receipt by applicable payees (see 31 CFR 245 and 31 CFR 248). DOs may issue a recertified payment when the SF 1184 is prepared, based on available facts. Subject to the restrictions that follow, DOs may issue recertified payments as replacements for original checks at any time beginning with submission of the SF 1184. The circumstances of each unavailable check govern this timing.

8.10.7.2. Do not issue a recertified payment check if:

8.10.7.2.1. The payee of the original check is not entitled to the proceeds;

8.10.7.2.2. The payee died before the original check issue date;

8.10.7.2.3. Insufficient mail time has lapsed from the date the original check was mailed or re-mailed to allow for its delivery and possible return;

8.10.7.2.4. The payee has an outstanding obligation which the payment can offset; or

8.10.7.2.5. The original check is more than 12 months old.

8.10.7.3. Before issuing a recertified payment, consider all circumstances involving high-dollar-value unavailable checks, payees in adverse actions that could result in early discharge or termination, or nonpermanent employees with no vested retirement benefits or sustained work history. Also consider the payee's ability to repay in cases of double negotiation and the possibility of offsetting a double negotiation against money other than salary due to the payee. For deactivated and closed DSSNs:

8.10.7.3.1. The designated settlement office normally issues these payments. In some situations (for example, consolidation), the DO supporting the activity that assumed disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment for that office; and

8.10.7.3.2. Except as prescribed in paragraph 8.8, issue recertified payments only as a disbursement from the appropriation charged for the original check or, if that appropriation is no longer available, a current appropriation available for the same general purpose, subject to limitations on its use.

8.10.7.4. Delays in issuing checks may affect military and civilian employees' personal financial affairs, DoW relations with private business, and other intangible benefits, so immediate issuance of replacement checks may be appropriate. DOs may use stop reason code "A" on the SF 1184 to support immediate issuance replacing undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN if less than 31 days have elapsed since the check issue date.

8.10.7.5. Submit UCCs using stop reason code "D" or "G," and issue a recertified payment only after Treasury reports the check status as outstanding.

8.10.7.6. Do not issue a recertified payment check when the DAS from Treasury indicates the check status is paid (see subparagraph 8.10.11).

8.10.8. Accounting for Recertified Payments

8.10.8.1. Treasury provides credits for canceled unavailable checks and charges from negotiation of previously canceled unavailable checks through budget clearing account **F3880. This account is restricted to unavailable check transactions; do not use it for any other purpose. It holds credit or chargeback amounts only pending identification of the appropriation or fund charged for the original check issuance. Do not charge the **F3880 account directly for any payment; transfer amounts in this account to the original appropriation as quickly as possible. Do not allow transactions in this account to become stale or unidentifiable, because an unidentifiable balance may result in a DO loss of funds and associated pecuniary liability.

8.10.8.2. Treasury transfers to the **F3880 account via IPAC. By the end of each month, DOs must reconcile their CARS activity by TAS/BETC to their internal accounting system of record and reclassify any transactions to the correct TAS/BETC in the CARS CTA Statement if necessary. After reporting a credit or charge to the **F3880 account on its internal accounting records, the DO must prepare a JV to clear that credit or charge from the account, returning the funds to the appropriation or fund account the DO identifies. Any credit or charge processed after

the Treasury Receivable Accounting and Collection System closes on the last business day of the month is accounted for in the next accounting month.

8.10.8.3. Under 31 U.S.C. § 3334(a)(2), return canceled check proceeds to the appropriation(s) charged when the check(s) were originally issued, and treat the canceled check(s) as account(s) payable. Within 15 days of receipt, DFAS-IN and DFAS-CL send the check cancellation and credit detail information to the disbursing office that issued the check(s) (except as noted in subparagraph 8.10.9.1.) and to that office's supporting accounting office. Send any reversal of previous Treasury cancellation credits in the same manner to the applicable disbursing and accounting offices.

8.10.8.4. The DO reviews the **F3880 account monthly to ensure necessary actions are taken to clear these transactions. Each time the DO's account is transferred, the incoming DO validates balances in this account. If the departing DO cannot provide the incoming DO with documentation supporting the **F3880 items, the departing DO processes the unsupported items as losses of funds under Section 7.0.

8.10.8.5. On receipt of a DAS indicating cancellation credit or reversal information from the supporting DFAS site, the DO researches the check issue data submitted to Treasury to confirm the accuracy of the detail (for example, the DSSN, check serial number, date of issue, and issue amount), which must agree with the original check issue data reported to Treasury. Research any discrepancy to determine its cause and correct it. For a reversal, the DO determines whether a dual negotiation occurred by verifying the status of the replacement check, then submits an SF 1184 on the replacement check using stop reason code "F" for non-entitlement.

8.10.8.5.1. If the check for the recertified payment is outstanding, the DO receives a credit offsetting the charge for the reversal previously received. If the check has been paid, the DO receives a photocopy of the paid check, a claim form, and a claims document. If both the original and recertified payment checks have been negotiated, the DO begins collection action as outlined in subparagraph 8.10.11. The disbursing office must also notify the appropriate entitlement or subject matter area (for example, military pay, civilian pay, travel pay, or commercial accounts payable), and provide a copy of the DAS, when Treasury returns a credit because the check was not negotiated or reverses a credit previously received.

8.10.8.5.2. The DO requests the accounting department re-obligate funds to cover issuance of a recertified payment. Once assured that funds are re-obligated and available, the DO may issue a recertified payment check citing the original appropriation. If the original appropriation is closed, use a current year appropriation for the same or similar purpose.

8.10.8.5.3. When Treasury provides a reclamation credit, the DO requests the accounting department re-obligate funds to cover issuance of a recertified payment.

8.10.8.6. When notified that an unavailable check has been canceled, the credit received, and a recertified payment requested, the appropriate entitlement or subject matter area determines whether the liability for the underlying obligation is valid before preparing a recertified payment. A recertified payment is prohibited if the entitlement to payment no longer exists.

8.10.8.7. All recertified payments (including immediate replacements under stop reason code "A") must be vouchered, certified by a certifying officer, and charged to the appropriation or fund charged for the original payment. Making a recertified payment under the first two provisions listed in this paragraph requires establishing an accounts receivable, supported by a copy of the SF 1184 and/or the DAS, in the appropriation or fund for the amount due on cancellation of the original check. Recertified payments may be made when the disbursing office submits the SF 1184.

8.10.9. Preparation and Disposition of Replacement Checks

8.10.9.1. When a payee returns a replacement check after the original check it replaced is found and negotiated by the payee, cancel the replacement check on an SF 1098 and credit the proceeds to the appropriation charged when it was issued. Deposit the check with the nearest FRB or branch on a deposit ticket as prescribed in paragraph 10.4. Transfer the **F3880 chargeback from Treasury for the negotiated original check to the appropriation charged when the original check was issued.

8.10.10. CFIF

8.10.10.1. The CFIF is a revolving fund established under 31 U.S.C. § 3343 to settle payee/claimant claims of non-receipt when an original check has been fraudulently negotiated. Only Fiscal Service may adjudicate forgery claims against Treasury checks. A claim against the CFIF is governed by the 1-year statute of limitations in the CEBA; a forgery claim must be presented within 1 year from the date the check was issued, or the claim is barred and the payee is not entitled to payment from the CFIF. The DO must submit an SF 1184 on the check within 13 months from the check issue date.

8.10.11. Collections of Double Negotiations

8.10.11.1. A double negotiation occurs when an original check and its replacement have both been reported as paid by Treasury. The loss occurs on negotiation of the replacement check; the order in which the checks are cashed is irrelevant. A double negotiation is an illegal or improper payment for purposes of pecuniary liability. The DO initiates collection action to recover illegal or improper payments made by the DO's office. If the payee separates from government service, the DO remains responsible to pursue collection action. Collections for illegal or improper payments are normally one-time cash refunds or lump-sum collections by salary offset and do not

warrant installment liquidation. Limit installment repayments to cases of extreme personal hardship.

8.10.11.2. When Treasury notifies a DO that it has reversed a credit to the **F3880 account from a previous cancellation, the DO researches the situation to determine whether a double negotiation occurred by checking the payment status of the replacement check. Once a Treasury response confirms a double negotiation, the DO immediately begins collection action. In each case, afford the payee the due process rights of collection specified in Volume 16. Recovery is most effective when the DO presents the payee a photocopy of the paid original and replacement check and a copy of the claimant's signed statement acknowledging the payee was not entitled to both payments. Due process rights include the opportunity to contest the validity of the debt; in double negotiation, the payee's right to complete an FS 1133 provides this opportunity.

8.10.11.3. If the payee asserts that one of the checks was negotiated over a forged endorsement, delay collection until the NPIRC adjudicates the payee's forgery claim. If the NPIRC determines the check was forged, the payee does not owe the debt. If the NPIRC denies the claim, the full amount of the check is due and subject to immediate collection. If the payee fails to provide the properly completed FS 1133 within the period allowed to show why the debt is not owed, the payee is deemed to have acknowledged the debt and the DO takes immediate collection action. In either situation, complete collection action within 90 days of receiving the DAS from Treasury indicating the canceled unavailable original check has been paid, or within 90 days of receiving the CDN from Fiscal Service indicating the forgery claim is denied.

8.10.11.4. The DO documents all attempts to collect illegal or improper payments. If all reasonable steps have been taken and the illegal or improper payment becomes uncollectible within the 90-day time limit, the DO transfers the debt to the office designated to pursue collection of uncollectible debts (see Volume 16 for debt collection processes). Although the debt is transferred for further collection action, the DO remains pecuniarily liable for the illegal or improper payment until the debt is collected or relief is granted (see subparagraph 8.10.11.).

8.10.11.5. Double negotiations could indicate fraudulent intent or misrepresentation. A DO who suspects this reports the situation using the guidance in Section 7.0, for possible investigative or disciplinary action. Pursue collection action as specified in Volume 16.

8.10.12. A DO may request relief of liability for uncollectible illegal or improper payments under 31 U.S.C. § 3527 (see Section 7.0).

8.10.13. The payment recertification process is subject to the same management controls as other routine disbursements. The same individual must not authorize, process, and review recertified payment transactions.

8.10.13.1. The minimum acceptable separation of duties consists of: preparation of the SF 1184 by one individual; review and approval of the DD 2660 and SF 1184 by the DO or a DDO; preparation and certification of a disbursement voucher by an individual in the appropriate entitlement area; review and approval of the voucher with supporting documentation by a first line supervisor other than the DO or DDO authorizing the transaction; and authorization of the disbursement by the DO or a DDO.

8.10.13.2. When the disbursement voucher is prepared in disbursing because of automated disbursing system limitations, or because the entitlement and disbursing functions are combined into one unit (as at small activities and most tactical units), the DO must ensure that preparing the SF 1184, preparing the disbursement voucher, reviewing the transaction and supporting documents, and preparing the check are performed by different individuals.

8.11 TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

8.11.1. Treasury checks issued on or after October 1, 1989 bear the legend "Void After 1-Year," and Treasury declines payment of checks not negotiated to a financial institution within 1-year of their issue dates. Stamp checks returned to the disbursing office as no longer negotiable "Void - Not Negotiable" and shred them after confirming receipt of the limited payability cancellation credit. Treasury checks issued before October 1, 1989 were mass canceled; shred them without confirming receipt of a limited payability cancellation credit.

8.11.2. A claim on a Treasury check is barred unless presented to the issuing agency within 1-year after its issue date. DOs must reject as time-barred all claims against Treasury checks not received before the 12-month period of negotiability expires. DOs must notify claimants that claims of nonpayment of the underlying obligation must be filed with the appropriate entitlement office (for example, the contracting officer for vendors or commercial payees, or the military pay, civilian pay, or travel office). Under 31 U.S.C. § 3702(e), the Secretary of War may waive this time limitation on canceled checks for claims under $25,000.

8.11.3. Accounting

8.11.3.1. Under 31 U.S.C. § 3334(a)(2), DFAS-IN, DFAS-CL, and DFAS-CO must return the proceeds from canceled checks to the appropriation that originally paid them and treat the proceeds as accounts payable. Within 15 days of receipt, they must send the check cancellation and credit detail to both the disbursing office that issued the check and the supporting

accounting office, and must forward any Treasury reversal of previous cancellation credits to the applicable disbursing and accounting offices.

8.11.3.2. Upon receiving the detailed limited payability cancellation credit or reversal information from DFAS-IN, DFAS-CL, and DFAS-CO, the DO must research the check issue data submitted to confirm the detail is accurate (for example, the DSSN, check serial number, date of issue, and issue amount), all of which must agree with the original check issue data reported when the check was issued. The DO must determine the cause of any discrepancy and correct it.

8.11.3.2.1. The DO must also research disbursing records to determine whether a claim of loss, theft, or non-receipt has been filed on the canceled check, including whether the check was previously replaced by a recertified or other payment. The disbursing office must notify the appropriate entitlement area (for example, military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned the credit because the check was not negotiated within the prescribed period.

8.11.3.2.2. On request of an entitlement area, the DO must perform the verifications described in subparagraph 8.9.5.1. and advise the entitlement area whether the original Treasury check was canceled, negotiated, or previously replaced.

8.11.4. Claims

8.11.4.1. If the payee submitted a timely claim and has not been paid, the claim must be sent through the appropriate Component's Assistant Secretary for Financial Management to the General Counsel of the DoW requesting a waiver of the statute of limitations. If the General Counsel determines the claimant is entitled to payment, and a payment voucher with supporting documentation is sent to the disbursing office, the DO determines whether to issue a replacement check.

8.11.4.2. On receipt of a claim approved by the designated settlement authority, a certified payment voucher from the appropriate entitlement area, and the proper supporting documentation, the issuing DO (or the officer assigned to settle accounts for the issuing DO) issues the replacement check.

8.12 HOLDER-IN-DUE-COURSE

8.12.1. Lost-in-Transit Check Lost-in-transit

8.12.1.1. If a DO receives a request to reissue a check that has not been canceled and is less than 1-year old, the DO must return the request to the financial institution and advise it to submit the request to the FRB Atlanta, Government Check Adjustment Department.

8.13 CHECK ISSUE REPORTING

8.13.1. Disbursing offices must report detailed check issue transmittals to the Treasury in Level 8 format to update TCIS with check issue detail. The DoW uses DCRM for direct submission of the check issue detail to the Treasury.

8.13.2. Submission Requirements

8.13.2.1. DOs must submit all check issue transmittals to the Treasury no later than the close of business at the end of the week in which the issue dates occur and at month end. DOs who submit through their supporting DFAS site must ensure the DFAS site receives their check issue data at least weekly and at month end.

8.13.2.2. Failure to report check issue data timely increases the risk of loss from banking system errors, check alterations, and counterfeits. If a loss from an altered or counterfeit check occurs because of delinquent check issue reporting, the DO may be held liable for the loss. Until check issue data is reported in TCIS, the Treasury will not recognize the check as issued or process claims or limited payability cancellation credits against it, and cannot complete a final reconciliation and clearance of the DO's account. If the DO is habitually delinquent for 60 days or more, the Treasury may suspend further print orders for blank Treasury check stock until all delinquent reporting is accepted into TCIS.

8.13.3. The disbursing office is responsible for ensuring the check issue data submitted to the Treasury is accurate. DOs must notify their supporting DFAS site immediately after finding an error and must correct all errors before the file transfer process. Once TCIS accepts an erroneous check issue transmittal, the file cannot be deleted. If an erroneous data file has been sent to DCRM but not yet forwarded to the Treasury, place the whole file in a "replace" or "suspended" status and contact the local DCRM manager or supporting DFAS site immediately to change the file from accepted status in DCRM.

8.13.4. Voided Checks

8.13.4.1. Report voided checks as zero-dollar amounts in the proper sequence with other checks issued in the same check range. A DO who reports check issue detail by sending it to another disbursing office for conversion or upload to DCRM must ensure the voided checks are reported and clearly marked. Stamp or mark the hardcopy check issue listing to show that a check is voided with a zero-dollar amount, and do not obliterate the serial number of the voided check from the listing. If a voided check has not been dated, report a date to facilitate check issue reporting. DOs submitting their own check issue data to the Treasury must include the serial numbers and dates of voided checks in the transmission with zero-dollar values.

8.13.4.2. A DO who erroneously reported a voided check with a dollar value greater than zero, and the check is under 1-year old, must initiate corrective action as soon as the error is discovered, without waiting to receive the FMS 5206, and must send Treasury a written request to adjust the check issue detail in TCIS.

8.13.4.3. If the issue date of the erroneously reported check is over 1-year old, the voided check cannot be adjusted in TCIS, and Treasury will issue a limited payability credit for it. On receipt of the credit in the **F3880 account, the DO must report the check as a check issue on the monthly SF 1219 and debit the **F3880 account to clear the limited payability credit.

8.14 DESTROYING CHECKS

8.14.1. DOs must not destroy unwanted or excess blank check stock that is otherwise still usable without first contacting DFAS-IN/JTDCBO.

8.14.2. Destroy checks by burning or shredding. Checks destroyed by burning must be burned completely. Checks destroyed by shredding must be reduced to fragments no larger than 1/8 inch wide and 3½ inches long, using a crosscut shredder as Treasury requires. Use the burning method only, subject to environmental regulations, when a disbursing office does not have shredding equipment. In either case, prepare a certificate of destruction (see Figure 8-2 in the Supplemental Guidance).

8.14.3. The DO and at least one witness must examine the checks to verify they are the actual checks to be destroyed, verify the check numbers and DSSN against the certificate of destruction, and sign the certificate only after witnessing the actual destruction.

8.14.4. The DO must notify the Fiscal Service of the destruction of blank check stock by emailing the certificate to RRB.OSD-NPIRC-PM@fiscal.treasury.gov, and must keep a copy in the DO's blank check inventory control records (see I TFM 4-5040.50b).

9.0 COLLECTIONS

9.1 GENERAL

9.1.1. Under 31 U.S.C. § 3302(c), DoW DOs must deposit public money not held for current expenditure in the Treasury or with a depositary designated by the Secretary of the Treasury.

9.2 TYPES OF COLLECTIONS

9.2.1. Receipts are collections into a Treasury miscellaneous receipt or other legally authorized account or fund. DOs collect them into their accountability using a DD Form 1131,

Cash Collection Voucher, and recognize them by the absence of a fiscal/program year in the accounting classification. Disbursing from a receipt account is not authorized. Adjusting out an over-collection requires processing a collection voucher as a negative receipt.

9.2.2. Reimbursements are amounts earned and collected for property sold or services furnished to U.S. Government agencies or to the public, amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They are recognizable by the presence of an accounts receivable sales code within the accounting classification and shown as positive amounts on the DD 1131. A "negative reimbursement" occurs when a reimbursement is over collected and requires a return of funds to the remitter and is vouchered as a bracketed (negative) amount on a DD 1131.

9.2.3. Refunds are recoveries of payments collected into a DO's accountability as positive amounts on a DD 1131 using the same accounting classification as the original disbursement voucher, or as offsets shown as bracketed amounts on disbursement vouchers; they reduce disbursements rather than constitute collections. Report refunds documented on collection vouchers on the DD 2657, Daily Statement of Accountability, separately from those occurring as negative disbursements, which are reported as net of disbursements. Do not report refunds separately on the SF 1219, Statement of Accountability, but include them in net disbursements.

9.3 COLLECTION TRANSACTIONS

9.3.1. Collections are transactions that increase a DO's accountability but do not apply to acquiring U.S. and foreign currencies through purchase with dollars or accommodation exchange transactions. All collection vouchers reported in DoW business systems must meet standard line-of-accounting requirements. DOs must document collections on the appropriate collection forms and verify and record them in the accounting records. Funds not creditable to appropriations (for example, recoveries of losses of funds or dishonored checks) are not collections because they do not change a DO's accountability.

9.3.1.1. Any portion of the cash associated with a DD 1131 not deposited the same day but collected into the DO's accountability must be reported as a CTA transaction, which feeds the CARS daily account statement and increases both the DO Cash TAS and the program TAS on the collection voucher. DOs may consolidate multiple collection vouchers under one transaction reported to Treasury if they share the same TAS/BETC and agency location codes. DOs must ensure consolidated transactions retain an audit trail that can be validated at the individual-transaction level.

9.3.2. Accept cash, checks, or other recognized credit instruments payable on demand, including certified or uncertified personal checks, corporate checks, bank drafts, Treasury checks with issue dates less than 1 year old, postal money orders, money orders issued by banks or other

financial establishments, credit union share drafts, and warrants payable on demand. Draw these negotiable instruments in favor of a DO's official capacity (position title, not name). Visa and MasterCard credit and debit cards are acceptable when presented for payment at locations participating in the Card Acquiring Service.

9.3.2.1. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons to pay for sales when banks and other facilities cannot furnish check-cashing services, but may not authorize or require DOs or their agents to advance additional change funds to commissary officers to cash those checks. Commissaries may use the cash they receive for this purpose.

9.3.2.2. DOs must establish procedures to control receipt and processing of checks and other negotiable instruments received by mail. An individual independent of the collection function must receive these remittances and must not be the same individual who maintains the accounts receivable records. DOs must establish controls using the DD 2658, Returned and Undeliverable Check/Bond Record, or another effective method to record the transmittal of instruments between functional areas.

9.3.3. DOs may acknowledge collections made by remote cashiers only upon receipt of certification of the actual monetary amounts.

9.3.4. Performance

9.3.4.1. DOs receiving remittances (for example, checks, bank drafts, and money orders) as deposits for performance or bid bonds must deposit them immediately in deposit fund account X6501, to be held pending settlement with the contractor.

9.3.4.2. Under 31 CFR part 225, contractors may deposit certain U.S. bonds with contracting officers instead of furnishing corporate or individual sureties on performance and payment bonds. DOs may not accept these bonds, whether electronic or hardcopy, for other than temporary safekeeping (for example, overnight or over a weekend). For temporary safekeeping, DOs may provide space in a safe or vault by placing the bonds and related documentation in a sealed package indicating custodianship and giving the contracting officer a receipt for the package. The contracting officer is responsible for transferring the bonds to the FRB.

9.3.5. Negotiable Instruments

9.3.5.1. Remitters must make checks and other negotiable instruments payable to the order of the specific organization maintaining the account to be credited, not to the Treasury. If a check is made payable to the Treasury, accept and process it immediately. Do not accept

checks payable to a DO or to federal government employees, whether by check or through electronic means.

9.3.5.2. Keep limited depositary accounts in the name of the activity to which the DO is assigned. Instruct the remitter not to inscribe instruments payable to the DO by activity name.

9.4 ISSUANCE OF RECEIPTS FOR COLLECTIONS

9.4.1. Turning in Funds

9.4.1.1. Individuals other than DOs, DDOs, cashiers, or agents who receive funds belonging to the United States (including funds held in trust) must promptly turn them over to their supporting DO or deposit them in an authorized general depositary. These individuals, who may work within commissary, property disposal, personnel, and other offices authorized to receive funds due the United States, are responsible for safeguarding funds in their possession pending deposit or turn-in. Collecting officers number documents sequentially by fiscal year. The DO, DDO, or agent receiving the funds signs and returns two copies of each DD 1131 (other than the original) to the collecting officer and distributes additional copies as required.

9.4.1.2. A DO, DDO, agent, or cashier receiving a collection directly from a remitter prepares a collection voucher for the amount collected, and the supporting DFAS site determines the number of copies to give the remitter. Issue receipts for payment of bills received by mail only if the remitter requests it. Furnish receipts only for amounts received and verified by actual count. DOs, DDOs, and agents may not use subject verification to issue receipts, give receipts in blank, or accept receipts in blank.

9.4.1.3. Where an automated system is used, cashiers may sign receipts in their own name; otherwise, DOs, DDOs, or agents must personally sign the receipts. Signatures are not required for collection vouchers electronically validated by an approved public key infrastructure method. Before signing, the cashier or collecting official must ensure that remittances are authorized collections in the correct amounts. The person accepting the remittance must not be the same person updating the accounts receivable record.

9.4.2. Collections by Agent Officers

9.4.2.1. Agents of appointing DOs may sign receipts for funds.

9.5 RECORDING AND CONTROLLING COLLECTIONS

9.5.1. Unless the supporting DFAS site directs otherwise, the affected functional area maintains a pending payment file and an associated copy of the uncollected billing documents, and

sends the original and duplicate copy to the customer from whom reimbursement is expected. Arrange the files in the order most convenient to the person maintaining them, and reconcile the file quarterly to the accounts receivable subsidiary ledgers.

9.5.2. Process an overage in a DO's account as a collection to F3875 no later than the business day after the overage occurs. Resolve overages no later than the fifth business day after the end of each quarter or, upon the DO's relief from disbursing duty, no later than the fifth business day following the date of relief. Consider collections and returns from agents when determining the source of an overage. When the reasons for an overage are explained and there is reasonable assurance no claim will be made, credit it directly to the Treasury's receipt account R1060, Forfeiture of Unclaimed Money and Property.

9.5.3. Maintain a daily DD 2659, Voucher Control Log, for collection vouchers the disbursing office receives or prepares. The DO determines the functional areas and assigns individuals to maintain this form. Assign each functional area or branch disbursing office a separate series of voucher numbers. Include the collection voucher number, the remitter's identity (name of the remitting individual or organization), the amount, and the instrument of remittance (for example, check, cash, traveler's check, EFT, or a no-pay adjustment). Annotate a check or EFT trace number in column d, OTHER.

9.5.4. When a remitter overpays an amount due by $1.00 or less, collect the overpayment into receipt account 1099 (Fines, Penalties, and Forfeitures, Not Otherwise Classified), and refund it only if the remitter requests. If a payee underpays an amount due by $1.00 or less, prepare an SF 1080 charging the DoW Component's Operations and Maintenance account and credit the applicable appropriation or receivable for the underpayment. Do not pursue collection action for underpayments of $1.00 or less.

9.5.5. Agencies not co-located with or supported by a disbursing office that receive collections must do the following.

9.5.5.1. Use a log to control collections from the time of receipt until they are transmitted to the disbursing office. At a minimum, show the date of receipt, remitter, check or money order number, collection voucher number, amount of collection, and date transmitted to the disbursing office.

9.5.5.2. Prepare a collection voucher the same day the DoW Component receives the collection.

9.5.5.3. Safeguard the collection and supporting documents.

9.6 DOCUMENTING AND PROCESSING COLLECTIONS

9.6.1. Verification of Funds Received

9.6.1.1. Functional areas must ensure that collections are proper, that vouchers have complete and accurate data, and that required copies are available. A disbursing office that detects an improperly prepared voucher returns it to the functional area for correction.

9.6.1.2. Include the purpose of a collection (for example, contract lease, applicable regulation, schedule, cost list, or other document that authorizes the collection) on, or as an attachment to, a collection voucher. If a sales contract is involved, cite the contract in the reference information. If the purpose of a collection cannot be determined, account for it in F3875 and F3885 (Budget Clearing Account (Suspense)) or in Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections and F3502 for IPAC, as appropriate.

9.6.1.2.1. Transfer to account 20X6133, Payment of Unclaimed Moneys, amounts of $25 or more held for more than 1 year that are authorized to be refundable but cannot be refunded because the individual's location is unknown.

9.6.1.2.2. Transfer to R1060 unclaimed amounts of less than $25, or amounts of $25 or more held for more than 1 year, for which the rightful owner can be neither identified nor located.

9.6.1.3. DOs must ensure the legibility of all copies of vouchers prepared for distribution.

9.6.2. Signature on Collection Vouchers

9.6.2.1. DOs, DDOs, or agent officers must sign original collection vouchers in permanent, non-erasable ink; this duty may not be delegated or reassigned. Officers using cash-control machines or mechanized equipment to validate vouchers are exempt from this requirement, except when a DD 1131 is processed for further action by a disbursing office not collocated with the processing office, so long as the machines and their controls meet minimum security and audit requirements. The DO or DDO controls the keys for these machines. Digital signatures may also be used following the guidance in Section 2.0, subparagraph 3.6.3.

9.6.2.2. The DO must implement controls to ensure that all funds received by the cashier are accounted for properly. The DO or DDO holds copies of the vouchers bearing the cashier's initials and, in making daily settlement with the cashier at the end of the business day, uses these copies to determine whether the amounts the cashier reported were proper. The receiving officer's signature is required where applicable. The DO or certifying officer, as applicable, signs transfer, cancellation, or adjustment vouchers (SF 1081) and an SF 1098,

Schedule of Canceled or Undelivered Checks. If the same voucher is both a disbursement and a collection, the disbursement is the original subject to the signature requirements in subparagraph 9.6.2, and the collection is a copy that does not require a signature.

9.6.3. Preparation of Documents Used to Transmit Funds

9.6.3.1. An officer depositing or transmitting funds to a disbursing office prepares the proper forms. Except for collections from over-the-counter sales (for example, commissaries), include the remitter's name, the specific authority for the collection, and information sufficient for the DO to identify the collection and confirm the correct amount on each collection document. The preparing officer also furnishes the complete accounting classification as prescribed, the fiscal code (including the Disbursing Station Symbol Number of the station maintaining the appropriation cited), and the country code when the collection is made in an overseas area.

10.0 DISBURSEMENTS

10.1 GENERAL

10.1.1. Overview

10.1.1.1. All disbursements must be supported by disbursement vouchers (for example, SF 1080; SF 1081; SF 44, U.S. Government Purchase Order-Invoice-Voucher; or SF 1034, Public Voucher for Purchases and Services Other Than Personal). A disbursement voucher may combine a payment and a collection by voucher deduction (for example, a civilian payroll voucher crediting deductions for federal tax, U.S. savings bonds, and civil service retirement to the appropriate accounts, with net pay disbursed to the payee).

10.1.1.1.1. A disbursement voucher for a payment to a non-federal entity that creates pecuniary liability under 31 U.S.C. § 3527 or 31 U.S.C. § 3528 must be certified by an appointed Certifying Officer who has completed Certifying Officer Legislation (COL) training, per 31 U.S.C. § 3325(a)(1) and (b) (see Section 6, subparagraph 6.1.1.). A disbursement voucher that transfers funds between appropriations or funds, makes payments entirely within the Federal government, or does not support or execute a subsequent payment transaction does not require a COL certified Certifying Officer.

10.1.1.1.2. Report EFT disbursements (including International Treasury Services for payments in foreign currencies) and U.S. Treasury check disbursements to the Payment Information Repository, citing the proper Treasury Account Symbol (TAS)/Business Event Type Code (BETC).

10.1.1.1.3. Report a no check/voucher for transfer by using a Classification Transactions and Accountability (CTA) transaction, citing the proper two-sided credit and debit entries with the proper TAS/BETC.

10.1.1.1.4. Report cash and LDA check disbursements by using a CTA transaction citing the Disbursing Officers' (DOs') Cash TAS/BETC and the program TAS/BETC listed on the disbursement voucher. DOs may consolidate multiple disbursement vouchers under one transaction reported to Treasury if they fall under the same TAS/BETC and Agency Location Code (ALC). DOs must ensure consolidated transactions have an audit trail that can be validated at the individual transaction level.

10.1.2. DoW authorizes DOs, under 31 U.S.C. § 3321(c)(2), to disburse public funds on receipt of vouchers certified by an appointed certifying officer (see 31 U.S.C. § 3325 and Section 6.0, subparagraph 6.1.1.).

10.2 POLICY

10.2.1. Legality and Propriety

10.2.1.1. Examine payment transactions for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures, and for validity under general provisions of law.

10.2.1.2. A DO may request an advance decision on the propriety of any prospective payment, following the procedure in each section's standard operating procedure (see Section 13.0, paragraph 13.2). DOs are not pecuniarily liable for payments they make based on advance decisions.

10.2.2. Substantiating Vouchers

10.2.2.1. Unless otherwise mandated by law, each transaction by an officer, agent, or employee of the U.S. Government that requires payment of money from the Treasury, or payment by a DO or agent, requires a written or approved electronically signed document, or series of documents, that includes a complete record of the transaction.

10.2.2.2. Each disbursing office that processes disbursements must maintain a detailed written agreement with its supporting Federal Reserve Bank (FRB), Treasury's fiscal agent. The DO must implement internal controls to confirm that the FRB successfully receives EFT payment files.

10.2.2.3. A DO need not make payment merely on the submission of formal evidence. If the facts do not justify payment, the DO must require a reasonable explanation or further evidence.

10.2.3. Using public funds to pay the expenses of a commission, council, board, or other similar body is prohibited by 31 U.S.C. § 1346 unless the creation of the body has been specifically authorized by law.

10.2.4. A DO generally may not make advance payments, prepayments, or overpayments of public monies; 31 U.S.C. § 3324, the Joint Travel Regulations, and Volumes 5, 7A, 8, 9, and 10 allow limited advances and prepayments.

10.2.5. Payments to Third Parties

10.2.5.1. Unless specifically authorized by law, monies the government owes to an individual are not subject to attachment, garnishment, or other legal processes. Do not certify or make payment to a third party even if the payee requests it. This restriction applies to all funds, including those held in trust by the DoW.

10.2.5.2. A civilian employee or military member may file a bankruptcy petition under 11 U.S.C. § 109, and the bankruptcy court may order the individual's pay sent to the bankruptcy trustee. Such payments are proper, and DOs incur no additional liability as a result (see Volume 8 for civilian employees and Volume 7A for military members).

10.2.5.3. Under 31 U.S.C. § 3332, Federal wage, salary, and retirement payments must be made by EFT to financial organizations for credit to payees' accounts (see also Volume 7A; Volume 8; and Volume 9).

10.2.6. Claims not founded on contracts, expressed or implied, but on merely equitable or moral grounds, are permitted only after direct authorization by Congress.

10.2.7. The government is self-insured (or bonded). Neither a DO nor any of the DO's agents may insure public funds or property.

10.2.8. Absent specific statutory authority, a DO may not pay for municipal services (for example, police and fire protection) if those services must be furnished to private citizens at no cost (see Volume 10).

10.2.9. Certified Disbursement Vouchers

10.2.9.1. DoW authorizes DOs, under 31 U.S.C. § 3321(c)(2), to disburse public funds on receipt of vouchers certified by an appointed certifying officer. When the disbursement

voucher is certified by someone independent of the disbursing process, the DO has discretion to make the payment.

10.2.9.1.1. Certified vouchers must contain complete and accurate data, though content may vary slightly by disbursement type and form used. Write signatures and other information that become integral parts of original vouchers in permanent, non-erasable ink. Handwritten information must be legible. Approved electronic signatures are acceptable.

10.2.9.1.2. Return certified vouchers requiring correction to the functional area. Disbursing office personnel may not make these corrections. Corrected vouchers require recertification before disbursement.

10.2.9.1.3. Accept a legible copy of a signed travel voucher and its supporting documents, received in lieu of the original, for processing and payment as if it were the original. This includes copies received by facsimile transmission or scanned images forwarded via email.

10.2.9.2. Certified disbursement vouchers must contain the following minimum essential data:

10.2.9.2.1. voucher heading/date;

10.2.9.2.2. accounting classification;

10.2.9.2.3. the total amount;

10.2.9.2.4. the method of disbursement;

10.2.9.2.5. the individual or organization entitled to the payment.

10.2.9.3. A DO is pecuniarily liable for payments based on forged or fraudulent vouchers. A DO, Deputy DO (DDO), agent, or cashier who makes such a payment may request relief of liability (see Section 7.0).

10.3 DISBURSEMENT FORECASTING

10.3.1. Treasury's Bureau of the Fiscal Service (Fiscal Service) manages the government's daily cash position. DOs must follow current Fiscal Service guidance for reporting their anticipated aggregate level of planned disbursements for each disbursing method (for example, wire, Automated Clearing House (ACH), check). Forecasting is also addressed in I TFM 4A-4025.

10.4 DISBURSEMENT VOUCHERS

10.4.1. Keep a DD 2659, Voucher Control Log, daily for disbursement vouchers received or prepared in the disbursing office. The log must include the disbursement voucher number, payee name, amount, form of payment (for example, EFT, check, cash), and check/EFT trace number under "other." The log ensures all vouchers enter the accountability records and serves as a cross check against the DD 2657, Daily Statement of Accountability, and DD 2665, Daily Agent Accountability Summary: it compares vouchers paid by check to total checks written and vouchers paid by cash to cashier paid vouchers, associates returned and undeliverable checks with applicable vouchers, and transmits vouchers showing numbers used, unused, or voided.

10.4.2. Certification of Vouchers

10.4.2.1. The applicable entitlement areas (military, civilian, travel, and vendor pay) must ensure that all payments are proper, prepare the correct number of copies, and ensure that all vouchers contain complete and accurate data.

10.4.2.2. Certifying officers must examine payment vouchers before certification to confirm that the information agrees with all supporting documentation.

10.4.2.3. DOs must have access to the DD 577, Appointment/Termination Record - Authorized Signature, to verify that vouchers submitted for payment were certified by persons authorized to certify them, and must disburse money only on vouchers certified by authorized certifying officers. A disbursing office that detects an improperly prepared voucher must return it to the functional area for correction and recertification.

10.4.3. An individual entitled to a payment (the payee) must receive the cash and sign the voucher. All cash payments require receipts; do not prepare duplicate receipts. DOs or their agents making cash payments must positively identify the payee using the photograph on the payee's DoW Common Access Card; other acceptable identification includes a driver's license and other identification normally accepted in the banking community to cash checks or bonds. The responsibility for payee identification may not be delegated. The exchange of currency and the receipt for it must be simultaneous. Requiring receipts in advance of actual cash payments is prohibited.

10.4.4. Responsible entitlement areas must send or deliver cash payment vouchers to the cashier area. Payees may hand carry vouchers when distance between the entitlement area and cashier area makes delivery impractical, but only if the total voucher amount is inscribed in words on the bottom of the voucher (for example, "sixty dollars and twenty cents"). Space words or enter lines to preclude alteration by inserting additional words, particularly at the start of the writing.

10.4.4.1. If the voucher deduction block is used on a payment voucher, the cashier must verify that it contains an appropriation and that the total to be paid is net of any deductions. After verifying these items, the cashier must initial the original voucher to identify who made the payment.

10.4.4.2. Cashiers must obtain the payee's signature in the space provided, or for multiple payments, on the sub-voucher or supporting documentation. The payee signs for receipt of cash using permanent, non-erasable ink; facsimile signatures and signatures in pencil are unacceptable. When payee signatures are on a sub-voucher or supporting documentation, annotate the "payee signature block" on the cover voucher with "See attached." Positively identify payees before making payments, comparing the voucher signature to identification cards or other acceptable identification. The signature form must match the payee as shown on the voucher. In the signature block, the payee must sign the first name, additional initials if any, then the surname, except as explained in the following subparagraphs.

10.4.4.2.1. A payee unable to write may indicate receipt of payment by signing an "X." A disinterested party, whose address must appear on the form, must witness it. If the payee is physically unable to write and asks someone to sign in his or her presence, a disinterested witness must verify the signature, which is then regarded as the payee's signing. File a physician's note addressing the payee's inability to sign with the original disbursement voucher.

10.4.4.2.2. Do not pay a mentally disabled payee who cannot comprehend a signature except in the presence of an appointed legal guardian. File certified copies of the court papers appointing the legal guardian with the original disbursement voucher. The legal guardian signs the payee's name followed by his or her own signature as legal guardian. On future payments, refer to the first disbursement voucher by DO voucher number and date paid to substantiate the guardianship. If the payee is in an asylum, file the superintendent's certificate that the payee was alive when payment was due with each disbursement voucher.

10.4.5. Check Disbursement Vouchers, Manual Voucher Processing Responsible

10.4.5.1. Make checks payable to the payee stated on the disbursement voucher. Number disbursing vouchers sequentially, using the lowest check number to pay the lowest numbered disbursement voucher or the first name on a payroll, to keep an unbroken sequence that supports check issue auditing and reporting. Consolidate multiple same day payments to the same payee into one check. DOs must ensure that inscribed checks duplicate the voucher information and may review this before or after signing the checks. The DO must ensure appropriate records are completed to control check writing. Automated systems producing disbursement vouchers must contain edit and validation controls so the exact voucher information passes to the check printer.

10.4.5.2. Entry of check numbers on automated disbursement vouchers is not required if the voucher processing system maintains complete audit trails between disbursement vouchers and hard copy records.

10.4.6. Do not collect an overpayment to a payee. Prepare an SF 1080 to charge the DoW Component Operation and Maintenance account and credit the appropriation originally charged for the payment. Do not issue a supplemental payment when a payee is underpaid unless the payee requests it.

10.4.7. Transmittal of Vouchers and Recording

10.4.7.1. DDOs, agents, and cashiers must include payment vouchers on the DD 2665 as prescribed in Section 16.0, subparagraph 16.2.1.2., and settle with the DO at the end of each business day.

10.4.8. The disbursing office supervisor must not routinely certify vouchers for payment but may certify cover vouchers supported by properly certified sub-vouchers. In those cases, the approving official of the supporting documentation must not be the cover voucher certifier. If an emergency requires the deputy, who also supervises the disbursing office, to certify a voucher not supported by certified sub-vouchers, the DO or another DDO must date and sign the voucher with a statement such as "Payment approved by Lieutenant John Doe, Disbursing Officer". For adequate internal control, neither the disbursing office supervisor nor other disbursing office personnel may input data into the computerized accounting system.

10.4.9. Deferred vouchers are paid vouchers not recorded in an accounting system, usually vouchers paid by an agent that must be returned for correction or paid by an agent but not yet examined by a DO. They do not impact the DO Cash TAS until processed. Responsible entitlement areas must act promptly to clear them and must keep a chronological record of actions taken, showing the expected clearance date. DOs or their DDOs must review those actions weekly to ensure prompt correction of irregularities causing deferment.

10.4.10. Classified Payments

10.4.10.1. A DO making payments classified for security purposes must prepare a covering disbursement voucher that contains no information requiring a security classification. On the original and all copies, show only the payee's name and address, amount, date of payment, complete accounting data, voucher number, check number, DO's name, DSSN, and disbursing office payment data in the "Paid By" (or "Brief") block. Payments under classified contracts must include instructions requiring the supplier to limit invoice information so supplies or services are identifiable only by reference to the contract. The DO (for collateral classified programs) or the

voucher preparing office (for special access programs) must allow access to classified documents only to persons who need it to perform official duties.

10.4.10.2. Personnel who process classified documents must hold a security clearance equal to or higher than the documents they process. DOs or voucher preparing offices must assign duties so that only a minimum number of persons need access to classified information. Mark and store classified documents per prescribed security regulations. Do not attach classified essential supporting documents, invoices, or certificates to the original disbursement voucher; instead, identify them by the DO's name, voucher number, DSSN, and account period. Retain them at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. Include one of the following statements in the voucher portion describing the articles or services purchased:

10.4.10.3. Distribute the original and required copies of the covering disbursement voucher in the normal manner. Do not attach the classified supporting documents.

10.4.11. Use a DD 281, Voucher for Emergency or Extraordinary Expense Expenditures, to make payments from contingency funds.

10.4.12. Hand Carrying Disbursement Vouchers

10.4.12.1. Send payment vouchers prepared outside the disbursing office to the disbursing office so the payee cannot access them.

10.4.13. EFT Payments

10.4.13.1. EFT payments go to the FRB on debit vouchers showing the date payment is due. The DO must implement internal controls to confirm the FRB receives the payment files successfully and on schedule, and must retain the memorandum copy of the debit voucher. DOs that transmit payment files electronically use the FRB's summary of ACH activity report instead of the debit voucher; in either case, the FRB issues a confirmation debit voucher to the DO. For an EFT transaction, record the debit voucher as a negative deposit, with the payroll, travel, or vendor payment recorded as a gross disbursement.

10.4.13.2. When a financial institution returns one or more EFT/ACH payments to a paying office, the DO must prepare and process a collection voucher to account for the returned funds, crediting the appropriation from which they were originally disbursed. EFT returns must be submitted back to the originating ALC, crediting the TAS from which they were originally disbursed. Record the collection on the DD 2657 with an offsetting transaction for the FRB deposit ticket. The DO must notify the appropriate entitlement area by providing a copy of the collection

voucher and any rejection information received, such as the reject code (see Treasury's Green Book, Section 5, for payment rejection codes). The entitlement area must track, monitor, and research the cause of the return and provide a recertified voucher to initiate an appropriate EFT/ACH payment within 5 business days.

10.4.13.3. When notified of the death of a military retiree or annuitant, the DFAS Cleveland (DFAS-CL) DO must contact the decedent's bank to request the return of all payments made since the death. The DFAS-CL DO has three years from the date of the Financial Management Service (FMS) Form 133, Notice of Reclamation, to submit FMS 135, ACH Reclaims (see Treasury's Green Book, Section 6, for detailed instructions).

10.5 DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

10.5.1. Disposition of Funds in Deposit Fund Accounts

10.5.1.1. For withdrawal applied to an appropriation, receipt account, or other deposit fund account, use an SF 1081 for the disbursement and collection and submit it as substantiation for either or both. The SF 1081 must not be used for check or cash payment.

10.5.1.2. Only one deposit fund account may be charged on a single voucher. Submit charges to accounts F0109, Federal Tax Withheld from Payments to Nonresident Aliens, and F3875, Budget Clearing Account (Suspense), on separate vouchers.

10.5.2. F3875, Budget Clearing Account (Suspense)

10.5.2.1. After determining the proper disposition of funds in this account, transfer the amount on an SF 1080 or SF 1081 to the proper account and explain the charges on that form (see I TFM 2-5135 for guidance on using F3875). Use this account to hold unidentifiable collections temporarily for no more than 60 days, or use other business processes approved by the Fiscal Service. Payment from the F3875 suspense account is prohibited.

10.5.2.2. When the accounting office notifies the DO and requests the documentation needed to process a rejected transaction, the DO must send the requested documentation to the accounting office within 30 days.

10.5.2.2.1. When supporting documentation is maintained locally, the DO must send it to the accounting office immediately.

10.5.3. Overages

10.5.3.1. For an overage that should not have been accounted for as a collection, the responsible functional area prepares an SF 1034 payable to "Adjustments" to reverse the

erroneous collection and permit proper accounting. Do not issue a check or cash payment for this voucher.

10.6 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

Advance payment pool agreements may be established under FAR 32.408 and DFARS 232.470 to finance performance of more than one contract held by a single contractor. Cash advanced to a contractor must be reported on the DD 2657 and reflected on the DO Cash TAS until the money is returned or disbursed. Follow Volume 10 for processing advance payments.

11.0 SMART CARDS FOR FINANCIAL APPLICATIONS

11.1 POLICY ON SMART CARD UTILIZATION

11.1.1. DFAS has management and oversight responsibility for the functional aspects and use of financial Smart Cards within the DoW, except for GSA SmartPay products. Written DFAS approval is required for all pilot and full rollout Smart Card usage (e.g., stored value or debit) employing single-purpose or multifunctional applications. This chapter follows I TFM 4-9000; Treasury guidance supersedes any conflicting information in this chapter.

11.1.2. Smart Card Program Approval

11.1.2.1. To establish a new Smart Card program, a DoW agency must submit a request for approval to DFAS-Indianapolis Center, Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD). A separate request is required for each financial application.

11.1.2.2. An approval request must indicate whether the program is a pilot effort or a full rollout program.

11.1.2.2.1. Pilot programs are temporary and must operate for no less than 90 days and no more than 180 days. Pilots test card programs before full rollout.

11.1.2.2.2. Full rollout programs are non-temporary and must operate longer than 180 days. A full rollout should follow a pilot.

11.1.2.3. An approval request must be submitted as an application package to DFAS-IN/JJFKCD and must be completed before approval of any pilot or full rollout. The package must include the items below.

11.1.2.3.1. The agency headquarters, or designated representative, should request approval of the pilot or full rollout program via memorandum. It should be addressed to DFAS, Enterprise Solutions and Standards;

11.1.2.3.2. All pilot and full rollout programs are required to submit a completed DoW Financial Smart Card Application;

11.1.2.3.3. The CONOPS document should contain guidance on the use of the Smart Card program by the agency;

11.1.2.3.4. The package must contain copies of coordination documentation, including the agency or component leadership's and servicing Disbursing Officer's (DO) endorsement of memoranda;

11.1.2.3.5. A copy of the letter designating the agency Smart Card project manager must be submitted with each package. See subparagraph 11.1.4 for information on project managers; and

11.1.2.3.6. If the request is to move from a pilot Smart Card program to a full rollout, include an analysis showing:

11.1.2.3.6.1. Any savings realized from the pilot program;

11.1.2.3.6.2. How the pilot program is an improvement over the pre-pilot environment; and

11.1.2.3.6.3. The results of relevant performance measures used during the pilot and proposed for the full rollout.

11.1.3. Fiscal Service and the implementing agency must establish a memorandum of understanding (MOU) before implementing a new Smart Card program. The MOU sets the program terms, the respective responsibilities of the agency and Fiscal Service, the program and card types, the funding schedule, and the fees and costs each party pays.

11.1.4. Agency Smart Card Project Manager

11.1.4.1. The agency must designate a Smart Card project manager and alternate in writing before implementing a Smart Card program.

11.1.4.2. The agency must specifically identify the tasks for which the Smart Card project manager is responsible. The project manager must manage the Smart Card program and the activities in this chapter per the MOU between Fiscal Service and the agency, the Smart Card

standard operating procedures (SOPs) and other instructional documents, and program-specific policies and procedures the agency develops in consultation with Fiscal Service.

11.1.5. Smart Card AO(s)

11.1.5.1. The agency must designate one or more Smart Card accountable officials (AOs). If the AO is already appointed as a Disbursing Officer (DO), Deputy DO (DDO), or Disbursing Agent and the card-program responsibilities fall within that appointment, no additional appointment documentation is needed. Otherwise, the agency must appoint the AO by Letter of Appointment or DD Form 577, which lists the individual's responsibilities; a further letter is required when the individual no longer serves as the AO.

11.1.5.2. The agency must specifically identify the tasks for which the Smart Card AOs are responsible and must segregate those duties appropriately per agency policy. As applicable, AOs carry the duties and liability of a certifying officer or a DO, depending on the AO's designation, under 31 U.S.C. §§ 3322, 3325, and 3528 and other applicable laws. The AOs must manage the Smart Card program and the activities in this chapter per the MOU, the Smart Card SOPs and other instructional documents, and program-specific policies and procedures the agency develops with Fiscal Service.

11.1.6. DoW agencies responsible for the card programs in this chapter must develop and maintain detailed SOPs that comply with all current applicable regulations and cover all aspects of their card program for daily operations and contingencies.

11.1.7. The DO is accountable for physical loss of funds and for overage of Smart Card funds. If a loss or overage occurs, the DO or designated representative must follow the guidance in Section 7.0.

11.1.8. The program point of contact and designated agency representatives must establish procedures to determine card usage and a secure method of card delivery.

11.1.9. Smart Card stock must be treated like blank check stock. Storage and security requirements for blank check stock are in Section 8.0, subparagraph 8.2.4.

11.1.10. For all stored value and combination cards reported lost, stolen, damaged, or malfunctioning, a locally produced list must be created for audit purposes. If a Smart Card is reported lost, damaged, or malfunctioning, follow the procedures in the applicable MOU and SOPs; for the U.S. Debit Card, contact Fiscal Service's financial agent.

11.1.11. Agencies participating in a Smart Card program must do the following.

11.1.11.1. Include a process for reporting and educating Smart Card cardholders on how to promptly report any loss, theft, fraudulent, and unauthorized use of Smart Cards, PINs, passwords, or other security breach or malfunction involving the Smart Card program to Treasury or Treasury's financial or fiscal agent, and to the agency Smart Card Project Manager;

11.1.11.2. Aggressively investigate and prosecute (or assist in investigations, and prosecutions of) end-user theft, fraud, unauthorized use, or improper use of the Smart Card service that occur in agencies' areas of operation, and assist in obtaining restitution for the party suffering the loss;

11.1.11.3. Ensure that appropriate anti-money laundering controls and procedures are in place, to document the flow of monies onto or off a Smart Card; and

11.1.11.4. When a funds pool is used to fund an SVC; compensate the SVC funds pool for losses that result from theft, fraud, unauthorized use or other improper use of SVC equipment or resources for which agencies are responsible; unless the funds pool has been reimbursed from other sources, or the Treasury determines that such compensation is unnecessary or does not serve the SVC program's best interests.

11.1.12. Audit Requirements

11.1.12.1. An initial inventory must be completed and recorded on receipt of Smart Cards from Fiscal Service or other designated representatives, and a signed receipt must be provided to the issuing representative. The DO or designated representative must complete an SVC inventory log when releasing Smart Card stock to authorized personnel and when monitoring returns of unused cards, and must maintain a copy of the signed receipt.

11.1.12.2. At least once every calendar month, the DO or designated representative must inventory all Smart Cards secured in the vault, counting open containers individually and by unique sequential number. Damaged or tampered containers must be opened, and all cards must be individually counted and their unique sequential numbers verified. The disbursing office must retain a detailed inventory record showing total cards on hand and unique sequential numbers by card type. At least once each calendar quarter, the agency's cash verification team must conduct an unannounced verification of any Smart Card stock (e.g., U.S. Debit Cards, EagleCash, EZpay), covering cards received, issued, returned, and on hand, and a copy of the inventory must be attached to their quarterly cash verification report.

11.2 DAILY REPORTING REQUIREMENTS FOR STORED VALUE CARD

The scenarios that follow impact the DO Cash TAS and must be properly reported to Treasury.

11.2.1. Issued cards may be funded by personal check, cash, split pay, or transfer from the cardholder's home financial institution. Funding through split pay or the cardholder's home financial institution does not impact the DO's accountability/DO Cash TAS; funding by personal check or cash increases the DO's accountability/DO Cash TAS.

11.2.2. Before departing a deployed environment or ship, or being separated from active duty, a cardholder may transfer remaining value to their home financial institution or request a cash-out from the DO paid in cash or by U.S. Treasury check. Vendors using a POS terminal may request a cash-out equal to their POS terminal transactions. Transfer of value to a home financial institution does not impact the DO's accountability/DO Cash TAS; cash-out transactions decrease it.

11.3 U.S. DEBIT CARD PROGRAM (USDC)

11.3.1. Card Funds Access After implementation of the USDC program, the agency disburses payments to a card account and the funds are accessed via a debit card issued to a Federal payment recipient. Cards may be funded through a Card Funding Account (CFA) owned by the agency and held by the financial agent, through EFT via the ACH network, or by utilizing the Automated Standard Application for Payments system to authorize the financial agent to draw down agency funds. Funds held in a CFA must be reflected in the DO Cash TAS. DOs establish funds in a CFA through an EFT for Cash and record the funds on the DD 2657. Disbursements out of the CFA must be reported as cash disbursements.

12.0 ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS

12.1 GENERAL

12.1.1. Per 31 U.S.C. §§ 3302 and 3322, disbursing officers (DO) may deposit public funds and draw public funds from the Treasury or a depositary only as necessary to make payments. Additional statutes, regulations, and other guidance are referenced under each section of this chapter.

12.2 ELECTRONIC FUNDS TRANSFER (EFT)

12.2.1. Per 31 U.S.C. § 3332, EFT is mandatory within the DoW. Exceptions are provided in I TFM 4A-2000.

12.2.2. Payment and payroll files must transmit to the Federal Reserve Bank (FRB) by electronic file transmission.

12.2.3. Official Authorization List (OAL) for the FRB

12.2.3.1. Each DO must validate the contact form for the DO's office at least annually. If changes are required, follow the process in the FRB Service guidance on the FRB Services web page in Table S.4 (Sending Point and Service Provider Contact form). Once completed, send a copy to DFAS, Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCD), 8899 East 56th Street, Indianapolis, IN 46249-2700 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil), and submit the original to the Fiscal Service, who will sign and forward it to the FRB.

12.3 CARD ACQUIRING SERVICE (CAS)

12.3.1. Activities participating in the CAS must comply with I TFM 5-7000 when processing credit and debit card transactions. To establish a processing relationship, activities must complete and submit the Card Acquiring Service Application (CASA) to Fiscal Service for approval. Before submission, activities must coordinate with their servicing DO.

12.3.2. All activities must settle (balance or reconcile) daily, regardless of the amount accumulated that day. Activities that fail to settle electronically every day must pay the assessed non-qualifying interchange fee. The network bank informs the activity of its cutoff times for deposits. In an electronic environment, settlement should occur through an Electronic Data Capture/Point of Sale during the day, or once at the close of business, to meet the deposit cutoff time.

12.3.3. Based on the report requirements in the participation agreement with the network bank, the network bank makes reports of the merchant's credit and debit card activity available electronically to the participating DoW activity (merchant). The summary details deposit dates, deposit dollar amounts, number of transactions processed, adjustment charges, and chargebacks. The activity must use this report to reconcile any differences between the report and accounting system entries. The activity must also reconcile the report with the DoD (DD) Form 1131, Cash Collection Voucher, submitted to the DO or Deputy DO, and with the deposit information posted in the Collection Information Repository (CIR).

12.3.4. Each participating DoW activity must establish internal control procedures to ensure the credit and debit card transaction documentation supporting all DD 1131s submitted to the DO is properly safeguarded. The activity must make the documentation available for the DO's quarterly cash verification board, the collection agent audit board, and other audit purposes.

12.4 INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM

12.4.1. Originating the IPAC Transactions

12.4.1.1. A collection or disbursement voucher (e.g., DD 1131; Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds; or SF 1034, Public Voucher for Purchases and Services Other than Personal) must be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers, except that no check or cash payment is sent or received.

12.4.1.2. DoW IPAC transactions require three additional data elements beyond the Treasury required information: when initiating a payment or collection in IPAC, the sender Business Event Type Code (BETC), receiver BETC, and receiver Treasury Account Symbol (TAS) are required for every transaction. An ALC may also require specific or descriptive data necessary to process the transaction completely; this information should be in the Buy-Sell Agreement agreed upon by the participating ALCs. See I TFM 2-5135 for TAS/BETC reporting of accounts F3500 (Collections and/or Payments Default) and 3502 (IPAC Default). Agencies must correctly reclassify, in the Classification Transactions and Accountability, all system defaulted transactions to a valid receipt or expenditure TAS by the third business day following the close of the accounting month.

12.4.2. The IPAC system is available through the last day of each month to enter bills or transfers for that month. However, unless the Buy-Sell Agreements set a different cutoff date and time, agencies must not process new transactions during the last five business days of the month, to avoid month-end accounting problems. When revising Trading Partner Agreements (TPA) to incorporate the five-workday cutoff, agencies must use Fiscal Service Forms 7600A and 7600B as the Department continues to migrate toward G-Invoicing. Each DoW reporting entity must apply the General Terms and Conditions (GT&Cs) for intragovernmental transaction account reconciliation, derived from I TFM 2-4700, to all transactions with internal DoW trading partners currently using G-Invoicing for GT&Cs. Cancelling year transactions must also conform to the fiscal year (FY) cutoff requirement in paragraph 12.9.

12.4.3. Recording IPAC Transactions

12.4.3.1. DoW financial reporting entities should include IPAC in intra-governmental transactions and must develop and implement internal controls to ensure receipt and acceptance is properly documented. Entities must make this documentation available within the timeframe an auditor prescribes when requested during audits.

12.5 PAY.GOV

12.5.1. Implementation

12.5.1.1. Before implementing Pay.gov, activities must obtain the approval of the servicing DO.

12.6 DEPOSITS OF FUNDS

Under 31 U.S.C. § 3302, custodians of money (e.g., DOs) holding cash or negotiable instruments in excess of either current requirements or the amount authorized to be held at personal risk, whichever is less, must make a prompt deposit in an authorized depositary of the Treasury for credit to the Treasurer of the United States. This does not apply to instruments to be returned to remitters in the form received (e.g., deposits of unsuccessful bidders for the sale of government property). Process all physically received negotiable instrument deposit transactions through the Over-the-Counter Channel Application (OTCnet) and cite a valid TAS and BETC at the time of the deposit.

12.6.1. Cash collected and deposited before the end of the business day does not impact the DO Cash TAS. Deposited funds must cite the appropriate TAS/BETC that appears on the DD 1131.

12.6.2. Cash reflected on the DD 2657, Daily Statement of Accountability (on the ending accountability and deposited lines), must cite the DO Cash TAS/BETC at the time of the deposit.

12.6.3. OTCnet

12.6.3.1. Process all physically received negotiable instrument deposit transactions through OTCnet. Agencies unable to use OTCnet for deposits of negotiable instruments due to contingency operations must establish depositary arrangements with US Bank's Mail-In Treasury General Account (MITGA) through the FRB of St. Louis. This includes the deposit of commercial checks and U.S. Treasury checks. For more information on MITGA, see subparagraph 12.6.5.1.2.

12.6.3.2. At a minimum, Block 6 of the OTCnet deposit ticket must identify the depositing entity's name and location and the deposit preparer's name, email address, and phone number. The extent of additional information required in Block 6 is at the discretion of the DO.

12.6.3.3. After scanning items in OTCnet, retain the scanned negotiable instruments until you verify they reside within OTCnet and a good image is on file. This verification must take place within 14 calendar days. Secure scanned items awaiting approval in an approved manner (see Section 4.0, paragraph 4.2). Once verified, destroy the negotiable instruments.

12.6.4. Depositaries

12.6.4.1. III TFM 2-1000 describes general depositaries as commercial banks or other financial institutions designated and authorized by the Treasury to maintain a demand account in its name to accept deposits to the TGA. These depositaries are designated only where needed to receive deposits of public funds for credit to the TGA or to furnish cash to DOs for

official disbursements. If more than one bank is authorized at a base, station, installation, or command, the local commander must give equal recognition when recommending designation of authorized financial institutions as TGA depositaries. After Treasury approval, the commander should reasonably distribute official financial transactions among the approved depositaries. Deposit public funds only in a financial institution approved as a general depositary, except as shown in subparagraph 8.2.4, and mail deposits to a TGA only when given specific Treasury authorization.

12.6.4.2. DOs formally request authorization to deposit collections with a general depositary, or change from one authorized depositary to another, per I TFM 5-2000. This requirement also covers instances when on-base banks or credit union offices undergo changes such as acquisitions or mergers. Send the completed request, no later than 35 calendar days before the desired deposit start date, to the DoW Banking and Credit Union Office by email to dfas.dscc.jjf.mbx.dod-financial-institutions-tga@mail.mil for review, coordination, and submission to the FRB of St. Louis.

12.6.4.3. The DO must advise DFAS-JJF/CO of the date on which the need for a general depositary ceases to exist, and the reason.

12.6.4.4. Limited depositaries are designated only to receive deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts maintained with such depositaries. Limited depositaries may not accept deposits for credit to the Treasury. For additional information on limited depositary accounts, see Section 15.0.

12.6.5. Deposit Requirements

12.6.5.1. Deposit all funds received for credit to the Treasury's account promptly.

12.6.5.1.1. Agencies must deposit receipts totaling $5,000 or more on the same business day received, before the depositary cutoff time. Make deposits as late as possible before the cutoff time to maximize daily deposit amounts. Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, make deposits by Thursday of each week, regardless of the amount accumulated. For additional information, review I TFM 5-2065.

12.6.5.1.2. Send mailed deposits to US Bank's MITGA rather than to the FRB. The MITGA receives deposits of commercial checks, U.S. Treasury checks, and, at the direction of the DO, cash. Before mailing deposits, the DO must establish depositary arrangements with US Bank's MITGA through the FRB of St. Louis. Once approved, establish the MITGA within OTCnet and use OTCnet in conjunction with the MITGA. When using the MITGA during contingencies (when OTCnet is not available), the DO must contact the FRB of St. Louis to obtain

permission to mail a deposit. Once approved, the requestor receives a special form to complete and mail with the deposit. The former SF 215 (manually prepared deposit ticket) may not be used.

12.6.5.1.3. For Navy vessels at sea, when daily mail service is not available, receipts consisting only of personal checks, money orders, and other negotiable instruments may accumulate up to $5,000 before they must be deposited, provided a deposit of all receipts on hand is made at least once each week. The DO prepares the deposits for mailing by registered mail and delivers them to the military post office onboard. The DO may not hold negotiable instruments pending arrival at the next scheduled port of call. Regardless of the total amount, the interval since the last deposit, and the type of instruments on hand, DOs on board naval vessels must make a deposit on the last regular business day before leaving port and on the first regular business day after returning to port for any at sea period exceeding 1 week.

12.6.5.2. Deposit negotiable instruments (e.g., personal checks, traveler's checks, cash, and money orders) payable in U.S. dollars for credit to the Treasury's account at an approved general depositary. DOs may deposit Treasury Checks at Military Banking Facilities overseas.

12.6.5.3. Checks drawn on foreign banks in U.S. dollars, payable through a bank in the United States, must have an American Bankers Association (ABA) routing and transit number (RTN) printed on the item and be magnetic ink character recognition encoded with a U.S. bank's ABA RTN at the bottom left side of the check. Group these checks on a single deposit ticket and deposit them as described in subparagraph 8.3.2.1.

12.6.5.4. In conjunction with OTCnet, deposit cash, checks, drafts, or money orders in person with an authorized TGA. If an in person cash deposit is impracticable at an authorized TGA, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail to the MITGA. Because delivery confirmation may require an additional fee to request a copy of the signature record with return receipt, the DO must ensure funding is available. Charge costs for a cashier's check or money order to operations and maintenance or working capital funds available to the DO. If cash must be mailed, the cash must be either double wrapped or placed in an inner and outer container. Deposit damaged or mutilated currency per Section 4.0, subparagraph 4.4.7.

12.6.5.5. Agent officers or any authorized collection officer may make deposits on behalf of the DO when an approved designated depositary is available. These individuals must use OTCnet for deposits.

12.6.5.6. When an approved designated depositary is not available, agent officers or any authorized collecting officers may send cash to the DO by conversion to postal money order, bank money order, or cashier's check. Pay the fee for purchase of the cashier's check or postal/bank money order in cash at the time of purchase and attach the receipt to the DD 1131. Deduct the

cost of the cashier's check or postal/bank money order from the total amount collected. Show in the body of the DD 1131 the total amount collected, the fee for the cashier's check or postal/bank money order, the net collection, the bank, and the date of the money order.

12.6.5.7. When using the OTCnet Deposit Reporting function, all negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn, must be endorsed on the back in the 1 1/2 inch space along the trailing edge. Insert the component's name (e.g., Army, Navy, or DFAS) first and then the 4-digit disbursing activity's DSSN in the blank following "DSSN." Enter these manually, mechanically, or as part of the stamp. Enter the date of the deposit in the blank following "Date" to correspond with the bank's business day. See subparagraph 8.3.1.

12.6.5.8. Do not accept checks with conditional endorsements (e.g., "Payment in Full"). Return these checks to the drawers and advise them that the DoW cannot legally accept conditional endorsements.

12.6.5.9. DOs must keep a complete record of negotiable instruments mailed or presented to depositaries, consisting of scanned or photocopied images of both sides of each instrument. If imaging is not possible, prepare a typed or written list showing the source, financial institution on which drawn, type of instrument, serial number, payee, maker, endorser (name of person from whom received when other than the drawer), date drawn, and amount. Copies of collection vouchers or other documents showing the same data are acceptable. Because the DO bears pecuniary liability for an item lost in banking channels when the maker cannot be identified for replacement, the DO must retain these images or lists in active files until CIR confirms receipt of the deposit.

12.6.5.10. When a negotiable instrument is lost, whether before or after deposit, the DO must adjust the affected accounts and immediately request that the maker stop payment and replace it with a new check or other form of payment. DOs must inform members of their legal obligation for the check and offer them another opportunity to replace it. If the military member refuses, the DO may pursue involuntary collection action against the member's pay, as with any other debt.

12.6.5.11. A DO who is transferred or reassigned without being relieved by another DO must deposit all funds before the transfer or reassignment occurs. This includes all funds held by deputies, agents, or cashiers, including imprest and change funds. The DO must report each deposit made during the period, including the final deposit.

12.6.6. Deposit Transactions

12.6.6.1. The DO must immediately record all debit vouchers received on the DD 2657 and include them in the SF 1219 for the month received. Depositaries may process a debit voucher to charge the depositing DSSN when a check is returned unpaid or lost after deposit, and depositaries and the Treasury may issue debit vouchers for other valid charges against a DO's account, such as exchange fees and collection charges on foreign instruments deposited.

12.6.6.2. DOs must comply with debit vouchers received from a depositary whenever any one of these conditions exists: the deposit including the lost or dishonored check was made during the incumbency of the current DO; the deposit was made during the incumbency of a DO whose account is in the 90-day local retention period; or the maker or endorser of the lost or dishonored check is locally available for collection action. If none apply, the current DO must forward the debit voucher by cover letter to the activity designated to settle the former DO's account, and must also send either the original dishonored check returned by the depositary or, for lost checks, a copy of the relevant abstract from the listing of instruments deposited. The cover letter must include the most recent information on the present location and status of the maker or endorser, and the DO must send a copy of the cover letter to the issuing depositary.

12.7 PAYMENT INFORMATION REPOSITORY (PIR)

12.7.1. Reconciliation of EFT Transactions

12.7.1.1. DOs must reconcile their EFT payment data, such as EFT debit vouchers, with PIR. If the purpose of an EFT transaction cannot be determined at the point of origin (time of transaction), the DO must credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections and F3502 for Intra-Governmental Payment and Collection, as appropriate, and follow the guidance in Volume 4.

12.8 CIR

12.8.1. DOs must confirm deposits using CIR. For guidance on deposit reconciliation, see subparagraph 12.8.2.

12.8.2. Deposit Reconciliation – General

12.8.2.1. DOs or their designees must reconcile DoW financial system data daily with CARS and maintain a manual or mechanized subsidiary record of all debit voucher differences. If the purpose of a deposit cannot be determined at the point of origin (time of transaction), the DO must credit either F3875 and F3885 (Budget Clearing Account (Suspense)) or Shared Accounting Module default clearing accounts F3500 for proprietary payments and

collections and F3502 for Intra-Governmental Payment and Collection, as appropriate, and follow the guidance in Volume 4.

12.8.2.2. CARS reporters must ensure there are no uncleared statements of differences before becoming a "Full" CARS daily reporter. Agencies that use the online application within CARS for interagency billings and payments for goods and services no longer receive a statement of difference report (formerly Financial Management Service (FMS) Form 6652) and are no longer required to follow the FMS 6652 guidance. The Treasury compares the value of deposits and debit vouchers reported on DOs' activity reports to those reported through CIR.

12.8.2.3. Treat all differences that have not been reconciled within 60 days of the transaction, and that are validated as meeting the criteria of an actual physical loss of funds, as a loss or overage of funds with the associated pecuniary liability prescribed in Section 7.0. Do not treat timing differences or reporting errors as a loss of funds, but the DFAS site must pursue aggressive action to clear the differences with appropriate offsetting transactions, through the departmental level, Treasury, or agency, within 60 days of the offsetting transaction.

12.8.2.4. DOs must strictly follow the preparation requirements for deposit tickets and debit vouchers and must report all deposit tickets and debit vouchers promptly and properly.

12.8.2.5. Once deposit tickets are released to a depositary, the documents cannot be recalled, corrected, or resubmitted, and the Treasury prescribes specific instructions to approved depositaries on adjusting errors discovered after the day of deposit. DOs must take aggressive action to reconcile or clear all differences as rapidly as possible after the Treasury notifies them that a difference exists.

12.8.2.6. To maintain control, the DO or the DO's designees must monitor deposit activity daily using CIR and maintain a manual or mechanized subsidiary record of all deposit differences. They must review the record of differences at least weekly to ensure the differences clear, and must retain the evidentiary documentation supporting the review for the retention period in Section 16.0, paragraph 16.2. These records need not be certified. Each time there is a change of DOs, the incoming DO must validate the unresolved differences. If the departing DO cannot provide the incoming DO with documentation supporting the unresolved items, the departing DO must process the unsupported items as a loss or overage of funds (see Section 7.0).

12.8.3. Deposit Reconciliation – Discrepancies

12.8.3.1. If the depositary does not confirm a deposit presented by mail within a reasonable period of time, the DO must initiate follow-up action with the depositary to determine the deposit's status. A reasonable period of time is the normal mailing time from the date mailed

to the depositary until the deposit is confirmed, based on past experience, and tactical DOs must consider unit movement schedules and locations when the deposit was mailed. In any event, the DO must initiate follow-up action within 30 days from the date of mailing a deposit.

12.8.3.2. A follow-up request to a depositary must include a copy of the applicable deposit ticket and a description or copies of the instruments in the deposit. The depositary provides confirmation information in response. If the depositary acknowledges receipt of the deposit but refuses to report the transaction to the Treasury, the DO must provide written notification, with copies of all correspondence and documents involved, to DFAS-JJF/CO, which then pursues resolution through the Treasury and provides the DO written instructions on additional actions to take.

12.8.3.3. Depositaries generally prepare debit vouchers only to adjust erroneous amounts on deposit tickets and debit vouchers, to return dishonored negotiable instruments, or to adjust deposit tickets for counterfeit currency, and all debit vouchers depositaries prepare are reported automatically to the Treasury. Unless the DSSN on the debit voucher is not the DSSN of the DO receiving it, the DO must record the debit voucher on receipt and include it in the detailed deposit activity report. This requirement applies regardless of whether the debit voucher is deemed erroneous or the reason for the charge needs further clarification.

12.8.3.4. Daily CIR monitoring alerts the DO that a depositary has issued a debit voucher. The DO must confirm the information in CIR and include the debit voucher on the DD 2657 and detailed deposit activity report during the month of receipt. The DO must report the debit voucher using the month and year of issue reported by the depositary in CIR, not the month and year in which it is being recorded. Section II, Part B, Column (3) of the SF 1219 must indicate the actual month and year of the debit voucher as reported by the depositary, and the detailed deposit activity report must use the same actual month and year.

12.8.3.5. If a transaction occurs near the end of the month and the DO cannot process and report it in the transaction month, a deposit difference will occur. To correct it, the DO must obtain the transaction documentation and process both the payment and the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report during the current month. The DO must report the debit voucher using the actual month and year of the payment reported by the depositary in CIR, not the month and year in which it is being reported, and must include it in the detailed deposit activity report using that actual month and year.

12.8.3.6. Daily CIR monitoring alerts the DO that the depositary has issued a new debit voucher. DOs using depositaries that routinely process debit vouchers this way should contact the depositary in writing to request an explanation and ask that the depositary process the debit vouchers the DO provides with the payment files. If the depositary refuses to process the DO's debit vouchers, the DO must provide written notification, with copies of all correspondence

and documents, to DFAS-JJF/CO, which will pursue resolution through the Treasury and provide the DO written instructions on any additional actions to take.

12.9 CLOSED/CANCELLED ACCOUNTS

On September 30 of the fifth fiscal year after the period of availability for an obligation of a fixed appropriation account ends, the account must be closed and any remaining balance, whether obligated or unobligated, must be cancelled and is thereafter not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account but not received before the account closes must be deposited in the Treasury as miscellaneous receipts per 31 U.S.C. Sec 1552(a). All cancelling-year transactions, such as transactions to be paid from an appropriation cancelling at the end of the current fiscal year, must be submitted to DFAS no later than September 15 each year, or the business day before when September 15 falls on a weekend.

13.0 QUESTIONABLE AND FRAUDULENT CLAIMS

13.1 GENERAL

13.1.1. This chapter establishes policy for processing questionable and fraudulent claims presented for certification or payment that a Certifying Officer (CO) or Disbursing Officer (DO) believes to be illegal or improper. Determining potentially fraudulent claims is the responsibility of the CO and DO. The CO and DO must research claims and base their determinations on the criteria in this chapter and the legal opinions of the supporting Staff Judge Advocates (SJA) or other legal counsel. A fraudulent claim is any intentional deception designed to unlawfully deprive the United States of something of value or to secure from the United States a benefit, privilege, allowance, or consideration to which a claimant is not entitled. This chapter also addresses a CO's, DO's, or head of an agency's right to request an advance decision from the appropriate authority.

13.1.2. Authoritative Guidance

13.1.2.1. Under Title 31, United States Code (U.S.C.), section 3529 (31 U.S.C. § 3529), a CO, DO, or head of an agency may request an advance decision on the propriety of any prospective payment from an authorized official. This authority does not cover legal decisions on payments already made or hypothetical cases.

13.2 ADVANCE DECISIONS

13.2.1. The submitter of an application states the facts and evidence supporting the reasons for the request and on which to base the decision. An application must generally include a specific claim or voucher. The submitter sends applications through the Office of General Counsel (OGC) of the DoW Component or the DFAS to the DoW Deputy General Counsel (Fiscal) (DoW

DGC(F)) for determination. The affected Component or DFAS OGC must attach a legal memorandum discussing the legality of the proposed payment under the circumstances. The responsible activity, DFAS site, or appropriate OGC may return cases involving entitlement questions already clearly decided authoritatively, with a determination that no advance decision is necessary. A submitter may resubmit such a determination through the responsible activity for reconsideration.

13.2.2. An advance decision is conclusive for the specific payment involved on the question presented. Although an advance decision is conclusive only for the specific payment reviewed, COs must use the principles cited in the decision when making future entitlement decisions.

13.3 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

13.3.1. If there is reason to suspect that a claim presented for certification or payment contains fraudulent information, the CO must request that their commander or comparable authorized civilian initiate an investigation into the suspected fraud. A DO who suspects that a certified voucher is fraudulent must return it to the CO. The requirement to request an investigation applies regardless of the dollar value. Once the investigation and legal review by the supporting SJA or other legal counsel are complete, the investigating officer (IO) gives the CO and DO a copy of the completed report of investigation (ROI). See Section 7.0 for ROI guidance.

13.3.1.1. If the ROI does not support a finding of fraud, the CO may certify the voucher for payment of all amounts to which the claimant is entitled. The CO must document the reasons for the determination and maintain the documentation in the CO's records.

13.3.1.2. If the ROI confirms that some items of the claim are fraudulent, the claimant may submit to the CO a new claim for the items the ROI identified as not fraudulent. A claimant who protests the determination of fraud and insists on payment of the entire claim may submit a new claim for the items denied because of fraud. The CO processes the reclamation for the disallowed items as prescribed in subparagraph 13.3.3.

13.3.2. A CO or DO who suspects that a claim was paid based on fraudulent information or documents must review the retained copy of the claim to determine whether it contains false information.

13.3.2.1. A CO or DO who suspects that a paid claim is fraudulent must inform his or her commander or comparable authorized civilian, who then initiates an investigation of the suspected fraud regardless of the dollar value involved. See Section 7.0 for ROI guidance. After the investigation, the supporting SJA or OGC reviews it for legal sufficiency. The IO then gives the CO and DO each a copy of the final ROI.

13.3.2.2. On learning of an improper payment based on suspected fraud, the CO or DO sends an ROI to the supporting DFAS site through their commander or comparable authorized civilian equivalent. The ROI must include a basic statement of the irregularity, the date, amount, and identification of the individuals involved. On completion of the final recovery, investigative, or other negative action, the CO or DO advises the supporting DFAS site.

13.3.2.3. If the CO determines that some or all items of a paid claim are fraudulent, the CO may not certify any of the items for repayment.

13.3.2.4. Losses resulting from fraudulent acts are improper payments, except losses within the disbursing office. The DO leaves them charged to the appropriations cited on the payment vouchers (see Section 7.0). Any losses, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (for example, embezzlement or fraudulent acts by disbursing personnel) are physical losses (see Section 7.0).

13.3.3. Reclamation of Items Disallowed or Recovered Due to Fraud

13.3.3.1. The CO sends reclamations for items disallowed or recouped due to fraud through the appropriate office in his or her chain of command to the DoW DGC(F). For a claim denied in its entirety, submit the original claim. Send the completed claim with a cover letter or memorandum from the CO stating why the claim is fraudulent, with the statement: "I have not certified and will not certify this claim for payment unless authorized by competent authority." Include the original and two copies of all supporting documents and the orders with all endorsements for a travel claim, and a copy of the paid voucher for the items free of fraud.

13.3.3.2. A CO may not certify a reclamation claim for any or all of an amount recovered by the government due to an illegal or improper payment of any voucher item obtained by fraud or misrepresentation processed under subparagraph 13.3.3.

13.3.3.2.1. The CO or DO must send paid fraudulent claims to the appropriate pay office and local OGC or SJA for referral to the Defense Criminal Investigative Service or military criminal investigative organization. Recover payments based on substantiated claims of fraud by direct repayment from the employee through salary offset or by other procedures in Volume 16. The CO or DO may take no further action on the paid fraudulent claim until OGC or SJA gives the CO or DO specific processing and disposition instructions.

13.3.3.2.2. Under 37 U.S.C. § 1007(c) and the guidance in this chapter, the CO or DO collects debts owed by military members. When a debtor requests reconsideration of a fraud determination, the creditor organization submits the debtor's evidence or statements to the local SJA for review.

14.0 FOREIGN DISBURSING OPERATIONS

14.1 GENERAL

14.1.1. Overview

14.1.1.1. Where U.S. currency use is prohibited or diplomatic or financial considerations make it inadvisable, the senior commander must consult other U.S. military commanders and U.S. Department of State (DoS) representatives in the area to determine the local government's foreign currency control regulations, and must issue instructions that conform to DoS procedures and those local regulations. Disbursing Officers (DOs) must follow the disbursing guidance in Section 10.0 on voucher certification and substantiation before executing payment transactions, including advances, equitable claims, and payments to third parties.

14.1.1.2. The same policies governing domestic disbursements apply to foreign currency disbursements. Except where U.S. diplomatic or financial relations make use of the U.S. dollar (USD) inadvisable, U.S. currency or Treasury checks are the only media of exchange for:

14.1.1.2.1. Basic salaries, special and incentive pay, and allowances (e.g., subsistence and housing) in USDs for U.S. military personnel stationed overseas;

14.1.1.2.2. Salaries and differentials to similarly situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in USDs;

14.1.1.2.3. Per diem;

14.1.1.2.4. Travel expenses; and

14.1.1.2.5. Purchases from appropriated and nonappropriated fund activities located in the foreign currency area.

14.1.1.3. A disbursement voucher may serve as both a payment voucher and a collection voucher for transactions involving setoff or deduction to recover an amount owed by the payee, with the net amount due disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (see Section 10.0, paragraph 4.0). The Volume 1 financial records retention requirements apply to contingency operations.

14.1.1.4. International Treasury Services (ITS.gov), the U.S. Department of Treasury's comprehensive international payment and collection system, is the preferred method to issue foreign currency payments electronically and to issue international USD wire transfer payments.

14.2 EXCHANGE OF U.S. DOLLARS FOR FOREIGN CURRENCY

14.2.1. When it is not practical to use ITS.gov, or the DO does not have a limited depositary account (LDA) in the currency to be paid, the DO may acquire foreign currency. An appointed DO may obtain foreign currency only for official purposes, such as paying U.S. Government creditors and exchanging foreign currency or other negotiable instruments for which the DO is accountable. Foreign currency obtained may be held as currency or in an LDA (see Section 15.0). DOs may obtain foreign currency from the sources in subparagraph 14.2.2 and from sources authorized by the government of the country concerned. When DOs exchange USDs for foreign currency, the following guidelines apply:

14.2.1.1. Exchange foreign currency only when it is needed for immediate funding requirements. DOs must ensure that payment for foreign currency purchases is made on the value date.

14.2.1.2. Speculation in foreign currency is prohibited.

14.2.1.3. Any change in program costs resulting from foreign currency use in international financial arrangements is the responsibility of the involved U.S. or foreign program agencies.

14.2.1.4. Foreign currency must not be purchased by forward contracts directly from foreign governments, private firms, or individuals at a negotiated rate without prior Treasury authorization. Submit such requests through DFAS, Disbursing Policy (DFAS-ZPTA), 8899 East 56th Street, Indianapolis, IN 46249-0500 (dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil).

14.2.1.5. Limit DO foreign currency holdings in a safe, vault, or LDA to no more than a seven-business-day requirement, unless the Treasury authorizes an increase (see Section 15.0, subparagraph 15.3.10.2.1). This limit includes foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations.

14.2.1.6. Acquire foreign coins only to fill specific needs or when received as change incident to an official cash payment in foreign funds.

14.2.1.7. Prepare foreign currency reports per paragraph 7.0.

14.2.2. Procurement of foreign currency from U.S. Government or commercial sources requires a certificate or statement showing the amount purchased, the rate of exchange, the amount of USDs paid, the date, and the source or seller. Include the certificate or statement with the monthly financial reports. DOs may use ITS.gov to acquire foreign currency via electronic funds transfer. Each exchange voucher must be submitted in support of the disbursing office accounts

and attached to the monthly Standard Form (SF) 1219, Statement of Accountability. A DO may also obtain foreign currency from the following sources:

14.2.2.1. Other U.S. Government sources include DoW DOs, U.S. DOs (USDOs), cashiers at American Embassies, or the Federal Reserve Bank of New York (FRBNY). Normally, the DO draws a U.S. Treasury exchange-for-cash check and endorses it to the order of the officer furnishing the foreign exchange. When foreign currency is purchased from a USDO or an American Embassy cashier, the check may be issued to the American Embassy. When foreign currency is purchased from the FRBNY, the DO makes appropriate shipping arrangements; and

14.2.2.2. DoW Military Banking Facility (MBF). When possible, DOs can purchase foreign currency from a MBF (includes funds for LDAs) using a U.S. Treasury exchange-for-cash check.

14.2.3. Absent ready access to the Federal Reserve System, the DO may request Treasury approval to establish currency custody LDAs with the government's contractor-operated MBF. The DO must settle daily with the MBF. Report the balance held in custody accounts on the Custody or Contingency Cash line of the DoW DD Form 2657, Daily Statement of Accountability, reflected in the DO Cash Treasury Account Symbol (TAS), and on the SF 1219.

14.2.4. Subject to subparagraph 3.3.4, DOs may purchase foreign currency from individuals. DOs may also receive foreign currency as refunds from foreign vendors or in payment for sale of excess foreign property per DoD Manual (DoDM) 4160.21-V1. Foreign currency sales receipts from post offices, exchanges, commissaries, and other nonappropriated fund activities are not collections by the disbursing office, but may be acquired by purchase only to the extent necessary to acquire foreign exchange for the LDA.

14.3 FOREIGN EXCHANGE TRANSACTIONS

14.3.1. Policies for Financial Transactions

14.3.1.1. Withdraw dollars from the Treasury on behalf of any program management organization only as needed, based on the recipient organization's funding requirements to carry out the project.

14.3.1.2. Negotiate dollar outlays as close as possible to the need for current program expenditure to support international programs requiring U.S. funding.

14.3.1.3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part derived from interest earned on U.S. contributions. DoW Components must ensure that any interest earned is deposited promptly to the Treasury General

Fund Receipt Account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other).

14.3.1.4. Consider the fiscal needs and funding policy concerns of each participating country or international organization, provided that U.S. Government cash management policies are not compromised.

14.3.1.5. Accommodate the financial policies of each participating country or organization to the maximum extent feasible. Except for arrangements entered into solely to implement U.S. international monetary policy, retain USDs in the Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt.

14.3.1.6. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of USDs in trust in a Treasury account on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to DFAS-ZPTA/IN (dfas.indianapolis-in.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil).

14.3.1.7. DoW Components must not invest funds on behalf of a foreign country or international organization when receipt of such funds serves as a basis for creating contract obligation authority for the DoW Component or other U.S. Government department or agency.

14.3.1.8. DoW Components must ensure that their administrative practices do not compromise application of these general policies in negotiations with foreign countries and international organizations.

14.3.2. Accommodation Exchange Services

14.3.2.1. Commanders may approve and implement accommodation exchange services only after determining that:

14.3.2.1.1. Contract MBFs, other on-base financial institutions, exchanges, commissaries, or U.S. Postal facilities cannot fulfill the needs of DoW personnel;

14.3.2.1.2. The DO or agent has an immediate need for the foreign currency repurchased; or

14.3.2.1.3. Resources are available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

14.3.2.2. When satisfactory local banking facilities are not available to conduct accommodation transactions, and after the commander approves a written check cashing policy, DOs may use official funds to:

14.3.2.2.1. Disburse foreign currency for checks, drafts, bills of exchange, and other instruments payable in USDs; and

14.3.2.2.2. Cash foreign currency checks drawn by accountable officers of the U.S. on non-symbol checking accounts for the same currency in which drawn, when the currency is needed by the officer for official purposes.

14.3.2.3. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoW MBF contract, and DOs providing accommodation exchange services in those countries obtain needed foreign currency from the MBF at the accommodation rate. DoW personnel must not receive accommodation exchange service from USDOs or Treasury DOs in areas where DoW DOs provide those services; DoW personnel assigned or attached to U.S. embassy duty may use available embassy cashier services. DOs, agents, and cashiers making these accommodation exchanges must maintain the DD Form 2664, Currency Exchange Record, Record of Individual Exchange Transactions, daily to ensure implementation of the requirements in paragraph 7.0.

14.3.2.4. DOs are prohibited from purchasing foreign currency from individuals in areas served by MBFs under DoW contract. In areas not served by contract MBFs, DOs may purchase foreign currency or instruments payable in foreign currency in exchange for USDs or dollar instruments before an individual's departure on home leave or completion of a foreign assignment. When making such purchases, DOs must comply with the following:

14.3.2.4.1. If the foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be purchased without requiring any documentation from the departing individual.

14.3.2.4.2. If the foreign currency presented exceeds the amount authorized in subparagraph 3.3.4.1, the requestor must submit a written application to the commander for approval of the purchase. The application must include a statement describing the source of the currency and a statement affirming that none of it was acquired in violation of the local regulations or exchange control laws of the country concerned.

14.3.2.4.3. The purchase of foreign currency with USDs must consider the DO's immediate foreign currency disbursing requirements. A DO may suspend making accommodation exchanges for such time and to the extent necessary to carry out other responsibilities.

14.3.2.4.4. Purchase the foreign currency at the prevailing market rate.

14.3.2.4.5. Keep a DD 2664 daily to reflect the amount and source of purchased funds.

14.3.2.5. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoW personnel at safe haven areas to which they were ordered by competent authority in an emergency evacuation. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies.

14.4 CURRENCY RATE OF EXCHANGE

14.4.1. Prevailing Rate of Exchange

14.4.1.1. Unless otherwise authorized by the Treasury, carry all foreign currency, including amounts held in LDAs, at the prevailing rate of exchange. Foreign currency acquired without purchase includes burdensharing contributions made in host nation currency and held in accounts authorized by 10 U.S.C. § 2350j. Compute disbursements for official expenditures or accommodation exchange transactions to avoid gains or deficiencies due to exchange rate fluctuations to the extent possible. If no rate of exchange is established by agreement between the U.S. Government and the foreign country, or where no MBF is available, conduct foreign currency transactions at the prevailing rate using the recomputed rate of exchange per subparagraph 14.4.2.

14.4.1.2. When purchasing from sources other than the U.S. Government, DOs must acquire foreign exchange at the best rate available (e.g., fixed or non-fixed legal rate) in the currency in which the exchange will be expended. Follow DoS regulations or the currency-control laws of the country where the currency will be used. Draw Treasury checks to obtain foreign exchange from commercial sources in favor of the DO and endorse them to the order of the banking institution or commercial enterprise providing the funds.

14.4.1.2.1. The best fixed legal rate to the U.S. Government, depending on the circumstances in each country, may be any officially established buying rate for dollars, including diplomatic rates or special rates established by agreement with the country's authorities. When a fixed legal rate prevails, purchase foreign exchange at the best applicable rate for the particular transaction. Purchases at fixed legal rates may be made without obtaining bids, but a statement signed by the seller must evidence each purchase and set forth the pertinent data: the date, amount of purchase, and exchange rate. The DO must retain the statement as a supporting document with the SF 1219 (see Section 16.0, paragraph 16.8).

14.4.1.2.2. When rates legally applicable to the particular transaction are not fixed, or when such rates are fixed but the use of other rates is also legal for the transaction, DOs must purchase foreign exchange at the best obtainable rate. When foreign exchange can be purchased at a non-fixed legal rate, DOs must solicit bids from at least three sources if available.

14.4.1.2.2.1. When practical, solicit bids from sources outside the country of the currency involved. Accept the bid providing the most beneficial exchange rate to the U.S. Government. The DO must include a copy of the certified and accepted bid as a supporting document with the financial reports and keep a copy to substantiate the place of purchase if some of the currency is eventually sold through commercial channels. The DO must retain documentation of the most beneficial bid, accepted and certified, with the SF 1219.

14.4.2. The DO must recompute the operating rate of exchange when the rate of exchange of newly acquired foreign currency differs from that of the DO's current balance. The DO then disburses from the account using the recomputed rate of exchange.

14.4.2.1. Credit gains or charge deficiencies due to rounding to account 6763 (Gains and Deficiencies on Exchange Transactions) using DD Form 1131, Cash Collection Voucher, or SF 1034, Public Voucher for Purchases and Services Other Than Personal, as appropriate. Attach a Certificate of Adjustment, as prescribed in subparagraph 14.4.2.1, to the voucher to support the transaction.

14.4.2.2. The DO or DDO must prepare and sign a Certificate of Adjustment Due to Rounding when a minor gain or deficiency results.

14.4.2.3. Any change in the prevailing rate of exchange causes a gain or deficiency by revaluation because the USD value of the foreign currency changes, except when using the method in subparagraph 14.4.2.1. Whenever possible, revalue the foreign currency on hand (including LDAs) at the beginning of the business day on which a rate change occurs. Determine the new USD value by dividing the total foreign currency on hand (including LDAs) by the new exchange rate, and determine whether a gain or deficiency by revaluation occurred by comparing the USD value at the old rate to the USD value at the new rate. Because DOs carry foreign currency held in the disbursing account at the USD value, adjust that value by the gain or deficiency (loss), recording the revaluation as a collection or disbursement transaction in the DO's account.

14.4.2.4. Gains and deficiencies may occur due to rounding or revaluation. Except when using the method in subparagraph 14.4.2.1, credit foreign currency gains using a DD 1131 and charge foreign currency deficiencies using an SF 1034. Report gains and deficiencies through Classification Transactions and Accountability, citing an increase or decrease to account 6763, the DO Cash TAS, and the proper Business Event Type Codes. Calculate gain/deficiency values for each currency individually by DO/DDO/agent/cashier to keep personal accountability accurate.

DOs may consolidate the net change for all currencies on a single DD 1131 or SF 1034, as appropriate.

14.4.2.5. Code all credits and charges to account 6763 as USD transactions. Use account 6763 only for gains and deficiencies due to foreign currency revaluations. Account 6763 has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense (FCFCD) accounts, which are used for differences between the budgeted foreign currency rates at which obligations are recorded and the rates at which they are liquidated. Reflect the FCFD and FCFCD portions of foreign currency disbursements separately on disbursement vouchers as charges to the appropriate foreign currency centrally-managed allotment account established for that purpose.

14.4.2.6. Service members stationed overseas are authorized an advanced overseas housing allowance for security deposits to obtain leased housing. As authorized by the Defense Travel Management Office, the supporting DO pays the necessary amount in the appropriate local currency and charges the appropriate military pay appropriation for the USDE. The preferred method for paying the advanced housing allowance is an LDA check in the local currency of the area involved.

14.4.2.7. The supporting finance office must maintain a tracking system, either by input into the master military pay account (MMPA) or by manual methods, showing the amount of the advance paid in local currency, the USDE, and the exchange rate on the date of payment.

14.4.2.8. At lease termination, service members return the total deposit in local currency to the supporting disbursing office in exchange for a receipt. The supporting disbursing office credits the USDE, based on the rate of exchange in effect on the date of return, to the appropriation charged when the deposit was advanced; compares that rate with the rate in effect on the date of the advance; and posts any gain or deficiency (loss) due to currency fluctuation as a charge or credit, as appropriate, to the current military pay appropriation.

14.4.2.9. If the security deposit was paid in USD, the service member takes the full value of the security deposit in foreign currency to the MBF, converts it to U.S. currency, obtains a receipt indicating the exchange rate, and turns in the U.S. currency and receipt to the disbursing office. The disbursing office prepares a collection voucher for credit to the appropriate military pay appropriation, indicates return of the security deposit, verifies with the MMPA or local record whether a gain or deficiency occurred at the current exchange rate, and prepares the appropriate voucher to credit or debit the gain or deficiency to the appropriate military pay appropriation. The office must ensure the member does not experience any gain or deficiency due to foreign currency fluctuations.

14.5 USE OF FOREIGN CURRENCIES FOR TRANSPORTATION

14.5.1. To the maximum extent possible, use U.S.-owned foreign currencies for transportation when certified air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Review DoD Directive 4500.09E, Transportation and Traffic Management, for guidance on using these air carriers and determining their availability. When issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly 'PAYMENT IN (foreign currency)' on the form; otherwise, the carrier may demand payment in USD.

14.5.2. In the 'BILL TO' portion of the GTR, GBL, transportation warrant, or other procurement document, DOs must include the name of the requesting agency, address to be billed, and instruction on payment in foreign currency.

14.6 DISPOSITION OF FOREIGN CURRENCY AND NEGOTIABLE INSTRUMENTS

14.6.1. DOs may use foreign currency for payments to foreign personnel and vendors. For miscellaneous advance payments, see Volume 10.

14.6.2. When possible, transfer excess foreign currency to other DoW DOs, USDOs, U.S. Embassies, or accountable officers in a locality with immediate disbursing needs. When the collection of foreign currency causes a noninterest-bearing LDA to exceed immediate disbursing requirements, see Section 15.0, subparagraph 15.3.10.2.1.

14.6.2.1. A DO may sell excess foreign currency to an MBF whenever the currency cannot be sold to another DoW DO. The selling DO uses the MBF buy rate as the rate of exchange on the date it sends the currency to the MBF and accounts for any gain or deficiency due to exchange rate fluctuations when it receives the USD from the MBF.

14.6.2.2. If foreign currency cannot be sold to a DoW DO or MBF, a DO may sell it through commercial channels. If the rate of exchange has been established by agreement between the U.S. and the foreign country, sell or otherwise dispose of the foreign currency for U.S. currency or USD checks at the established rate of exchange.

14.6.2.2.1. For this type of sale, the bank or other entity buying the foreign currency must provide a statement showing the amount of USD supplied, the rate of exchange, the amount of foreign currency received, the date, and the name and address of the bank or entity. The recipient's representative signs the statement, and the DO includes it with the financial reports. A DO may also conduct foreign currency sale transactions with a bank or entity approved by the

Treasury (e.g., an MBF) to establish LDAs in the currency purchased (see Section 15.0, paragraph 15.3).

14.6.2.2.2. When the rate of exchange is not established by agreement between the U.S. and the foreign country, or when no bank or entity is approved by the Treasury to establish LDAs, use a DD 2668 to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. Sell the foreign currency to the bidder submitting the most beneficial bid, as certified by a commissioned officer other than the DO; the DO accepts the bid and includes it with the financial reports to support gains or deficiencies in foreign currency transactions.

14.6.2.3. If disposition is not possible through a DoW DO or an MBF, follow guidance in I TFM-5-6000 for depositing foreign currency and checks drawn on foreign banks.

14.6.3. Dishonored foreign instruments received by DoW DOs are subject to the regular debt collection procedures. DOs must request removal of dishonored-item deficiencies for instruments received that become uncollectible (see Section 5.0, subparagraph 5.5.1).

14.6.4. DOs must take every possible precaution to prevent acceptance of mutilated foreign currency as a collection, payment, or exchange transaction. A DO holding mutilated foreign currency must contact local banks or fiscal authorities to arrange the exchange of mutilated or unfit currency for fit currency.

14.6.5. DOs must take every possible precaution to prevent acceptance of counterfeit currency as a collection. If the collection is counterfeit, see section 2030.50 in I TFM 5-2000. If no agreement exists with the foreign government, ship the currency to the appropriate investigative agency or nearest military security agency. Obtain a receipt for the currency and account for it in the DO's records in the same manner prescribed in Section 4.0, paragraph 4.6 for counterfeit U.S. currency. A DO at fault in acquiring counterfeit foreign currency is accountable for the value of the currency and must submit a request for relief of liability per the process in Section 7.0, paragraph 7.6. This is the same process used for accountability for receipt of counterfeit U.S. currency.

14.7 RECORDS AND REPORTS

14.7.1. Treat transactions involving foreign currency as cash transactions and follow the same principles and guidelines established for controlling U.S. currency. DOs, DDOs, agents, and cashiers who engage in foreign currency transactions (e.g., collections, disbursements, and accommodation exchanges) must document them on the DD Form 2663, Foreign Currency Control Record. This form shows current balances of foreign currency on hand (all foreign currency held

by cashiers, in the vault, or by other agents of the DO) and in LDAs, as well as the detailed transactions that increase or decrease these balances.

14.7.2. Maintain separate DD 2663s for each type of foreign currency used (e.g., Kuwaiti Dinar, Euro, and Japanese Yen). Also maintain a separate DD 2663 for accommodation exchange foreign currency carried at an exchange rate different from that used for disbursements. DOs may maintain separate DD 2663s for foreign currency on hand and in LDAs.

14.7.3. Foreign Currency Reports

14.7.3.1. Include with the foreign currency reports a cover sheet with the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum-Dollar Outlay for Accommodation Exchanges. Reports are due within 15 calendar days after the close of each quarter to the supporting DFAS site. Reports may be combined and submitted as one report.

14.7.3.1.1. The Cumulative Report of Foreign Currency Purchased With USD From Sources Outside the U.S. Government is cumulative for the fiscal year. Include the amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange.

14.7.3.1.2. The Report of the Balance of Foreign Currency Held Under Dollar Accountability is due by the end of each quarter to the same DFAS site as the cumulative report. It may be combined with the cumulative report.

14.7.3.1.3. The Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury is a cumulative report of outside purchases and a quarterly report of balances of foreign currency on hand. These funds are received for items such as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Exclude repayments to appropriations.

14.7.3.2. DFAS sites must consolidate the DOs' quarterly reports and forward them to DFAS, Departmental Reporting Directorate, Treasury Division, Reporting Operations Branch, Column 334Z-1, 8899 E. 56th Street, Indianapolis, IN 46249, in time for delivery to the Treasury 45 calendar days after the close of each quarter.

14.7.3.3. Report foreign currency balances held in USDE on the SF 1219, including those in LDAs.

15.0 LIMITED DEPOSITARY CHECKING ACCOUNTS

15.1 GENERAL

15.1.1. If Treasury's International Treasury Services (ITS.gov) will not support mission requirements, DoW disbursing officers (DOs) may maintain official limited depositary accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currencies with banks Treasury designates as "Depositaries of Public Moneys of the United States." LDAs are cash and investments held outside Treasury funds and must be reflected in the DO Cash Treasury Account Symbol. LDA transactions follow the same reporting process to the Payment Information Repository (obtaining funds) and to Classification Transactions and Accountability (cash disbursement and collections) as U.S. dollar transactions, and must be recorded on the DD 2657, Daily Statement of Accountability, and the SF 1219, Statement of Accountability.

15.2 SOLICITATION

15.2.1. Overview

15.2.1.1. When anticipating a new LDA, a DO (or designated deputy DO (DDO)) confers with the local U.S. Embassy or Consulate to determine which banks meet the criteria, then solicits all American-owned and leading local financial institutions in the area to find the most beneficial arrangement. The solicitation must be competitive, letting all banks submit written information on identical questionnaires or requests for banking proposals. To determine the most beneficial arrangement, a DO weighs, in descending order of importance: (1) standard operating services minimally required; (2) customary local banking practices (for example, telex cost or armored car service); and (3) other special services a particular country or circumstance may require (for example, payment of interest on the account or waiver of miscellaneous charges). The required services must include capability to honor payments to payees in outlying areas, processing of checks and, if possible, EFTs and deposits, provision of a daily or a monthly bank statement as needed, and acceptance of the DO's funding procedures.

15.2.1.2. DOs must ensure LDA banks are valid, reflect a high level of American ownership, and are financially secure, dependable, and reliable, to avoid losses and protect U.S. Government funds. Unsolicited proposals to operate an existing LDA may be received at any time, and the LDA is open to all interested financial institutions.

15.2.2. After selecting a reliable financial institution with beneficial banking arrangements, a DO must send a request for approval and designation of an LDA to DFAS Enterprise Solutions and Standards (ESS) Disbursing, Indianapolis (DFAS-JJFKCD/IN), 8899 E. 56th Street, Column 301S, Indianapolis, IN 46249

(dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil). ESS Disbursing reviews the request and sends it to Treasury's Bureau of the Fiscal Service before the account is established.

15.2.2.1. Requests for U.S. dollar (USD) accounts must include documentation showing the DO requested and received a commitment from the proposed bank to pledge collateral. If the bank agrees to pledge collateral, the DO may request a USD operating account; otherwise, the DO may request only a USD zero-balance account.

15.3 ESTABLISHING AND MAINTAINING AN LDA

15.3.1. Once Treasury approves a request, establish the LDA in the name of the assigned DO, DDO, or another agent the DO designates. Limit authority to sign checks drawn on the LDA to the DO and other appointed DDOs or agents. A DO who transacts business in multiple foreign currencies must establish and maintain a separate LDA for each currency.

15.3.2. The commander must certify by letter the name and rank of the DO assigned to the activity, stating that the DO is authorized to maintain an LDA with official U.S. funds in the name of the activity. If the LDA custodian is a DDO or another agent of the DO, the commander's letter must identify that DDO or agent and:

15.3.2.1. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in the office;

15.3.2.2. Includes signature specimens of the DOs and authorized DDOs and agents, and a certification that the signatures are those of the personnel authorized to transact business with the limited depositary (LD); and

15.3.2.3. Requests the bank acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

15.3.3. Blank LD Checks

15.3.3.1. Control and safeguard blank LD checks the same way as Treasury checks under Section 8.0, subparagraph 8.2.4. If LD checks are lost or stolen, the DO must immediately notify the LD of the serial numbers, place stop-payments against them, and submit copies of the stop-payment requests with the next original LD reports.

15.3.4. Preparation of LD Checks

15.3.4.1. DOs must maintain a record of all LD checks issued, including payee names, voucher numbers, amounts (in the check's currency), check serial numbers, check dates, and the activity name under which the account is established. Other information about the purpose

of the checks and local identification codes is optional at the issuing DO's discretion. The record may be on paper, electronic, or data-processing media. Keep a separate record for each LDA, and include records of check issues with the retained disbursing records.

15.3.5. When a payment is made with an LD check, enter the notation "LD Check No. X" on the disbursement voucher. A receipt is not generally required for a check payment, but local laws may bar LD checks drawn outside the United States from being returned to the drawer. In those cases, show evidence of receipt of the payment on the voucher on which the LD check payment appears.

15.3.6. Before mailing any LD checks outside the country in which the LD is located, the DO must verify that doing so is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved (see Section 8.0, subparagraph 8.5.4).

15.3.7. When an irregularity occurs after check delivery and the check is still outstanding, the DO must stop payment on the check and provide a complete report of the facts with the stoppage request. If the irregularity is discovered after the check is paid, the DO must notify the depositary of the irregularity.

15.3.8. Some LDs pay interest on LDAs. When possible, the DO must obtain interest on the LDA, canvassing the market for the highest interest rate legally available consistent with disbursing requirements, and must monitor interest-bearing accounts to ensure interest is paid timely under the agreements between the DO and the banks. When notified that interest has been credited, the DO prepares a DD Form 1131, Cash Collection Voucher, crediting receipt account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other) for the U.S. dollar equivalent (USDE) of the interest, and records the transaction as both a collection and an increase.

15.3.9. Keep daily LDA balances as near zero as possible and maintain them solely to support disbursing requirements. Draw LDA checks against new deposits only after the LD confirms the deposits. If foreign currency collections cause a non-interest-bearing LDA to exceed a 5-to-7 business day supply and all attempts to sell the currencies to other DOs are exhausted, the DO must sell the foreign currency for USDs for deposit to a bank designated as a Treasury General Depositary, or request a waiver per subparagraph 3.10.2.2. LDAs approved to hold funds beyond the 5-to-7 business day supply do not require a balance reduction but must comply with any stipulations in the LDA request approval (see paragraph 2.2.1). Do not use LDA balances, or the forfeiture of potential interest earnings, to subsidize banking services otherwise funded through the appropriation process.

15.3.10. Review of LDA

15.3.10.1. Commanders must require review of the LDAs a DO maintains to ensure compliance with this chapter. The cash verification team (see Appendix A) performs this unannounced review quarterly, upon transfer of accountability to a successor DO, before the outgoing DO departs the command, upon deactivation of the LDA, or upon a change in the designated settlement office.

15.3.10.2. DOs must review LDAs on a continuing basis to ensure:

15.3.10.2.1. Balances must not exceed immediate needs (typically a 5-to-7 business day supply). Transfer excess funds beyond the immediate need to other DoW DOs, State Department U.S. DOs, or a U.S. Embassy; withdraw and deposit the funds with Treasury; or obtain Treasury approval to exceed the 5-to-7 business day supply. Waivers to exceed the 5-to-7 business day supply must be requested from Treasury (see I TFM 4A-30140.20). Contact DFAS-JJFKCD/IN at the email address in subparagraph 15.2.2 for procedural guidance on waiver requests.

15.3.10.2.2. At least every three years, for each account, the DO must determine whether it would be cost effective to solicit competitive proposals from all American-owned and leading local financial institutions in the area to secure the most beneficial banking agreement.

15.3.10.2.3. Watch for significant events that affect the designated bank (for example, bank closure). Upon learning of such an event, the DO must immediately notify Treasury's Over-the-Counter Revenue Collection Division through DFAS-JJFKCD/IN at the email address in subparagraph 15.2.2.

15.3.11. See Volume 12 for the overall policy and responsibilities for accepting, receiving, using, and reporting burdensharing and relocation monetary contributions to the DoW. DOs must include any burdensharing and relocation monetary contributions held in an LDA in the semiannual cash holding authority requests (see Section 4.0, subparagraph 4.1.3) and in their ending accountability on the DD 2657 and the DO Cash Treasury Account Symbol. Burdensharing and monetary contributions held in an LDA in excess of the 5-to-7 business day supply must be approved with the original LDA request or require an approved waiver from Treasury.

15.4 VOIDED AND SPOILED LD CHECKS

15.4.1. Treat original LD checks that are not to be issued as voided or spoiled. Void LD checks with writing errors (for example, a wrong name or amount), checks physically damaged during preparation, and checks for which the entitlement area has withdrawn the voucher. Mark these checks conspicuously to prevent their negotiation, whether in error or through fraud. Prepare

separate listings of voided and spoiled checks monthly and attach them to the SF 1149, Statement of Designated Depositary Account.

15.4.2. The functional area authorizing payment of a voucher may request that a check be voided. The DO bases that decision on the payee's non-entitlement to payment or an error in the way the check was drawn. Do not report voided checks as issued in the DO's check report. Upon deciding to void a check, render it non-negotiable. Do not store voided checks in the safe or vault of the DO or any deputy or agent. At the end of each month, prepare a listing entitled "Voided Checks" showing the accounting month, the LD name, and the LDA number, and send the listing with the originals of all voided checks with the monthly SF 1149.

15.4.3. Spoiled Checks

15.4.3.1. Replace a spoiled check with the next available serially numbered check, entering the same information that appeared on the original check except for the check serial number and the issue date. Render the original check non-negotiable.

15.5 TRANSFERRING PROCEEDS OF LD CHECKS

15.5.1. An uncurrent LD check is one that has not been negotiated through the LD one fiscal year after the fiscal year in which it was issued, except where local laws require a shorter negotiable period. The amount of these checks must be transferred to Treasury or credited to the original appropriation. A transfer of LDA check proceeds may arise from undeliverable checks or checks due to deceased or incapacitated payees.

15.5.2. The DO who issued the original check, a successor DO, or a settlement officer designated by the supporting DFAS site must transfer proceeds of uncurrent checks to Treasury each October.

15.5.2.1. The DO must immediately give a copy of the uncurrent check listing to the LD, request that it place stop-payments on all listed checks, and instruct the LD to advise any payee presenting a listed check to submit it to the disbursing office for transmittal to and settlement by the Department of the Treasury, Bureau of the Fiscal Service, Attn: Fiscal Accounting, Budget Reporting Branch, 3201 Pennsy Drive, Building E, Landover, MD 20785.

15.5.3. Transferring Proceeds

15.5.3.1. Hold undeliverable LD checks only until the DO determines they cannot be delivered with the information available, but no longer than 60 days from the date of issue.

15.5.3.2. Record undeliverable LD checks on a DD 2658, Returned and Undeliverable Check/Bond Record, including a complete description of the checks, the disbursing

voucher numbers, the dates the checks were returned, the disposition of the checks, the disbursing official authorizing the disposition, and the disposition dates. The DO, DDO, or a third person with the DO's written authorization must approve disposition of undelivered checks.

15.5.3.3. Protect undeliverable LDA checks held in the disbursing office the same as cash, and file them in the order best suited for easy retrieval and identification.

15.5.4. Claims for the Proceeds of Undeliverable Checks

15.5.4.1. When there is any question of law or fact, send claims for the proceeds of undeliverable checks to DoW, Office of the General Counsel (OGC), 1600 Defense Pentagon, Washington, DC 20301-1600.

15.6 CANCELING LD CHECKS

15.6.1. Cancel LDA checks when their proceeds are not due to payees or their estates but are for credit to an appropriation or fund account. The procedure to cancel these checks depends on whether the account is open or closed, whether the check is current or uncurrent, and whether the check is available or unavailable to the DO maintaining the LDA. Contact DFAS-JJFKCD/IN at the email address in paragraph 15.2.2 for procedural guidance and processing instructions.

15.6.2. If a payee or the payee's estate is not entitled to a check, only the functional area that submitted the certified payment may request the DO to cancel it. Except as provided in this paragraph, use an SF 1098 to list and report all such canceled checks. Where practicable, the functional area that authorized the original payment prepares the SF 1098.

15.7 REPLACING MISSING, MUTILATED, AND FORGED LD CHECKS

15.7.1. On receipt of a claim for a check reported as not received, lost, stolen, destroyed, mutilated, forged, or defaced, the DO must determine from the LD or from retained records whether the check is outstanding. The DO issues a replacement check under this chapter only when the check is reported outstanding and unpaid before the end of the fiscal year following the fiscal year it was issued, and the issuance involves no question of law or fact.

15.7.2. The payee or other claimant must notify the DO in writing (with signature) when a check has been lost, stolen, mutilated, or destroyed and request that payment on the check be stopped. The notification must provide all information available on the check. The federal agency must attempt to obtain a replacement without an Agreement of Indemnity. When a replacement cannot be obtained without an Agreement of Indemnity, the agency requests one from Fiscal Service; the specific documents required for an indemnification request are listed in I TFM 5-5035.20.

15.7.3. This guidance for claims on paid checks applies to all LDAs. The payee must immediately notify the DO in writing (with signature) when a check has been paid on a forged endorsement, providing all available information identifying the forged check. The payee completes the Financial Management Service (FMS) Form 1133, Claim Against the United States for the Proceeds of a Government Check, and returns it to the DO who issued the original check within 90 days of the date on the FMS 1133.

15.7.4. If the original LD check is recovered before a replacement check is issued, suspend the replacement action and request that the LD remove the stop-payment against the original check, which the payee may then negotiate. If the replacement check has already been released, render the original check non-negotiable.

15.7.5. Referral to DoW Office of General Counsel

15.7.5.1. Send cases involving questions about a payee's or owner's entitlement to a substitute or settlement check, and cases where the court has appointed no legal representative for a deceased or incapacitated payee or owner, through command legal channels to the DoW OGC. Include an assessment or determination from the appropriate entitlement area about the underlying obligation. Before referring a case, see paragraph 15.6.

15.7.5.2. Send cases involving any question of law or fact through command legal channels for settlement action.

15.7.5.3. Send cases involving checks outstanding more than one fiscal year after the fiscal year in which they were issued through command legal channels for settlement. Include an undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LD check; the check in question, when available, or any identifiable portions of it; and any other supporting documentation.

15.7.6. The DO must retain approved claims and supporting documents, or copies where the originals have been transferred to the supporting DFAS site, as part of the retained records.

15.8 ADJUSTMENT OF CHECK-ISSUE DISCREPANCIES

Internal, Government Accountability Office, or other agency audits, or DO-initiated control measures, disclose LD check-issue discrepancies. These LDA differences are chargeable to DOs, and the DO must make and record adjustments immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks, which are addressed in paragraphs 15.4 and 15.5. These discrepancies occur when: the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different from

the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while simultaneously issuing a check that was the subject of an action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment. Contact DFAS-JJFKCD/IN at the email address in subparagraph 15.2.2 for procedural guidance and processing instructions.

15.9 LDA TRANSACTION DOCUMENTATION

DOs must implement controls to assure that LD checks are drawn in strict conformance to certified disbursement vouchers. LDAs are part of the DO's accountability for public funds. The DO must maintain complete and accurate records and make them available for audit to ensure the integrity of the LDAs. Treat a loss from a bank failure as a physical loss (see Section 7.0). Contact DFAS-JJFKCD/IN at the email address in subparagraph 15.2.2 for procedural guidance and processing instructions.

15.10 TRANSFERRING AND CLOSING AN LDA

LDAs that are closed or transferred must be reconciled. Before attempting to reconcile an LDA, the DO's agent serving as LDA custodian contacts the LD and requests a current statement of the account and, if available, all paid LD checks since the last regular statement. Reconcile the account by preparing an SF 1149. Contact DFAS-JJFKCD/IN at the email address in subparagraph 15.2.2 for procedural guidance and processing instructions.

16.0 DISBURSING OFFICER ACCOUNTABILITY REPORTS

16.1 GENERAL

16.1.1. Overview

16.1.1.1. All disbursing officers (DOs) are accountable to the U.S. Department of the Treasury (Treasury) for the cash and cash equivalent items (including receivables) in their possession. DOs must submit financial reports to support DoW accountability to the U.S. Government for all public funds collected and disbursed. These reports are the basis for official audits and settlement of accounts by the U.S. Government Accountability Office and provide information to maintain administrative accounting controls.

16.1.1.2. DOs maintain daily accountability on the DD Form 2657, Daily Statement of Accountability. The DO's official monthly accountability is recorded and reported on the Standard Form (SF) 1219, Statement of Accountability. DOs report disbursement and collection transactions on both the DD 2657 and the SF 1219, with collections reported net of disbursements on the SF 1219. Every DO must keep detailed records of all transactions, and these records must be available for examination by authorized representatives. Daily reporting does not affect the use and distribution of the DD 2657; SF 1219; DD 2665, Daily Agent Accountability

Summary; and DD 1081, Statement of Agent Officer's Account. DOs must continue to submit financial reports to supporting DFAS sites based on each site's instructions.

16.2 POLICY

16.2.1. Balancing of Accounts

16.2.1.1. DOs keep documents representing cash in their vault or safe and account for them daily on the DD 2657 and monthly on the SF 1219. The DD 2657 is the permanent written record of the DO's daily balance of cash in possession. When accounts are inspected, DOs must present the DD 2657 to the inspectors for examination.

16.2.1.2. Deputy DOs (DDOs), cashiers, and disbursing agents perform most DO cash transactions. The DO or primary DDO balances all DDOs, cashiers, disbursing agents, paying agents, and collection agents daily using the DD 2665. The DD 2665 is the report of their accountability to the DO, and the DO or primary DDO prepares it from a physical count of all cash and negotiable instruments in their possession.

16.2.2. DDOs, cashiers, and disbursing agents who are geographically distant from the DO (for example, a DO in Indiana and an agent in Afghanistan) must still record transactions by preparing a DD 2665, but they need not submit the DD 2665 to the DO daily. DOs establish the timing of agent turn-ins for their operations. Agent turn-ins must include all DD 2665s, supporting documentation (such as collection vouchers, disbursement vouchers, and deposit tickets), and the DD 1081.

16.2.3. DOs aboard Navy vessels balance their cash using the DD 2657. DDOs, cashiers, and disbursing agents must use the DD 2665 to balance at least weekly, immediately before and after each payday, on the last day of each month, and anytime the DO suspects an irregularity has occurred. When workload and staffing conditions allow, DOs aboard Navy vessels should balance cash accounts for all DDOs, cashiers, and disbursing agents daily.

16.3 DAILY AGENT ACCOUNTABILITY SUMMARY (DD 2665)

The DD 2665 is a stand-alone document that provides a complete picture of a DDO's, cashier's, or disbursing agent's accountability transactions from day to day. Each DDO, cashier, and disbursing agent prepares a DD 2665 for each day during which they transact business. It must summarize that day's business and record the transactions in U.S. dollar values. Paying agents appointed to work with contracting for contingency operations prepare a DD 2665 on the day they turn in all their business to the DO. Avoid a turn-in during the middle of a business day when possible. If a turn-in is required mid-day, prepare a DD 2665 up to and including the turn-in period, then prepare another DD 2665 for the rest of the business day.

16.4 STATEMENT OF AGENT OFFICER'S ACCOUNT (DD 1081)

16.4.1. Agent officers (DOs, cashiers, and disbursing agents) prepare a DD 1081 as a summary of cash transactions and a receipt for cash and vouchers on hand between DOs and their agent officers. The form is prepared when a DO advances funds to an agent and to summarize cash transactions for the period covered by the turn-in. When agent officers settle their account, the DO or principal DDO verifies the DD 1081, signs the original and a copy, keeps the original and supporting documents, and returns the signed copy to the agent officer. The DO or principal DDO must perform a physical count of cash at the time of the turn-in or settlement. The agent officer keeps the signed copy as a record of the opening cash balance for the next period of duty and for record purposes if the account is balanced to zero.

16.4.2. Subject to the parent DO's approval, paying agents in remote operational contingency locations may transmit electronically scanned or facsimile copies of the DD 1081 to the parent disbursing office. A paying agent is solely responsible to ensure that all documentation is legible and that:

16.4.2.1. The scanned or facsimile copies were produced from original documents and cannot be altered;

16.4.2.2. The copies are retained until the applicable retention period expires; and

16.4.2.3. Access to the images is limited to authorized personnel. When paying agents transmit documents electronically, the DO must verify the electronic submissions are in fact from the paying agent. The DO is responsible to ensure that adequate internal controls are implemented to prevent posting duplicate items when receiving electronic and original documents from the operational contingency location. The DO must also provide for the confirmation and acceptance of digitally signed documents and the return of the accepted DD 1081 to the agent.

16.5 DAILY STATEMENT OF ACCOUNTABILITY (DD 2657)

The DD 2657 summarizes the total disbursements and collections made during the business day by the DO and all DDOs, cashiers, and disbursing agents. Section I of the DD 2657 reflects the total DO accountability to the Treasury at the end of each business day. If disbursing operations were to cease, the total amount listed in Section I for the last operational business day would be the amount that the Treasury would seek to recover from the DO.

16.6 STATEMENT OF ACCOUNTABILITY (SF 1219)

In a daily reporting environment, the SF 1219 is no longer required to be submitted to the Treasury. DOs may continue to complete and submit the SF 1219 at month's end to DFAS for reporting requirements based on each site's instructions. The SF 1219 continues to reconcile

deposits, collections, disbursements, and cash balances with Treasury monthly. DOs must still balance to the Treasury monthly account statement, which summarizes the financial activities of federal agencies. DoW has established processes for creating and reconciling the SF 1219 monthly. There is no warrant or apportionment for DO cash and no formal funds control system documentation that legally places responsibility on the DO for the cash; the SF 1219 is a recognized means of establishing responsibility for a specific, verified balance at a point in time. It aligns with accounting reporting cycles (the Governmentwide Treasury Account Symbol Adjusted Trial Balance System bulk file submission), which transmits the end-of-month balance in the DO Cash account(s) and must match the sum of the SF 1219s for each Service to facilitate reconciliation with the general ledger.

16.7 FINANCIAL REPORTS

16.7.1. Overview

16.7.1.1. DOs submit financial reports to DFAS on a calendar-month basis, except for months during which accountability begins or ends on other than the first or last day of a month.

16.7.1.1.1. For a new disbursing office, the accounting period begins on the first day official business is transacted. When one DO relieves another, the accounting period for the relieved officer ends on the date of relief, and the accounting period for the relieving officer normally begins on the next calendar day. Whenever possible, relief of a DO should occur on the last day of a month to avoid submitting an additional set of financial reports for that month.

16.7.1.1.2. An accounting period may not extend beyond the end of a calendar month. Exceptions may occur when a DO is relieved from disbursing duty before the last day of a month or commences disbursing duty on other than the first day of a month. The first day of the accounting period coincides with the date of commencement of disbursing duty notification forwarded under Section 3.0. For any month during which accountability ends because of a Disbursing Station Symbol Number closing, the DO must submit the financial reports from the first day of the month through the date of closing.

16.7.1.2. DOs may submit supplemental reports to Treasury to adjust prior-period reporting, correct original reporting, or report additional current-month transactions.

16.7.1.3. DOs submit financial reports to the supporting DFAS site based on each site's instructions.

16.7.2. When a DDO, cashier, disbursing agent, paying agent, collection agent, or imprest fund cashier has a physical loss of funds, forward the DD 2667 to DFAS-ZPTC/IN within five calendar days after the end of each month (see Section 7.0, subparagraph 7.4.2.2).

16.8 DISBURSING OFFICE RECORDS

16.8.1. DoW Record Retention

16.8.1.1. DOs must apply the most stringent record retention requirements to support accounting records of initial entries and support records such as checks, electronic fund transfers, and invoices, and must keep them until all outstanding issues are resolved. Before disposing of contingency operations documents, DOs must contact their legal counsel about document retention beyond the NARA and DoW guidance for financial records. Records must be available and accessible to all authorized users. A DO or designated settlement official must keep records to complete the reconciliation of payment or collection discrepancies until resolved.

16.8.2. Other Records

16.8.2.1. The requirement to retain original records applies to any record a DO receives that accompanies payment or collection transactions or supports financial reports. It applies to both paper and electronic records kept as original supporting documents at both the functional and disbursing offices. Certifying officials send electronic payment files only to the DO and keep supporting documentation per the guidance referenced in subparagraph 16.8.1. For Foreign Military Sales document record retention, see Volume 15.

16.8.2.1.1. The disbursing office must put hardcopy and electronic records storage controls in place to ensure that only authorized personnel have access to any paper documents and electronic images.

16.8.2.2. Individual records may be unclassified, but when information is aggregated the security classification (and storage requirement) may change. Per DoD Instruction 5200.48, Controlled Unclassified Information (CUI), unclassified records do not require special security or storage controls and may be stored in open files or cabinets. Store these records with controls that readily identify:

16.8.3. Transfer

16.8.3.1. Transfer all disbursing office records to the incoming (relieving) DO as part of the relief process described in Section 3.0, subparagraph 3.4.6. When a disbursing office is deactivated, package and mail all disbursing office records to the office designated to settle the accounts.

16.8.3.2. When a DO of a tactical unit or naval vessel is relieved from disbursing duty, the incoming DO keeps the outgoing DO's disbursing records for 90 days from the date of relief. After the 90-day period, the incoming DO packages the disbursing records and sends them to the supporting DFAS site or alternate site designated by DFAS for retention until the required

retention period expires. For deployed units, the 90-day period begins after the unit or vessel returns to homeport.

16.8.3.3. When a DO of a tactical unit or naval vessel is relieved from disbursing duty due to deactivation of the disbursing office, or when a vessel or unit is decommissioned from service, the DO must package and send all disbursing office records to the supporting DFAS site or alternate site designated for retention.

17.0 SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES

17.1 GENERAL

17.1.1. DoW disbursing officers (DOs), deputy DOs (DDOs), and agents may accept cash and checks from individuals and morale, welfare, and recreation (MWR) activities for which safe custody otherwise would not be available. When a DO, DDO, or agent is unavailable, or when it is impractical for one of them to accept and account for safekeeping deposits, a commander may appoint and terminate any military member or DoW civilian employee as a safekeeping custodian to accept and account for safekeeping deposits using a separate DD Form 577, Appointment/Termination Record - Authorized Signature.

17.1.1.1. Keep safekeeping deposits in a secured safe and establish procedures to maintain accountability. Treat funds accepted for safekeeping as funds held in trust for which the United States is accountable, but not within the DO's financial accountability reported to the U.S. Department of the Treasury (Treasury) on the SF 1219, Statement of Accountability.

17.1.1.2. Deposits and withdrawals are subject to local command regulations that establish necessary and proper restrictions on the time, place, and frequency of deposits and withdrawals and the types of objects classified as valuables. Impose controls to prevent interruption of the activity's priority fiscal operations, such as special and regular payroll activities. Do not allow safekeeping services to be abused by depositing objects not usually afforded additional protection. Limit deposited valuables to funds; negotiable instruments including bonds, credit cards, travelers' checks, and checkbooks; and objects classified as jewelry having intrinsic value requiring additional protection. Items such as wallets, snapshots, keys, or items lacking intrinsic value are prohibited.

17.1.1.3. Commanders appoint custodians responsible for the proper handling of and accounting for safekeeping deposits. Appointments must state the specific duties the custodian is authorized to perform. Pecuniary liability does not attach to safekeeping deposits because they are not public funds. Paragraph 17.2 applies to the safekeeping of nonappropriated funds (NAF) for MWR activities. Losses of NAF are not recorded on the DO's SF 1219. If a loss occurs, notify

the depositor of their right to submit a claim for reimbursement under applicable DoW Component regulations. The depositor need not defer submission of a claim to await findings of any investigation initiated to determine responsibility for the loss.

17.1.1.4. When the volume or nature of safekeeping deposit transactions warrants, the custodian may formally appoint an assistant custodian for initial receipt and temporary custody of safekeeping deposits pending their delivery to the designated custodian. Provide separate safekeeping facilities for the assistant custodian. Cover all custody transfers between the custodian and assistant custodian with a receipt. An assistant custodian is responsible for proper accounting and handling, including receipt and delivery of safekeeping deposits to a permanent custodian. Process losses under subparagraph 17.1.1.3.

17.1.1.5. Receive and handle safekeeping deposits of postal funds under the Military Postal Service (DoD Instruction 4525.09), identifying these as postage stamp fund or postal money order fund, as applicable, on the safekeeping deposit receipt.

17.1.1.6. Follow subparagraph 17.2.1 to receive and handle safekeeping deposits of funds by military banking facilities, NAF custodians, and other DoW-sponsored activities. Identify on the safekeeping deposit receipt the deposit, the depositing agency, and the custodian making the deposit.

17.2 SAFEKEEPING OF NONAPPROPRIATED FUNDS FOR MWR ACTIVITIES

17.2.1. Custodians may collocate funds when the volume of safekeeping deposits warrants and it is desirable to accommodate more than one deposit or withdrawal transaction in non-individual safekeeping deposit accounts at non-tactical activities. Place the deposits in a separate container identified as safekeeping funds to prevent commingling with official funds. At activities other than Navy ships, if the total value of collocated safekeeping funds on hand is large, a bank checking account may be established (see subparagraph 17.2.2).

17.2.1.1. In addition to individual ledger sheets, the custodian keeps a cash-on-hand ledger control sheet, entering the amount of each deposit in the debit column and the total amount on deposit by all depositors in the balance column. If preferred, the custodian may make a daily summary posting to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the combined balances of the individual depositors' ledger sheets.

17.2.1.2. The depositor presents the original deposit receipt(s) to the custodian when requesting a full or partial withdrawal of the funds on deposit. Before releasing the funds requested, the custodian confirms the depositor's account balance and obtains a signature in the applicable section of the retained copy of the DD 2674, verifying it against the signature on the

deposit record or the individual ledger sheet. For a full withdrawal, the custodian voids the original DD 2674 in the presence of the depositor. A depositor may make up to three partial withdrawals of a safekeeping deposit. If the deposit is not withdrawn in full after two requests, the custodian voids the original DD 2674 and issues a new DD 2674 for the new deposit amount. The custodian enters the withdrawal as a credit in the depositor's individual ledger sheet and the custodian's ledger control sheet. Instead of individual entries, the custodian may post a daily summary showing inclusive withdrawal numbers on the ledger control sheet.

17.2.1.2.1. Return the identical currency the depositor presented when the deposit is withdrawn. For example, a deposit made in Japanese Yen cannot be withdrawn in U.S. dollars.

17.2.2. Bank Accounts

17.2.2.1. Custodians of commingled safekeeping funds, with command approval, may establish and maintain a checking account in a local bank or credit union (insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as appropriate) for the deposit of safekeeping funds if the amount available for deposit is large enough to preclude the payment of service charges or other fees. The financial institution collateralizes funds in excess of the insured limits per Title 31, Code of Federal Regulations, Part 202. Establish the account in the name of the disbursing activity, the safekeeping fund, and the custodian (for example, "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, Lieutenant J. A. Hancock, SC, U.S. Navy, Custodian"). Loans or investments from safekeeping deposit funds are prohibited.

17.2.2.2. All checks must be serially pre-numbered. Maintain a complete record of all checks drawn, deposits made to the safekeeping checking account, and a running account balance in the checkbook. Reconcile statements from the financial institution immediately upon receipt and file them with the bank ledger control sheet. Mark spoiled checks as "VOID" and file them in sequence.

17.2.2.3. Deposit checks, money orders, and cash received for safekeeping to the authorized account, except for cash required to be kept on hand to meet safekeeping withdrawal requirements. Checks and money orders may be accepted for deposit, subject to collection. Withdrawals are not authorized until enough time has elapsed for the checks and money orders to clear through the banking system.

17.2.2.4. Draw checks for withdrawals of safekeeping funds on the safekeeping deposit fund account whenever practical. Checks may be drawn on the safekeeping fund account only for payment to a depositor for withdrawal, an authorized transfer of a depositor's account to another activity, replenishment of cash-on-hand (through an exchange-for-cash check) needed to meet safekeeping withdrawal requirements, or transfer of unclaimed monies.

17.2.2.5. Checks drawn on the safekeeping deposit fund account must bear the following stamped endorsement on the reverse side: "This check is not valid unless presented for payment within 12 months from its date of issue." If a check is canceled, the custodian confirms the stop payment action with the financial institution and credits the depositor's safekeeping account for the amount of the canceled check. The custodian must make an effort to locate the depositor and make the payment.

17.2.2.6. If the depositor cannot be located, close the account by drawing a check payable to the Treasury for deposit. For amounts less than $25, the custodian prepares a DD 1131, Cash Collection Voucher, and credits account 1060, Forfeitures of Unclaimed Money and Property. For amounts of $25 or more, the custodian credits account 20X6133, Payment of Unclaimed Moneys (T), Treasury. Ensure the deposit uses the Treasury Account Symbol that matches the DD 1131 along with the Business Event Type Code for collateral. Include all available information on the identity and location of the depositor on the collection voucher. The custodian presents the check and DD 1131 to the DO for collection. Send any claim later received for the funds to the supporting DFAS site for processing, with a copy of the related DD 1131.

17.2.2.7. In addition to the cash-on-hand ledger control sheet, the custodian keeps a separate ledger control sheet for cash-in-bank. When cash, checks, or money orders are deposited in the bank, the custodian debits the cash-in-bank ledger control sheet and credits the cash-on-hand ledger control sheet. Post exchange-for-cash checks as credits to the bank ledger control sheet and debits to the cash-on-hand ledger control sheet. Post withdrawals by check as credits to the bank ledger control sheet and debits to the individual ledger sheet. The sum of the cash-in-bank and cash-on-hand ledger control sheets must agree with the combined balances of the individual depositors' ledger sheets.

17.3 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES OF INDIVIDUALS

17.3.1. A depositor wishing to withdraw a deposit presents the original DD 2674 to the custodian, who verifies the depositor's signature and determines that the serial number, date, and description correspond with the data on the retained copy of the form. The depositor acknowledges receipt of the deposit by entering their signature and the date of withdrawal in the space provided on the retained copy of the DD 2674. The custodian destroys the original DD 2674 in the presence of the depositor. If the receipt has been lost, the custodian may return the deposit to the depositor only after being satisfied of the depositor's identity and entitlement to the deposit. The entries on the DD 2674 constitute the official record of the deposit. The depositor must withdraw the entire deposit at the time of withdrawal. Partial withdrawals are not authorized, but a new deposit in a new amount is authorized subject to any restrictions prohibiting unreasonable repeated deposits.

17.3.2. If a depositor is transferred before withdrawing safekeeping deposits, the custodian delivers the depositor's cash balance to the DO in exchange for a Treasury check payable to the

depositor. Send the check and the depositor's valuables (if any) with a letter of transmittal to the commander of the activity to which the depositor transferred, for delivery to the depositor. Include in the transmittal letter all available details about the depositor and request acknowledgement of receipt. Insert data on the transfer on the file copy of the DD 2674.

17.3.3. To process deposits and withdrawals of funds and valuables, an officer or any other person the commander designates must accompany an incapacitated person to witness and sign each transaction. Deliver receipts for safekeeping deposits to the commander.

17.3.4. The custodian delivers cash on deposit to the DO in exchange for a Treasury check payable to the payee the commander-appointed officer (or inventory board) designates to take custody of the depositor's personal effects. Draw the Treasury check as "Exchange-for-Cash, Safekeeping Deposit No. ____, name, rank or rate, SSN." Deliver the check and any depositor valuables to the appointed officer (or inventory board) for disposition under applicable DoW Component regulations. Obtain a receipt for the check and any valuables transferred under these instructions. Enclose a retained copy of the DD 2674 with a notation describing the disposition, and destroy the receipt portion of the DD 2674, if available.

17.4 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

17.4.1. The safekeeping custodian balances all safekeeping deposits on the last day of each month. The cash-on-hand and any safekeeping fund bank account balance must equal the total of the amounts credited in all the active depositors' accounts shown on the retained copies of the DD 2674s, or the individual ledger sheets and ledger control sheet. The custodian certifies on the ledger control sheet that balancing was accomplished.

17.4.2. Verification

17.4.2.1. At unannounced intervals, at least once during each calendar quarter, a cash verification team the commander appoints verifies safekeeping deposits in the presence of the custodian (see Appendix A, "Quarterly Verification of Cash and Other Assets"). Include the results of the verification in the report of verification to the commander.

17.4.2.2. By accepting custody of safekeeping funds, the United States is accountable for them and assumes a trust responsibility for their care and safekeeping, even though it has no beneficial interest in them. The custodian must promptly report any shortage or overage of safekeeping deposits to the commander, who takes actions similar to those prescribed in Section 7.0 for a shortage or overage of public funds.

17.4.3. In preparation for being relieved of custodial duties, the outgoing custodian must balance safekeeping deposits, prepare a duplicate list of all active deposits, and give the list and

all active deposits to the relieving custodian, who must then verify all deposits and receipts. The outgoing custodian must transfer the DD 2674 and any other records of commingled deposits to the relieving custodian. If a checking account is maintained, the outgoing custodian must reconcile it and transfer it to the relieving custodian, arranging the transfer with the financial institution.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 6: "REPORTING POLICY AND FORM AND CONTENT OF THE DEPARTMENT OF WAR AUDITED FINANCIAL STATEMENTS"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 6

REPORTING POLICY AND FORM AND CONTENT OF THE DEPARTMENT OF WAR AUDITED FINANCIAL STATEMENTS

1.0 GENERAL

1.1 Purpose

1.1.1. Volume 6 defines the reporting policy and roles and responsibilities in the preparation and issuance of financial reports, footnotes, and required supplementary information for Department of War (DoW) Components. DoW Components and the Defense Finance and Accounting Service (DFAS) are responsible for the proper and consistent preparation of financial reports at the DoW Component departmental, intermediate, and installation level. DoW Components, in coordination with DFAS, are responsible for establishing memoranda of agreement/understanding (MOAs/MOUs) or similar signed documents that outline the services to be performed by DFAS and related responsibilities.

1.1.2. In some instances, DoW Components prepare their own financial reports without accounting support from DFAS. Ultimately, each DoW Component is responsible for the accuracy and completeness of financial information in the reports that present the financial effects of its operations. In these instances, when DFAS does not have responsibility for financial report preparation, the reporting entity must fulfill the responsibilities assigned in this Volume at both the DFAS and DoW Component levels. The requirements for the audited or interim financial statements addressed in the Office of Management and Budget (OMB) Circular A-136 are contained in Volume 6 Supplemental document for DoW reporting entities.

1.1.3. The policies within this Volume apply to all DoW Components. This includes entities whose departmental, intermediate, and installation-level financial reports are prepared by DFAS, as well as DoW Components and organizations operating Enterprise Resource Planning (ERP) systems under an approved DFAS agreement. It also encompasses designated Components that prepare their own financial reports (e.g., the United States Army Corps of Engineers) and organizations required to perform independent accounting due to security considerations.

1.2 Authoritative Guidance

Refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the glossary on the FMR webpage.

1.4 Procedures

Refer to the Supplemental listed throughout this Volume.

2.0 FINANCIAL REPORTS, ROLES, AND RESPONSIBILITIES

2.1 Stewardship and General Responsibilities

The U.S. Congress provides resources to finance the programs, missions, and functions of the DoW and its Components. Financial reports are tools for displaying the status and use of resources at a point in time. DoW Components and DFAS, as their service provider, have a responsibility to ensure that financial information is accurate and timely so managers can make sound decisions and exercise proper stewardship over these resources. Refer to the "DoW Internal Control Over Financial Reporting Guide" for additional information on roles and responsibilities for internal controls over financial reporting.

2.2. Reporting Schedules

2.2.1. DFAS must establish procedures requiring joint development of report preparation schedules with DoW Components according to the timeframes established by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service, Governmentwide Treasury Account Symbol (GTAS). DFAS and DoW Components must work to resolve issues identified during the report preparation process in accordance with the GTAS schedule.

2.2.2. Reporting schedules for reports provided to external recipients must include the opportunity to present a draft of the report to the DoW Component for review and approval prior to release to the recipients.

2.3 Journal Voucher Adjustments

2.3.1. Journal Vouchers (JVs) are summary-level adjustments to trial balance data recorded in financial reporting or general ledger systems. JVs may be manually entered or processed systematically based on a predefined set of programming criteria. JV documentation must include sufficient evidence to substantiate the audit trail of the adjustment.

2.3.2. JVs are required for several reasons, including instances when subsidiary records do not reconcile with the financial balances, transactions need correction, and adjustments are required to align obligations, accruals, or expenses with the liquidation amounts for receipts, acceptances, and/or disbursements. JVs do not include transactions and processes used to record detailed amounts in subsidiary ledgers as standard business transactions.

2.4 Certifications

2.4.1. DoW Component/Reporting Entity. A reporting entity is an organization represented by financial information in a financial statement or report and may be a DoW Component or a subordinate command/organization. For example, a reporting entity may include an individual command or activity, such as a shipyard or a supply depot, or it could encompass several activities within a business area, such as all shipyards or aircraft depot maintenance activities in a Military Department. A reporting entity can also be at a DoW Component level.

2.4.1.1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of Title 31, United States Code, section 1501(a). See Chapter 4, "Appropriations and Fund Status Reports," for additional information related to year-end reporting.

2.4.1.2. Reporting entities having working capital funds are responsible for signing the Accounting Report (Monthly) (AR(M)) 1307, Defense Working Capital Fund Accounting Report addressed in Section 9.

2.4.2. DFAS. DFAS's role in processing financial data and preparing financial reports for DoW Components includes certain responsibilities. Accordingly, DFAS will provide the following to the DoW Component:

2.4.2.1. Assurances and certifications, when requested, to the reporting entity regarding the quality of accounting and report preparation services performed for the DoW Component;

2.4.2.2. Signed monthly, quarterly, and semiannual reports on behalf of the DoW Component following review and approval by the DoW Component. An exception is the AR(M) 1307, which the DoW Component is required to sign.

2.4.2.3. A certification provided by the chief of the applicable reports section confirming accuracy of the balances reported on the AR(M) 1307.

3.0 REPORT OF OUTLAYS, RECEIPTS, AND ADJUSTED TRIAL BALANCES

3.1 DoW entities submit monthly outlay and receipt information to the Treasury's Fiscal Service via the Central Accounting Reporting System (CARS). This data is combined with adjusted trial balances (ATBs) from the GTAS to generate financial reports. DoW entities are responsible for reconciling the information between these two systems to ensure accuracy and provide a clear audit trail for the reporting period. The policies in this section apply to all DoW entities that prepare and submit these consolidated reports. For additional instructions and guidance regarding CARS and GTAS reporting, refer to the Volume 6 Supplemental document.

3.2 CARS Reporting

CARS handles Treasury-level accounting and reporting for all federal agencies and is the system of record for Fiscal Service. CARS captures and records TAS information for payments, deposits, and intragovernmental transactions and provides agencies with daily status of their Fund Balance with Treasury. All agencies must use the CARS Modules and submit the CARS TAS/Business Event Type Code (BETC) reporting classification for each payment, deposit, and intragovernmental transaction. The CARS Glossary identifies and defines the reporting processes and data elements used by CARS reporters. For additional instructions and guidance related to CARS reporting, refer to the Volume 6 Supplemental document.

3.3 GTAS Reporting

3.3.1. Fiscal Service administers and maintains GTAS to facilitate preparation and consolidation of the Financial Report of the United States Government (FR). Within GTAS, reporting entities submit both proprietary and budgetary data simultaneously in the Bulk File Format. Systemic edits validate data across both budgetary and proprietary reporting, including the Governmentwide Accounting System Account Statement. Reporting entities reconcile GTAS data with amounts reported in CARS to verify the accuracy of reported balances. Agencies must ensure that the data in their Agency Financial Reports matches exactly the data reported in GTAS and the defense financial reporting system as of the GTAS close date. For additional instructions and guidance related to GTAS reporting, refer to the Volume 6 Supplemental document.

3.3.2. The FR provides a comprehensive view of the Federal Government's financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments. The FR includes consolidated financial statements and related disclosures, as well as reports on stewardship responsibilities. ITFM 2-4700 and OMB Circular A-136 describe how agencies provide data to the FR through GTAS. For additional instructions and guidance related to the FR, refer to the Volume 6 Supplemental document.

3.3.3. The Digital Accountability and Transparency Act (DATA Act) mandates that federal agencies report financial and payment data according to standards set by the Treasury and OMB. The goal is to make federal spending information more accessible and reliable for improved oversight and decision-making. To ensure compliance, agencies are guided by the DATA Quality Playbook and must provide accurate financial reports through GTAS, which enables the submission of data required by the DATA Act.

4.0 APPROPRIATION AND FUND STATUS REPORTS

4.1 Reporting Requirements and Policy

This section prescribes the reporting requirements and policy to follow when preparing appropriation and fund status reports at the departmental level. These reports identify, for the DFAS and its customers, the status of accounting transactions on a monthly, quarterly, and annual basis. This section does not prescribe the reporting requirements of the intermediate command and installation levels. The provisions apply to all DoW Components and cover fund types included in Section 79 of OMB Circular A-11.

4.2 Reporting

4.2.1. The report formats for the appropriation and fund status-type reports are identified within the respective paragraphs. For sample fund status reports, see Volume 6 Supplemental document.

4.2.2. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

4.2.2.1. The Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service), administers and maintains GTAS to facilitate the preparation and consolidation of the Financial Report of the U.S. Government. Reporting Agencies upload both proprietary and budgetary data to GTAS in the Bulk File Format. Refer to Section 3 for DoW policy related to the submission of financial data using GTAS.

4.2.2.2. Consolidation entities are required to submit requests for new Treasury symbols to be used in GTAS reporting to the OUSW (C), Program/Budget (P/B), Program and Financial Control (P&FC) Directorate (an organization within P/B), along with justification that cites the specific authorizing legislation. P&FC will review requests and coordinate with OMB and the Treasury to establish new accounts when authorized.

4.2.3. Standard Financial Information Structure

Appropriation and fund status reporting utilizes the data structure and reporting elements outlined in the Standard Financial Information Structure (SFIS). SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoW. See Volume 1 for additional information on SFIS reporting.

4.3 Year-End Reporting

4.3.1. This section contains an overview of reporting unexpended appropriation and fund balances required by TFM, Volume I, Part 2, Chapter 4700. Unexpended appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations provided to the Department.

4.3.2. Year-End Reporting pertains to all DoW consolidation entities uploading unexpended balances of appropriation accounts to Fiscal Service through GTAS.

4.3.3. Consolidation entities utilize GTAS and the Fiscal Service Year-End Module to report unexpended balances of appropriation accounts. Fund holders are responsible for verifying the accuracy of reported balances and providing final confirmation of amounts reported in GTAS to DFAS Accounting Standards and Reporting, Budget Execution Analysis via signed documentation for electronic certification.

4.4 Report on Budget Execution And Budgetary Resources

4.4.1. The Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, shows the status of budgetary resources and details how funds are obligated and spent. The report is intended for use, with other available information, in reviewing apportionments and the U.S. Government's budgetary programs, in managing the rate of incurring obligations and outlays, and as a basis for initiating requests for reapportionments and transfers. See Section 130.1 of OMB A-11 for additional uses of SF 133 data. For additional support and instructions for DoW Components for the SF 133, refer to the Volume 6 Supplemental document.

4.4.2. The compilation of an agency's SF 133s must agree with the agency's Statement of Budgetary Resources (SBR). OMB Circular A-11 identifies the few differences between the SF 133 and SBR.

4.4.3. Amounts reported in the fourth quarter SF 133 must be consistent with information reported to Treasury as part of the year-end closing procedures and based on actual accounting information pursuant to 31 U.S.C. § 3512. Actuals submitted to OMB for inclusion in the President's annual budget, which is submitted to Congress, will agree with those submitted to Treasury and reported on the fourth quarter SF 133.

4.5 Report On Reimbursements And Refunds (Accounting Report (Monthly) (AR(M)) 725)

The AR(M) 725 identifies supplemental budget execution data for reimbursements and refunds, including their sources and the fiscal year (FY) programs being executed. The AR(M) 725 identifies reimbursable activities during the reporting period and includes refunds of prior-year orders from direct appropriations. For additional support and instructions for DoW Components for the AR(M) 725, refer to the Volume 6 Supplemental document.

4.6 Appropriation Status by Fiscal Year Program And Subaccounts (AR(M) 1002)

The AR(M) 1002 includes the preparation and submission of reports on the application and status of appropriation and other fund accounts. The reports present budget execution data on obligational authority for FY programs executed at budgetary subdivisions not listed on SF 133. Program value, obligation, unobligated balance, unexpended balance, and expenditure balance data integrity, by line item, must be maintained throughout an account's unexpired and expired availability periods. Expired account adjustments, which move resources between Budget Line Items (BLI), must reflect the appropriate change to that line item's program value amount, obligations, unobligated balance, unexpended balance, and expenditure data on the AR(M) 1002. For additional support and instructions for DoW Components for the AR(M) 1002, refer to the Volume 6 Supplemental document.

4.7. Special Instructions for Selected Accounts

47.2.1. Obligation Limitation for Annual Accounts. Each year, Title VIII of the DoW Appropriations Act requires a certification that not more than 20 percent of the appropriations in that act, which are limited for obligation during the current FY, will be obligated during the last 2 months of the FY. The exception to this policy is the Reserve Components' record obligations for support of active-duty training or the Reserve Officers Training Corps' record obligations for summer camp training.

4.7.2.2. Certification. Each year, DoW Components must provide one of the following certifications, depending upon the level of obligations incurred, on the July AR(M) 1002 for those annual appropriations to which the limitation applies:

4.7.2.2.1. In determining direct obligational authority, the number of transfers in or out within the applicable DoW Appropriations Act will be considered. This

certification is usually referred to as the "80/20" criterion. If obligations are 80 percent or more of direct authority, the certification will be as follows:

> "I hereby certify that direct obligations have been incurred equal to or in excess of 80 percent of the funds subject to the congressional limitation on year-end spending."

4.7.2.2.2. If obligations are less than 80 percent, then the certification will be as follows:

> "I hereby certify that action has been taken to assure that not more than 20 percent of the funds subject to the congressional limitation on year-end spending remains available for obligation during the remainder of the FY."

4.8 Reporting Obligation and Outlay Data Purpose

4.8.1. Consolidation entities will report obligation and outlay planning and execution data to OUSW(C) (P/B) P&FC for monitoring the planned monthly execution of approved DoW programs.

4.8.2. OUSW(C) updates requirements for planning data on an annual basis. Specific report formats are updated annually by memorandum to the Assistant Secretaries of the Military Departments' Financial Management and Comptroller (FM&C). OUSW(C) also updates the requirements for execution data annually. Specific report formats are updated annually by memorandum to DFAS.

4.8.3. Report on the SF 133 monthly totals for obligation and outlay execution data. These reports, provided monthly by DFAS to OUSW(C) and the Military Departments, must be consistent with data reported to the Treasury via GTAS. These reports must be available to DoW consolidation entities.

4.8.4. Planning and execution data for obligations and outlays applies to DoW Components with respect to obligations incurred for all military functions, including obligations incurred in connection with related allocation and transfer appropriation accounts. This includes all DoW Military accounts as well as related receipt accounts.

5.0 FOREIGN CURRENCY REPORTS

5.1 Reporting Policy

This section establishes reporting policy for tracking all transactions that increase or decrease the foreign currency fluctuation (FCF) accounts. FCF, Defense (FCF, D), and FCF, Construction, Defense (FCF, C, D) appropriations were established by Congress to reduce the adverse impact of FCF losses on the DoW operating budget.

5.2 Program Management

The provisions of this section apply to all DoW Components unless a specific written exception has been granted by the OUSW(C).

5.2.1. FCF Key Terms refer to the Volume 6 Supplemental.

5.2.2. FCF, D

5.2.2.1. Congress authorized the FCF, D appropriation (TAS 97X0801) to manage foreign currency net gains and losses in the DoW Operation and Maintenance (O&M) and Military Personnel (MILPERS) appropriations. As net gains from O&M and MILPERS are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to FCF, D. Funds held in FCF, D will be transferred to O&M and MILPERS to cover net losses. Charge net gains or losses from foreign currency exchange rate fluctuations funded by FCF, D to the same FY as the underlying obligation. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation; therefore, treat it as an ordinary event. Record the gain or loss on an FCF transaction using current USSGL accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000).

5.2.2.2. Under 10 U.S.C. § 2779, funds previously transferred from the Foreign Currency Fluctuations, Defense (FCF, D) appropriation can be moved back if they are no longer needed to hedge against currency fluctuations. This transfer must take place no later than the end of the second fiscal year following the year in which the funds were originally made available. Additionally, any return transfer is limited to ensure that the total balance of the FCF and D appropriation does not exceed $970 million.

5.2.3. FCF, C, D

5.2.3.1. In FY 1987, Congress enacted the current authority for an FCF appropriation to protect DoW Military Construction, Family Housing, and North Atlantic Treaty Organization (NATO) infrastructure programs from substantial gains or losses resulting from foreign currency fluctuation. The title of this appropriation is FCF, C, D TAS 97X0803.

5.2.3.2. The FCF, C, D appropriation was initially capitalized by transferring unobligated balances from the family housing and military construction appropriations. Pursuant to authority conferred by recurring annual Military Construction Appropriations Act general provisions, unobligated balances from family housing and military construction appropriation accounts may be transferred into FCF, C, D during the 5 years after the appropriations expire for original obligation purposes. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to FCF, C, D. Funds held in FCF, C, D will be transferred to family housing and military construction to cover net losses. Charge net gains or losses from foreign currency exchange rate fluctuations, funded by FCF, C, D, to the same FY as the underlying obligation. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation; therefore, treat it as an ordinary event. Record the gain or loss on an FCF transaction using current USSGL accounts for Other Gains (USSGL account 719000) and Other Losses (USSGL account 729000).

5.2.3.3. OUSW(C) must approve all amounts transferred from this appropriation to other appropriations available for construction.

5.2.3.4. For additional information on specific Accounting Scenarios for Gains and Losses on Foreign Currency Rate Fluctuations under 097*0803, refer to the following OUSW(C) DCFO Memo titled "Accounting Scenario for Gains and Losses on Foreign Currency Rate Fluctuations under DoW Centrally Managed Account 097*0803, Foreign Currency Fluctuation, Construction, Defense," dated September 29, 2023.

5.2.4. Standards

5.2.4.1. The FCF, D and FCF, C, D appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes, nor to finance Prompt Payment Act interest payments. Other important provisions of the FCF appropriations relate to obligation/expenditure limitations and to financial accounting requirements for foreign currency exchange fluctuations.

5.2.4.1.1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended will be increased to the extent necessary to reflect fluctuation in foreign currency exchange rates from those used in preparing the applicable budget submission.

5.2.4.1.2. Contracts or other obligations entered into that are payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by Congress, and adjustments to reflect fluctuation in such rates will be recorded as disbursements are made.

5.2.4.2. Funds transferred from the FCF appropriation CMAs will be available for funding accounts established within the applicable O&M, construction, family housing, or NATO infrastructure appropriations to cover losses or account for gains in direct programs due to fluctuation in foreign exchange rates. Base these transfers on need, funds available to cover such losses DoW-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

5.2.4.3. DoW Components will record foreign currency obligations at the installation level in dollars, at the budgeted rate, or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts.

5.2.4.3.1. OUSW(C) will provide these rates to the DoW Components.

5.2.4.3.2. Foreign currency obligations are those obligations that are either payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange.

5.2.4.3.3. When payment is made, charge the variance between the budget rate and the current rate directly to the applicable FCF account. If the transaction results in a gain, credit the FCF account in the amount de-obligated from the original FCF, C, D obligation. For example, a military construction project was included in the FY 2017 President's Budget (PB). Funds for the project were obligated in FY 2018 using FY 2017 funds, and all the project expenditures were disbursed in FY 2019. In this example, record the obligations in the accounting system using the FY 2017 budget rates. There would be no effect on the military construction FCF account prior to FY 2019 since no disbursements were made until FY 2019. The foreign currency reports for each of those years, however, would identify accrued variances, i.e., the differences between the project obligations carried at the FY 2017 budget rate and those valued at the current exchange rate. Use this accrued variance to identify the projected disbursement requirements of the component FCF account. The realized foreign currency variance would be recorded against the military construction FCF account for FY 2017 at the time of the actual disbursements.

5.2.4.4. The DFAS Service Component central accounting activities will determine the total foreign currency unliquidated obligations at the budget exchange rate provided by OUSW(C) for each appropriation, and identify and accumulate both favorable and unfavorable variances. The supporting activity will also determine the "accrued variance" at the end of each month by comparing unliquidated obligations at the budget rate with those at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents.

5.2.4.5. Each DoW Component holding an FCF account is responsible for establishing internal controls and carefully monitoring funds availability at all times, as Antideficiency Act provisions apply to each FCF account. Establish controls to reserve sufficient funds within the appropriation's availability to finance projected disbursement requirements for the FCF account. For family housing and construction, a 6-month requirement is recommended. Should FCF account funding availability drop below that level, take immediate action to avoid over-obligation. Such action will include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the FCF account without prior certification until funding is obtained. Do not take any action that presumes relief through a transfer of funds from the FCF appropriations because of the limited capital available in these accounts.

5.2.4.6. OUSW(C) publishes a monthly report of specific currencies in the FCF program and associated exchange rates. OUSW(C) may add and remove currencies as conditions warrant. The OUSW(C) Financial Management Reports site provides FCF reports that include the list of currencies, the applicable budget rate, and the current-period adjusting rate.

5.3 Reporting Requirements

5.3.1. Appropriation Transfers

OUSW(C) manages the FCF, D and FCF, C, D appropriations and instructs the DFAS Departmental Reporting Directorate-Indianapolis on the amount of the funds to transfer to and

from the applicable appropriations. DFAS-Indianapolis transfers the designated amounts by means of a Standard Form 1151, Nonexpenditure Transfer Authorization.

5.3.2. General Reporting Guidance

5.3.2.1. Other than calculating the monthly accrued variance described in subparagraph 2.4.4, no further adjustment to the original obligation is necessary until disbursement is made or until the appropriation is closed.

5.3.2.2. FCF requirements described in this section do not apply to reimbursable programs. The performing activity will continue to accept reimbursable orders, incur obligations, and bill for reimbursement at the current foreign currency exchange rate using the requirements found in Volume 1. 1 However, when the performing activity and the benefiting activity are DoW organizations, the performing activity will notify the benefiting activity of the amounts obligated that require payment in foreign currency. The benefiting activity will record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 2.4.3. Record the realized variance determined at the time of the disbursement in the respective FCF account of the benefiting activity.

5.3.2.3. Do not adjust normal operating budgets or other funding documents issued for the affected appropriations by DoW Components for foreign currency exchange rate fluctuation.

5.3.2.4. Prior to closing the financial records at year-end, each component holding an FCF account will review the status of that account. Transfer net gains in an FCF account to the applicable FCF appropriation. Components will also determine the portion of the losses that the FCF account can absorb and transfer to the FCF appropriation any remaining balances that are not required.

5.3.2.5. FCF requirements described in this section do not apply to Gains and Deficiencies on Exchange Transactions, Army (TAS 21 6763 and TAS 021 6763); Gains and Deficiencies on Exchange Transactions, Navy (TAS 17 6763 and TAS 017 6763); Gains and Deficiencies on Exchange Transactions, Air Force (TAS 57 6763 and TAS 057 6763); and Gains and Deficiencies on Exchange Transactions, Treasury (TAS 20 6763 and TAS 020 6763). Volume 5 provides guidance on deficiencies as well as on gains and losses from revaluation.

5.3.2.6. FCF requirements described in this section do not apply to Burdensharing funds received from other countries. See Volume 12 for guidance regarding Burdensharing funds.

5.3.3. Report Error Correction

Service components and OUSW (Personnel & Readiness) (OUSW(P&R)) Military Compensation Policy are responsible for ensuring the completeness and accuracy of monthly report submissions to the DFAS Departmental Reporting Directorate-Indianapolis. DFAS forwards the consolidated reports to the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSW(C), which also conducts a review of submitted reports for completeness and accuracy. ODC(P/B), OUSW(C) will notify the applicable data submitter if data correction is

required. The applicable data submitter is responsible for data correction and resubmission through the DFAS Departmental Reporting Directorate-Indianapolis to ODC(P/B), OUSW(C).

5.4 FCF Reporting Roles and Responsibilities

5.4.1. Accounting Report (Monthly) 1506 (AR(M) 1506) – Foreign Currency Fluctuations, War Report (O&M).

5.4.1.1. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting the consolidated monthly report to the ODC(P/B), OUSW(C).

5.4.1.2. The DFAS Service Component central accounting activities, DoW Education Activity (DoWEA), Defense Security Cooperation Agency, Defense Health Agency (DHA), and Defense Media Activity will provide a monthly report to DFAS Departmental Reporting Directorate, Indianapolis using the format in the Volume 6 Supplemental document.

5.4.2. FCF, D Report (MILPERS)

5.4.2.1. Foreign currency rate variances increase or decrease the value of allowances paid to service members. To maintain the value of that portion of allowances members receive to purchase foreign currency, adjust allowances to offset increases or decreases in foreign currency rates. For purposes of FCF, D transfers, the calculated effect on MILPERS disbursements resulting from changes in foreign currency rates (foreign currency variance) is the difference between the dollars required for the allowance at budget exchange rates and the current allowance rates. However, FCF, D transfers are approved only for Cost-of-Living Allowances (COLA) and Overseas Housing Allowances (OHA).

5.4.2.2. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to the ODC(P/B), OUSW(C).

5.4.3. DD-COMP (M) 1761 – Foreign Currency Fluctuation, Construction, Defense Report.

5.4.3.1. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to ODC(P/B), OUSW(C).

5.4.3.2. The DFAS Service Component central accounting activities, DoWEA, DHA, Defense Logistics Agency (DLA), and U.S. Special Operations Command will provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in the Volume 6 Supplemental document.

6.0 ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE OF THE FAMILY HOUSING PROGRAM

6.1 This section overviews a uniform accounting structure for Family Housing Operation and Maintenance (O&M) to consistently identify, accumulate, and report program costs across all DoW Components. Mandated by Congress with its own distinct appropriation, this structure

separates Family Housing O&M funding from other O&M programs. This uniformity is essential for enabling program, budget, and cost comparisons across the DoW. All obligations for Family Housing O&M must be charged to this specific appropriation, and the specified cost identification methods are designed to be efficient while forming the basis for all required reporting. For specific procedures, terms, account structure and content, and requirements, refer to the Volume 6 Supplemental document.

6.2 Reporting of O&M of Family Housing

This policy applies to all DoW Components that support military family housing under the Family Housing Program. Military Departments' Housing Privatization support costs associated with the Military Housing Privatization Initiative (MHPI) Program, such as assessments/studies; portfolio, program, and asset management; construction oversight; consultant fees; and other administrative costs, including Civilian manpower for oversight, are funded by the Family Housing O&M appropriation and fall within the parameters of this policy. The OUSW for Acquisition and Sustainment (OUSW(A&S)) and DFAS MHPI Program administrative support costs are separately budgeted, accounted for, and reported in the Defense-wide Family Housing Improvement Fund (FHIF) and Military Unaccompanied Housing Improvement Fund (MUHIF) Program accounts.

6.2.1 Internal Control

Management must develop and implement internal control techniques to ensure effective control over and accountability for the resources charged to this program and for the full and prompt receipt of all proceeds from reimbursements for rents, service charges, and disposal or handling of excess family housing property.

6.2.2. Responsibility of DoW Components

The DoW Components responsible for operating and maintaining family housing facilities are required to prepare the reports described in this section. Administrators of Housing programs under MHPI are required to prepare these reports for the FHIF and MUHIF program accounts. The FHIF and MUHIF Financing accounts, however, require only the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.

7.0 INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING

7.1 This section establishes the policies and requirements for DoW Components to account for and report international transactions, including grants and credits to foreign countries. This reporting is required to provide the U.S. International Balance of Payments (IBOP) data that the Departments of Commerce and Treasury require for financial control. For additional information on procedures, key terms, report formats, and other guidelines, refer to the Volume 6 Supplemental document.

7.2 IBOP Reporting Overview

7.2.1. Applicability and Scope

7.2.1.1. These requirements apply to the OSD, the Military Departments (Army, Navy, Air Force, Marine Corps), Defense Agencies (including the Military Postal Service Agency (MPSA) and nonappropriated fund activities), and DoW Field Activities (hereafter referred to collectively as "DoW Components"). DoW Components are responsible for reporting transactions affecting the IBOP. Each DFAS main site (Indianapolis, Columbus, and Cleveland) is responsible for consolidating the data for the DoW Components and submitting a final report to the Department of Commerce. While DFAS reports a majority of the IBOP data, the Department of Commerce may identify specific information to be reported directly by select DoW components.

7.2.1.2. The requirements cover all transactions that relate to the IBOP report, including specified data on DoW assets and liabilities abroad and foreign currency transactions, DoW international investments, Foreign Military Sales, transfers of property and services abroad, and foreign grants and credits. This section's requirements apply to all transactions, regardless of payment method (e.g., U.S. dollars, foreign currency, and purchase card) accounted for in any of the following:

7.2.1.2.1. Expenditures from or reimbursements to U.S. dollar appropriation and fund accounts (general and special funds, public enterprise funds, deposit funds, and trust fund accounts for military and civilian functions); Transfer appropriation accounts including Foreign Military Sales; General fund receipt accounts established by the Treasury for collection of miscellaneous receipts for which the DoW has billing and collecting responsibility; Expenditures or receipts of foreign currencies charged or credited to other than U.S. dollar appropriation and fund accounts (such as DoW Foreign Currency (Foreign Transaction (FT) accounts)); Receipts or donations of commodities or services; Transfers under special drawdown authority of the President, Excess Defense Articles (EDA) program, or international treaties; Nonappropriated fund activities, such as commissaries, post exchanges, and officers' clubs; and MPSA transactions, such as meters (including Postage Validation Imprinters Sales), stamps, and money orders.

7.2.2. The IBOP report must be prepared, at a minimum, quarterly and is due to the Department of Commerce no later than 45 calendar days following the end of the quarter. The report may be prepared and submitted monthly, if desired, based on system capability. DFAS Operations Directorates will provide specific due dates to their respective DFAS Sites.

7.3 Policy

It is DoW policy to operate overseas activities efficiently and effectively and to reduce the balance of payments impact of these activities, when such reductions are consistent with U.S. national security goals and objectives. To support this policy, the Department maintains a mechanism to manage and control DoW transactions that enter the IBOP. This system provides for:

7.3.1. DoW-wide accounting for and reporting of IBOP transactions;

7.3.2. Evaluation and explanation of DoW IBOP transactions;

7.3.3. Use of uniform criteria, definitions, and requirements to report IBOP transactions; and

7.3.4. Integration of IBOP management and the overall system of management within the Department.

7.4 Responsibilities

7.4.1. Heads of the DoW Components must:

7.4.1.1. Develop procedures for implementing the reporting requirements;

7.4.1.2. Ensure reports and required data are submitted on time and are complete and accurate; and

7.4.1.3. Identify, for the Department of Commerce, the office responsible for submitting required data and points of contact within respective organizations that can both provide supplemental information on specific IBOP transactions and resolve problems associated with collecting and processing data.

7.4.2. The DFAS Site Directors must:

7.4.2.1. Administer and monitor, as necessary, the reporting requirements for their field reporting offices;

7.4.2.2. Ensure the requirements prescribed are uniformly implemented;

7.4.2.3. Work with other DFAS Sites to provide technical assistance on collecting required data and preparing reports. Each DFAS Site acts as the focal point for the assigned reporting organizations (sites) in providing technical assistance; and

7.4.2.4. Ensure reports are submitted directly to the Bureau of Economic Analysis, U.S. Department of Commerce, and include all data required by Directive 19.

7.5. For IBOP Reporting Guidelines, refer to Volume 6 Supplemental.

8.0 DEPOT MAINTENANCE REPORTING

8.1 The Depot Maintenance Cost System (DMCS)

The DoW maintains a core depot-level maintenance and repair capability in support of mission-essential weapon systems and other military equipment needed to directly support operational requirements and enable the armed forces to execute the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff. This section overviews the Depot Maintenance Cost System (DMCS) requirements for providing a comprehensive accounting

of DoW depot maintenance workloads. Refer to the Volume 6 Supplemental document for the procedures, supporting documents, and example reports.

8.2 Depot Maintenance Reporting Requirements

8.2.1. Scope

8.2.1.1 DoW Components must satisfy these requirements regarding reporting the accomplishment and status of DoW depot maintenance workloads in: DoW depot maintenance facilities; Private-sector facilities; DoW and Federal Government facilities; and State, local, and foreign government facilities.

8.2.1.2. These requirements apply to all depot maintenance workloads, regardless of DoW funding source, e.g., Defense Working Capital Fund (DWCF), Research and Development, Procurement, General Purpose Forces, Special Operations Forces, Operation and Maintenance, or other appropriations; or non-DoW funding source, such as work done for private-sector customers or other federal, state, local, and foreign governments.

8.2.1.3 Additional guidance is provided in the Volume 6 Supplemental document on the following: DoW Major Depot Maintenance Activities; Reporting Activity Identifying Codes; DMCS Input File; Work Breakdown Structure Codes; and Work Performance Category (WPC) Codes.

8.3 Depot Maintenance Cost Data Collection

The uniform recording, accumulation, and reporting of costs incurred in depot maintenance operations document the use of DoW resources to assist management in measuring productivity and efficiency, developing and using performance measurement and cost standards, and identifying areas in need of increased management emphasis. In addition, the data will assist in assessing total DoW maintenance capability, capacity duplication, and opportunities for interservice support of maintenance workloads.

8.4 Managerial Use of Depot Maintenance Cost Data, refer to Volume 6 Supplemental.

8.5 DMCS Reporting Requirements and Responsibilities

8.5.1. The DMCS reporting requirements contained in this section, including any subsequent data and format revisions, are the responsibility of the Deputy Assistant Secretary of War for Materiel Readiness (DASD (MR)), OUSW A&S. The DASD (MR) must provide the data revisions and report format changes to the OUSW(C), Financial Management Policy and Reporting (FMPR), for publication in subsequent revisions of this section. The senior official responsible for logistics in each DoW Component is required to report in a timely manner. The Assistant Secretary responsible for financial management in the Military Departments (or equivalent in other DoW Components) must provide complete and accurate financial data to the report preparer in sufficient time for report submission.

8.5.2. The depot maintenance cost report required by this section applies to all Military Services and other DoW activities that perform depot maintenance tasks internally or outsource depot maintenance tasks to external organizations or contractors through contractual agreements.

8.6 DMCS Data Submission Process

Annual DMCS data submissions must be provided to DASD (MR) or its designated agent, no later than December 31 following the end of the fiscal year. Reporting requirement symbol AP-MP(A)1397 is assigned to this reporting requirement. Refer to the Volume 6 Supplemental document for the procedures, supporting documents, and example reports for the DMCS Data Submission Process for Depot Maintenance Reporting.

9.0 DEFENSE REVOLVING FUNDS ACCOUNTING REPORT [ACCOUNTING REPORT (MONTHLY) 1307]

9.1 Defense Revolving Funds (DRF) Accounting Report (AR(M) 1307) Policy

This section provides an overview of the reporting requirements and policies for preparing the Defense Revolving Funds (DRF) Accounting Report (AR(M) 1307). In accordance with 10 U.S.C. § 2208, these policies apply to all DoW Revolving Funds and mandate that the Secretary of War and the Secretaries of each Military Department ensure separate accounting, reporting, and auditing for activities managed through these funds.

9.2 DRF AR(M) 1307 Reporting

9.2.1. Report Content

9.2.1.1. The DRF AR(M) 1307 consists of three principal internal accounting statements.

9.2.1.1.1. Statement of Financial Position. The Statement of Financial Position discloses the reporting entity's assets, liabilities, and net position.

9.2.1.1.2. Statement of Cash Flow. The Statement of Cash Flow discloses the reporting entity's cash flows from operations, adjustments, and appropriations and cash transfers, with an explanation of the changes in cash or cash equivalents for the reporting period.

9.2.1.1.3. Statement of Operations. The Statement of Operations discloses the results of the reporting entity's operations for the reporting period, including changes in the entity's net position from the end of the prior reporting period.

9.2.2. The DRF AR(M) 1307 is the official internal management report document for financial accounting and is a source document for the annual financial statements. The USSGL, on which the report is based, is updated at least annually and posted by the Fiscal Service. The DoW Standard Chart of Accounts provides normal account balance information. The DoW USSGL Transaction Library provides detailed general ledger transactions and posting business rules for accounting standardization, supporting the preparation of financial statements.

9.2.3. The AR(M) 1307 is prepared based on the activity's proprietary trial balances. An exception is the inclusion of obligation data in some items in Part VI and Part VII of the Statement of Operations.

9.2.3.1. The AR(M) 1307 provides accounting and inventory data for financial reporting and identifies the proprietary position of DRF activities. The AR(M) 1307 complements information provided in the Standard Form (SF) 133, which is prepared by using the activity's budgetary trial balances. Although AR(M) 1307 and SF 133 run independently, they should reconcile at the summary level. Refer to Volume 3 for additional guidance.

9.2.3.2. Use standard reconciliations, such as budgetary to proprietary relationships described in Volume 1, to verify the integrity of reported data.

9.2.3.3. Other supporting guidance can be found in Volume 3 and Volume 11 related to Defense Revolving Funds.

9.3 DRF AR(M) 1307 Reporting Requirement

9.3.1. Applicability. Each DoW Component DRF activity must produce consolidated reports. DRF activities may generate the AR(M) 1307 at different levels to manage their business effectively. Refer to the Volume 6 Supplemental document for the table that identifies the levels for which consolidated AR(M) 1307 reports are required with a pound (#) symbol.

9.3.2. Other Reporting Requirements. Do not retroactively implement policies that could have a significant adverse impact on the accuracy and integrity of financial reports, unless there is a clear offsetting benefit or unless directed by an external authority such as Congress. Refer to the Volume 6 Supplemental document for additional DRF AR(M) 1307 reporting requirements.

9.3.3. Report Formats. Use the financial report formats provided in the Volume 6 Supplemental document. Reports produced by Automated Data Processing (ADP) equipment may be substituted for the formats illustrated.

9.3.4. Frequency of Reports. Unless otherwise specified by the OUSW(C), prepare and submit the AR(M) 1307 reports monthly. Submit regular reports in accordance with due dates established by the DFAS and consistent with the requirements of OUSW(C).

9.3.5. Distribution and Responsibilities

9.3.5.1. Consolidated DoW Component and DRF Activity Reports. Submit a copy of consolidated DRF activity reports to the:

9.3.5.1.1. Director for Operations, ODC (P/B), OUSW(C);

9.3.5.1.2. Offices of the Assistant Secretary of the Army, Navy, and Air Force (FM&C); the Defense Commissary Agency (DeCA) Comptroller; and Comptrollers of Other Defense Activities (e.g., DLA Comptroller); and

9.3.5.1.3. Management Command responsible for the oversight of the DRF activity, if requested by a DoW Component.

9.3.5.2. Activity Level Reports. Submit a copy of DRF activity level reports to the:

9.3.5.2.1. Offices of the Assistant Secretary of the Army, Navy, and Air Force (FM&C); the DeCA Comptroller; and Comptrollers of Other Defense Activities if requested by a DoW Component;

9.3.5.2.2. Management Command responsible for the oversight of the DRF activity, if requested by a DoW Component; and

9.3.5.2.3. DRF activity, disclosing any adjustments made to the financial data submitted by that activity.

9.4 Detailed Instructions for AR(M) 1307

Detailed Instructions refer to the Volume 6 Supplemental document Section 9.4.

9.5 The Statement Of Financial Position

Format Of The Statement of Financial Position: refer to the Volume 6 Supplemental document, Section 9.5.

10.0 INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS

10.1 Annual Audited Financial Statements

Under Public Law 101-576 (the Chief Financial Officers Act of 1990), Public Law 103-356 (the Government Management Reform Act of 1994), and 31 U.S.C. § 3515, the DoW is required to produce annual audited financial statements for all its accounts and activities, including both agency-wide and separate reporting entity statements. As directed by the OMB and defined in SFFAS 47, these statements must fully disclose the DoW's financial position and operational results. The primary objectives are to enable Congress, agency managers, and the public to assess management performance and stewardship, to improve the Department's overall management, and to integrate budget and financial information to support more effective program management.

10.1.1. The accounting policy and related requirements prescribed by this section are in accordance with the applicable provisions of: OMB Circular A-136, 31 U.S.C. § 3515, DoW Financial Statements Audit Guide; and DFAS Financial Reporting Guidance.

10.1.2. This section outlines the required form and content for both quarterly unaudited and annual audited financial statements applicable to all DoW consolidation entities. Refer to the Volume 6 Supplemental document for the level for consolidated reporting, additional authoritative

standards for statement format and disclosures, and other requirements. This section requires that all accounting transactions comply with the accounting standards hierarchy in Volume 1.

10.2 Required Reporting Requirements

Authoritative guidance requires the preparation of annual audited financial statements for the period ending September 30 of each fiscal year and quarterly unaudited financial statements for the periods ending December 31, March 31, and June 30 of each fiscal year. The Department must submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year and Notes to the Financial Statements 45 business days after the end of the third quarter of the fiscal year. Annual audited financial statements are due to OMB, the Treasury, the GAO, and Congress in accordance with OMB Circular A-136. Exceptions for DoW Components in their first year of a clean audit opinion may present their audited financial statements as a single-year statement. Additionally, all components receiving a standalone audit and a clean audit opinion may submit their audited financial statements by the last day of February following the end of the fiscal year. DoW Components must coordinate their exception request with their Inspector General and OUSW(C) DCFO.

10.3 Reporting Entities

10.3.1. The financial statement consolidation entities include the DoW consolidation entities, OMB required entities, Senate Select Committee on Intelligence (SSCI) consolidation entities, and non-OMB consolidation entities. For additional requirements for each consolidation entity, refer to the Volume 6 Supplemental document.

10.3.2. Disclosure entities are those non-DoW entities required to be disclosed in the footnotes to the consolidated financial statements but are not included in the primary financial statements of the Department. Additional information on the disclosure entities is available in the Volume 6 Supplemental document.

10.4 Audit Compliance

10.4.1. OUSW(C) Audit Requirements

10.4.1.1. OMB-required consolidation entities and non-OMB consolidation entities are required to comply with the FIAR requirements and other guidance issued by the OUSW(C).

10.4.1.2. Each Component, after completing its assertion of auditability, and with the advice of the DoW Office of the Inspector General (OIG), must establish an audit committee to oversee its financial audit.

10.4.1.2.1. The purpose of the audit committee is to establish audit requirements, identify contract deliverables, monitor the execution of the contract, and identify and assist with resolution of obstacles to an unmodified audit opinion.

10.4.1.2.2. Once DoW Component consolidation entities are deemed auditable, the audit committee's focus should be on ensuring a forum exists to address ongoing accounting and auditing issues.

10.4.1.2.3. Audit committees for OMB-required consolidation entities must include a representative of DoW OIG.

10.4.2. OMB Audit Requirements

Audits of Federal financial statements are conducted in accordance with the requirements found in the annually updated OMB Bulletin, "Audit Requirements for Federal Financial Statements." These provisions apply to audits of financial statements of executive departments, agencies, government corporations, and certain components of these agencies. The Bulletin reflects changes resulting from other revised OMB guidance, including OMB Circular A-136.

10.5 Content of Annual Audited And Quarterly Unaudited Financial Statements

10.5.1. The OMB, in collaboration with the CFO Council and others, developed the required formats. The resulting annual audited financial statements must be organized as shown in Table 6-2. The annual audited financial statements of the OMB-required consolidation entities must be comprised of four major sections. Non-OMB consolidation entities not identified elsewhere in this section are to follow the requirements outlined in the Volume 6 Supplemental document.

10.5.2. The quarterly unaudited financial statements required for third and fourth quarters must be comprised of the principal statements and notes to the principal statements and, if applicable, supporting consolidating and/or combining statements. Although the first and second quarter principal statements must be prepared, the preparation of accompanying notes for the first and second quarters is not required.

10.5.3. The 4 required major sections and the sequence of their presentation are as follows:

10.5.3.1. Agency Head Transmittal Letter

10.5.3.2. Management's Discussion and Analysis (MD&A)

10.5.3.3. Financial Section; and

10.5.3.4. Other Information

10.5.4. The accompanying subsections of the Financial Section are as follows:

10.5.4.1. CFO Message;

10.5.4.2. Audit Report;

10.5.4.3. Principal Statements; which includes the Balance Sheet (Consolidated); Statement of Net Cost (Consolidated); Statement of Changes in Net Position (Consolidated); and Statement of Budgetary Resources (Combined)

10.5.4.4. Notes to the Principal Statements and

10.5.4.5. Required Supplementary Information (RSI)

11.0 GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

11.1 Responsibilities

11.1.1. The primary responsibility for the financial statements rests with the reporting entity's management. Responsibility for preparation of the principal statements and notes, however, may be shared with the accounting organization responsible for maintaining the financial records of the reporting entity. The responsible official must ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) consolidating/combining statements are reviewed and analyzed; and (4) feedback is provided to the entity's supporting accounting organization as required or upon request.

11.1.2. The roles and responsibilities of reporting entities and service providers, as well as the processes they must follow to achieve audit readiness, are detailed in the DoW Financial Statement Audit Requirements and Overview Guide (DoW Common Access Card (CAC) required).

11.1.3. Additionally, the DoW Financial Reporting Guidance (CAC enabled) establishes other financial reporting requirements to assist in achieving full auditability. These financial reporting requirements and timelines are detailed within the guidance.

11.2 Other General Instructions for The Financial Statements

For additional information on the general required procedures, preparation and submission, and other responsibilities for the financial statements, Management Representation Letter (MRL), the Legal Counsel Response (LCR), and Management Schedules of Information (MSIs), as required by the OMB and other departmental guidance, refer to the Volume 6 Supplemental document.

12.0 AGENCY FINANCIAL REPORT SECTIONS

The AFR must include the Agency Head Transmittal Letter, MD&A, Financial Section, and Other Information (OI). OUSW(C) prepares and submits the consolidated, Agency-wide AFR and a separate Annual Performance Report (APR). Subcomponents are not required to prepare an APR. If they decide to prepare an APR, subcomponents are not required to prepare an OI but may choose to do so. For additional information on the requirements for DoW Tier 1 consolidation entities referenced in Section 10, subcomponents must prepare and submit an AFR to the OUSW(C). The AFR must include the following that conform to OMB Circular A-136: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, General Notes to the Financial Statements, and Required Supplementary Information.

13.0 GENERAL ADJUSTMENTS, ELIMINATIONS, AND RECONCILIATION REQUIREMENTS FOR INTRAGOVERNMENTAL BALANCES

Intra-Governmental Transactions (IGT) or balances result from business activities conducted between two federal entities or Federal Program Agencies (FPAs). When these transactions occur, these federal entities are called trading partners. The accurate reporting of reciprocal balances and the proper elimination of reciprocal activity between trading partners require accurate documentation of accounting events. Imbalances occur when trading partners are unable to account for and reconcile differences with one another. All DoW consolidation entities are required to report intragovernmental account balances in their financial statements, eliminate appropriate intra-DoW balances, and classify intragovernmental account balances by category and level. Refer to the Volume 6 Supplemental document for general instructions for trading partner exchange of data, eliminating intragovernmental transactions from the DoW quarterly and annual financial statements, and providing elimination information to the Treasury for use in preparing the Governmentwide financial statements.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7A: "MILITARY PAY POLICY - ACTIVE DUTY AND RESERVE PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2021 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.2.4.2. Table 1-13, Rule 10 Table 1-15, Rule 8 Table 1-15 Rule 9	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense Memo, dated November 7, 2022, and Defense Finance and Accounting Service Office of General Counsel Memo, dated March 11, 2024.	Revision
Table 1-7; Table 1-8; Table 1-9; Table 1-10	Updated with the 2024 Basic Pay rates.	Revision
Table 1-7A; Table 1-8A; Table 1-9A; Table 1-10A	January 2025: Added the January 1, 2025 Basic Pay rates in accordance with Executive Order 14132 dated December 23, 2024.	Addition
Table 1-10B	January 25, 2025: Added the April 1, 2025 Basic Pay rates in accordance with Public Law 118-159, section 601, dated December 23, 2024.	Addition
References	Updated to reflect current statutes.	Revision

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CHAPTER 1

BASIC PAY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the criteria for determining creditable service for military members; provides examples for computing valid creditable service; states periods of service that are not creditable for pay purposes; cites conditions for the payment of military pay entitlements; explains the computation of leave and conditions for leave accrual; and provides for situations where enlistments are not valid. Tables 1-1 through 1-15, outlining various conditions in which military pay is payable for all grades of military personnel, are at the end of this chapter. See Chapter 26 for entitlement to Basic Allowance for Housing (BAH), and Chapter 25, Table 25-1 or the ***Basic Allowance for Subsistence (BAS)*** table for payments.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CREDITABLE SERVICE

2.1 Service Which is Creditable

2.1.1. General

2.1.1.1. The several military pay and personnel systems use a variety of dates to determine various entitlements. Among them is the date that denotes how much service a member has for the purpose of determining longevity pay rates. The Army refers to this as the "pay entry basic date," the Navy and Marine Corps refer to this as the "pay entry base date," while the Air Force calls it the "pay date." This chapter will refer to this data element as the "basic pay date," which is defined as reflecting all service that is creditable towards longevity.

2.1.1.2. The member's servicing personnel office is responsible for providing, when necessary, a statement of service that can include the basic pay date, total active federal military service date, total commissioned federal military service date, and a variety of other dates, depending on the nature of the individual member's service. This Regulation details only the computation of the basic pay date, since Military Service personnel regulations control the computation of all other dates.

2.1.2. Computation of Creditable Service. For most members who enter and serve on active duty without a break in service, the basic pay date is the date the member enters active or inactive service. If, however, there is a break in service, the time between periods of service usually is not included. Also, there are statutory periods when service in a particular component may not be counted. Conversely, there are periods for which some members are given constructive service, even though they were not actually serving on active or inactive duty. Use subparagraphs 2.1.3 through 2.1.5 to compute the basic pay date when there has been a break in service of any kind or if there is a need to include constructive service.

2.1.3. Creditable Service Periods. Include active or inactive service in any of the following components without restriction:

2.1.3.1. Regular service in the Army, Air Force, Navy, Coast Guard, and Marine Corps;

2.1.3.2. Army, Naval, Marine Corps, Air Force, and Coast Guard Reserve;

2.1.3.3. Army of the United States (service without specification of a component);

2.1.3.4. Army National Guard;

2.1.3.5. Army National Guard of the United States;

2.1.3.6. National Guard;

2.1.3.7. National Guard of the United States;

2.1.3.8. Air Force of the United States (service without specification of a component);

2.1.3.9. Air National Guard;

2.1.3.10. Air National Guard of the United States;

2.1.3.11. Nurse Corps and Nurse Corps Reserve of the Public Health Service; or

2.1.3.12. Public Health Service and Reserve Corps of the Public Health Service.

2.1.4. Other Creditable Service (with restrictions noted in this subparagraph and in subparagraph 2.2.1). Include the following periods of service:

2.1.4.1. Officer, deck officer, or junior engineer service in the National Oceanic and Atmospheric Administration, including similar periods of service in the former Corps of the Environmental Science Services Administration and the U.S. Coast and Geodetic Survey;

2.1.4.2. Service on a Military Service retired list, temporary disability retired list, or honorary retired list of any Uniformed Service or service as a member of the Fleet Reserve or Fleet Marine Corps Reserve;

2.1.4.3. Any period of service during which a member is entitled to retired, retirement, or retainer pay from any Uniformed Service;

2.1.4.4. Service as a cadet or midshipman at a military academy is always creditable service for an enlisted member who is not commissioned. For a prior service member, he/she reverts back to his/her enlisted status to complete their enlistment contract. See Table 1-1 to determine whether such service is creditable for commissioned and warrant officers;

2.1.4.5. Credit the time when an enlisted member is retained after the expiration of term of service of an Armed Force for medical care or hospitalization for disease or injury incident to service. Do not credit such periods of service if the underlying medical condition requiring medical care or hospitalization was due to the member's misconduct;

2.1.4.6. Service otherwise creditable that is performed before a member reaches the statutory age for enlistment, unless the enlistment contract was voided or invalidated for fraud;

2.1.4.7. Active service performed as a temporary member of the U.S. Coast Guard Reserve;

2.1.4.8. Service terminated by desertion or dishonorable discharge unless the enlistment was fraudulent and was voided for that reason;

2.1.4.9. Periods of service when a member is detailed to and receiving pay and allowances from any other agency of the United States, even though accruing military pay, and allowances is suspended;

2.1.4.10. Service as a member of the Army, Navy, or Air Force Reserve Officers' Training Corps (ROTC), provided the member has concurrent Selected Reserve (drilling status) for duty performed on or after August 1, 1979. Also, see subparagraph 2.1.4.14;

2.1.4.11. Service as an officer, Army field clerk, flight officer, aviation midshipman, or enlisted member of a uniformed service;

2.1.4.12. Service as an enlisted member in a Reserve Component, including Ready Reserve service (inactive and active) under the Delayed Entry (Enlistment) Program (DEP), before beginning active duty or an initial period of Active Duty Training (ADT), provided the Reserve enlistment was entered into before January 1, 1985. As of January 1, 1985, the following restrictions went into effect as and when stated:

2.1.4.12.1. For enlistments in a Reserve Component under ***Title 10, U.S.C., section 12103***(b) or (d), including enlistments under a DEP, that were entered

into between January 1, 1985, and November 28, 1989, the period served in the Reserve Component before beginning active duty or an initial period of ADT is not creditable; or

2.1.4.12.2. For enlistments entered into on or after November 29, 1989:

2.1.4.12.2.1. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, is creditable service only if the member performs Inactive Duty Training (IDT) before beginning active duty or an initial period of ADT; or

2.1.4.12.2.2. Service performed as an enlisted member in a Reserve Component under ***10 U.S.C. § 513***, other than a period of active duty, is not creditable service; or

2.1.4.13. Any period of service which was creditable under any federal statute in effect on January 10, 1962.

2.1.4.14. Prior provisions of law excluded the Simultaneous Membership Program from creditable service for commissioned officers, effective October 13, 1964. Title ***10 U.S.C. § 2106*** amended these provisions to provide service credit retroactive to August 1, 1979. These amendments resulted in no increase in pay, retired pay, or retainer pay before the date of enactment, September 23, 1996. Service in the program for enlisted members who retain that status remains creditable under all provisions.

2.1.5. Constructive Service

2.1.5.1. Some medical and dental officers are entitled to extra credit for longevity purposes to reflect the time spent in medical or dental school. Medical and dental officers must meet one or more of the following criteria to be entitled to the constructive credit.

2.1.5.1.1. On or before September 15, 1981, the officer already had the constructive service credit, then the credit is not lost if there is a break in service either before or after that date. This criterion is applicable to Public Health Service officers.

2.1.5.1.2. On or before September 14, 1981, the individual was enrolled in either the Armed Forces Health Professions Scholarship Program (AFHPSP) or in the Doctor of Medicine (DOM) program at the Uniformed Services University of Health Sciences (USUHS), completed that program, and was appointed as a medical or dental officer.

2.1.5.1.3. On or before September 14, 1981, the individual was participating in a program that credited years of service and led to an appointment as an officer in the Army, Navy, Air Force, or Marine Corps.

2.1.5.2. Medical and dental officers, who meet the criteria in subparagraph 2.1.5.1, are entitled to 4 years of constructive service credit. Also, those medical officers who have completed a medical internship or its equivalent, or who entered military status while serving such an internship, are entitled to a fifth year of constructive service credit.

2.1.5.3. Where a member is entitled to service credit for a period covered by the constructive credit, reduce the constructive service credit by an amount equal to the actual service credit.

Example 1: An individual completed dental school on June 11, 1977, and accepted a commission as a dental officer on August 3, 1977. The member was credited with 4 years of constructive service and a basic pay date of August 3, 1973.

Example 2: An individual completed a medical internship on June 30, 1979, and accepted a commission as a medical officer on August 11, 1979. The member was credited with 5 years of constructive service and a basic pay date of August 11, 1974.

Example 3: An individual entered medical school in 1970 and accepted a commission on January 12, 1972. He graduated from medical school on June 10, 1974, and completed a civilian residency during the period from July 1, 1974, through June 30, 1975. Compute basic pay date as follows:

First, compute dual status period, which is the period of time between the date of commission and date of graduation:

	YR	MO	DAY
Graduated:	74	06	10
Commission Date:	72	01	12
Dual Status Period:	02	04	28+1 (inclusive day)

Then, compute constructive service credit, which is the 4 years constructive credit less the time already credited as commissioned service:

Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Status Time:	02	04	29
Constructive Credit:	01	07	01

The member's basic pay date was 1 year, 7 months, and 1 day before his commission date of January 12, 1972, or June 11, 1970.

Example 4: The scenario is the same as in the previous subparagraph, except the member accepted a commission on July 12, 1974, after starting the internship. The member was entitled to 5 years of constructive service credit instead of 4 years:

	YR	MO	DAY
Date Finished Internship:	75	06	30
Commission Date:	74	07	12
Dual Status Period:	00	11	18+1 (inclusive day)

Maximum Constructive Service Credit:	04	11	30 (5 years)
Less Dual Status Time:	00	11	19
Constructive Credit:	04	00	11

The member's basic pay date was 4 years, no months, and 11 days before his commission date, or July 1, 1970.

Example 5: An officer commissioned on November 19, 1962, entered dental school on September 9, 1970, and graduated on May 28, 1974. To compute constructive service credit:

First, compute dual status:

	YR	MO	DAY
Graduated:	74	05	28
Started School:	70	09	09
Dual Service:	03	08	19+1 (inclusive day)

Then, deduct the dual service from the 4-year constructive credit period to arrive at net constructive service credit:

	YR	MO	DAY
Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Service:	03	08	20
Constructive Credit:	00	03	10

Change the member's basic pay date to 3 months and 10 days before the previous one (November 19, 1962) to August 10, 1962.

2.2 Service Not Creditable

2.2.1. General. Do not use any service that is not listed as creditable service to compute a basic pay date. The following list includes a few types of service that are not creditable:

2.2.1.1. The time served in an enlistment that is terminated, voided, or invalidated as fraudulent;

2.2.1.2. The time served as a commissioned officer in the Philippine Army;

2.2.1.3. The period of time a member was on the Emergency Officers' Retired List;

2.2.1.4. The time an individual was a member of a state, home, or territorial guard;

2.2.1.5. The time an individual was a member of the inactive National Guard. This does not apply to an individual who was a member of the National Guard Reserve and the National Guard of the United States. Time during which the individual had dual status, enlisted or commissioned, in the inactive National Guard and the National Guard of the United States is creditable;

2.2.1.6. The time, subsequent to September 14, 1981, a member serves while enrolled in the AFHPSP and Financial Assistance Program (FAP), or while a DOM student at the USUHS. Use any service creditable on the date of the officer's entry into DOM USUHS to compute the officer's basic pay for longevity purposes while a USUHS student, not to exceed the maximum rate of O-1 pay (Table 1-7) or O-1E pay (Table 1-8), as applicable, or the rate of pay of the member's former pay grade, if greater, as outlined in subparagraph 3.3.1. For the most current pay rates, see the ***Military Basic Pay*** tables on DFAS.MIL;

2.2.1.7. The time served in a Reserve Component before beginning active duty or an initial period of ADT for enlistment in a Reserve Component under 10 U.S.C. § 12103(b) or (d) that was entered into between January 1, 1985, and November 28, 1989;

2.2.1.8. For enlistments entered into on or after November 29, 1989:

2.2.1.8.1. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, if the member does not perform IDT before beginning active duty or an initial period of ADT; or

2.2.1.8.2. Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty; or

2.2.1.9. For an officer, the time served while attending a military service academy including the U.S. Merchant Marine Academy.

NOTE: The midshipmen attending the U.S. Merchant Marine Academy sign contracts to join the enlisted Navy Reserve on the day they enter the Academy. Students who attend one of the six state Merchant Marine college programs and who receive a Naval ROTC scholarship are treated the same as any Naval ROTC cadet or midshipmen. Students who attend one of the six state Merchant Marine college programs and who join the Navy after graduation from one of the programs are treated as any other member who joins the Navy.

2.2.2. Effect of Lost Time Absence From Duty on Creditable Service

2.2.2.1. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to an absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than that of computing length of service for basic pay:

2.2.2.1.1. Desertion;

2.2.2.1.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by proper authority;

2.2.2.1.3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; or

2.2.2.1.4. The officer's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of the officer's intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the officer's misconduct.

2.2.2.2. See Table 1-2 to determine the creditability for absence while in an enlisted status.

2.3 Active Enlisted and/or Warrant Officer Service for Members in Basic Pay Grades O-1E, O-2E, or O-3E

2.3.1. Service Counted

2.3.1.1. General. Commissioned officers with over 4 years of prior active service as an enlisted member, warrant officer, or combined service in both grades are entitled to count such service for purposes of computing basic pay for longevity purposes. Such prior service includes all active service, in either the Regular or Reserve Component or both (i.e., ADT in enlisted or warrant officer status, annual Reserve training duty, and full-time National Guard duty). Service on active duty or ADT and IDT for at least 4 years and 1 day satisfies the over 4 years of service requirement under this section.

2.3.1.2. Creditable Prior Enlisted Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as an enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.3. Creditable Prior Warrant Officer Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as a warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.4. Creditable Combined Prior Service. Effective October 1, 1993, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of combined prior active service as an enlisted member and warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.5. Creditable Service for Certain Reserve Commissioned Officers. Effective January 1, 2002, commissioned officers in pay grades O-1, O-2, and O-3 who are paid from funds appropriated for Reserve personnel and credited with 1,460 points for retirement computed under

10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

2.3.1.6. Creditable Service for Certain Commissioned Officers. Effective November 24, 2003, the restriction that members must be paid from reserve appropriated funds to qualify for the special rate of basic pay for pay grades O-1E, O-2E, and O-3E based upon creditable service points is eliminated. Therefore, effective that date, commissioned officers in pay grades O-1 through O-3 with more than 1,460 points computed under 10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or an enlisted member, which requires a minimum of 50 points annually, are entitled to the special rate of pay.

2.3.1.7. Leap Year. Reserve Component members who perform duty during a leap year earn a point for the extra day of duty in the month of February under 10 U.S.C. § 12732(a)(2). A leap year represents 1 year of service for basic pay purposes. Thus, the extra point does not qualify the member for having earned the equivalent of over 4 years of active service, and the member would not be eligible for the O-1E, O-2E, or O-3E rate of basic pay. The member would have to serve more than 4 years of active service to qualify for the special rate of basic pay.

2.3.1.8. Creditable Service While Graduate Students at USUHS. The Secretary of Defense will establish such selection procedures, service obligations, and other requirements as the Secretary considers appropriate for graduate students (other than DOM students) in a postdoctoral, postgraduate, or technological institute established pursuant to *10 U.S.C. § 2113*(e). The subparagraph 2.2.1.8 does not apply to graduate students.

2.3.2. Service Not Counted. In computing active service, do not count:

2.3.2.1. Active service in a dual status (temporary officer/permanent enlisted) in the Navy or Marine Corps;

2.3.2.2. Service as a National Guard technician; or

2.3.2.3. Except for periods of active duty service performed while a USUHS DOM student, time served as a DOM student at USUHS. See subparagraph 2.2.1.8 and applicable notes to Tables 1-7, 1-8, and the Basic Pay tables on DFAS.MIL.

2.4 Computation of Creditable Service

2.4.1. Computing a Basic Pay Date

2.4.1.1. All basic pay date computations start from the date of the member's most recent entry on duty without a break in service. Use the following dates:

2.4.1.1.1. For enlisted members, the date of enlistment, but see subparagraph 2.1.4.12 for service under a DEP;

2.4.1.1.2. For officers, the date of acceptance of a commission. The date of acceptance for officers graduating from a Military Service academy is the date of graduation; or

2.4.1.1.3. For officers entitled to count service as an acting assistant surgeon, intern, or hospital steward in the Public Health Service or the Public Health Marine Hospital Service, the date of acceptance of the appointment. Do not count service performed before that date.

2.4.1.2. After determining initial basic pay date, compute creditable service for all service prior to that date. Use the following to compute basic pay date. If the member had any periods of service during which there was lost time, do not use those periods here. Instead, compute according to subparagraph 2.4.1.3.

2.4.1.2.1. List beginning dates of service for each separate period of service, without changing any of them, and add them together.

2.4.1.2.2. List all ending dates. If the day is the 31st day of the month, change it to 30. If the day is February 28 in a non-leap year, change it to February 30 for computation purposes. If the day is February 29, change it to February 30 for computation purposes. Do not change February 28 of a leap year to February 30. Add all ending dates together.

2.4.1.2.3. Subtract the beginning day result from the ending day result.

2.4.1.2.4. For each non-continuous period of service, add 1 day to account for inclusive days. Explanation: Any period of service is at least one day. If, for example, the member had one day of service on January 17, 2016, the computation would look like this:

Example:	YR	MO	DAY
Ending Day:	16	01	17
Less Beginning Day:	16	01	17
	00	00	00

It is necessary to add 1 day for inclusive days to avoid this erroneous answer.

2.4.1.2.5. Convert to full years, months, and days. The result is years of service creditable for pay purposes.

Example: Member served as follows:

	From:	To:
Active Duty Army (Enlisted)	Jan 1, 93	Feb 29, 96
Army National Guard (Commissioned)	Jun 1, 96	May 26, 03
Air National Guard (Commissioned)	Aug 1, 05	Mar 31, 10
U.S. Air Force (Commissioned)	Apr 1, 10	Jun 4, 17

Beginning dates:			Ending Dates:		
YR	MO	DAY	YR	MO	DAY
1993	01	01	1996	02	30
1996	06	01	2003	05	26
2005	08	01	2017	06	04
5994	15	03	6016	13	60

Convert February 29, 1996, to February 30, 1996, since 1996 was a leap year.

Convert March 31, 2010, to March 30, 2010, since the 31st day of a month does not count as an ending date, though it would count as a beginning date. The period from August 1, 2005, through June 4, 2017, is continuous, so it is all included in the third line of the computation.

Subtract total of beginning dates from the total of ending dates:

YR	MO	DAY	
6016	13	60	(total of ending dates)
6015	25	60	(borrowed 12 months from year column)
5994	15	03	
21	10	57	

Add 1 day for each of the 3 periods used in the computation. The result is 21 years, 10 months, and 60 days, which converts to exactly 22 years of creditable service.

2.4.1.3. Regarding computations involving lost time, if a member has lost time, compute the creditable service for the period served separately. Add the results to any creditable service computed separately under subparagraph 2.4.1.2.

2.4.1.3.1. When there is a period of lost time that has not been made good, compute the lost time on a 30-day month basis, but if the lost time begins on the 31st day of a month, include that day as a lost day. Compute as follows.

Determine the years, months, and days of lost time and deduct that amount from the total service during the period.

Example: A member enlisted for 4 years on July 18, 2012, but was absent without leave (AWOL) from February 10, 2015, through March 16, 2015. The member received a hardship discharge on August 10, 2015, without making up the lost time. The member reenlisted February 20, 2017. Compute creditable service and basic pay date as follows.

First compute the lost time.

	YR	MO	DAY
Ended AWOL:	15	03	16
Began AWOL:	15	02	10
Lost Time:	00	01	06+1 (inclusive day)

Then compute first period of service.

Discharged:	15	08	10
Entered Active Duty:	-12	07	18
Subtotal:	03	00	22+1 (inclusive day)
Deduct Lost Time:	-00	01	07
Creditable Service:	02	11	16

Subtract 2 years, 11 months, and 16 days from reenlistment date of February 20, 2017, to arrive at a new basic pay date of March 4, 2014.

2.4.1.3.2. A member who makes good the lost time does so on a day-to-day basis. When the member makes good on lost time and completes the enlistment or contract period, compute the period of lost time on both a 30-day month basis and a day-to-day basis and use the result that is most advantageous to the member. To illustrate, if a member is AWOL on March 30 through April 1, it would be 3 days on the day-to-day basis but only 2 days on a 30-day month basis. Compute creditable service as follows (and separately from periods of service which do not have lost time).

2.4.1.3.2.1. First step: Compute total lost time on both a 30-day basis and a day-to-day basis. Convert the day-to-day basis computation to years, months and days, and compare it to the computation on the 30-day basis. Discard the one which shows a higher total of days lost.

2.4.1.3.2.2. Second step: Compute the gross amount of service during the period by subtracting the entry date from the discharge date and adding 1 day for inclusive day.

2.4.1.3.2.3. Third step: Subtract the lost time from the result of the second step. If the result is at least as long as the enlistment contract, use that amount. If the result is less than the enlistment contract, increase it to equal the enlistment contract.

2.4.1.3.2.4. Fourth step: Add this creditable service to any other periods and use the total to figure the member's basic pay date.

Example 1: Assume the member in the example in subparagraph 2.4.1.3 had not received a hardship discharge; instead, he or she had completed the enlistment contract, including making good the lost time. He made up the 35 days of lost time computed on a day-to-day basis. The days served to make good the lost time were July 18-31, 2016 (14 days) and August 1-21, 2016 (21 days).

When the member reenlists on February 20, 2017, compute creditable service as follows:

YR	MO	DAY	
16	08	21	(ending date of the last period of service)
-12	07	18	(beginning date of the last period of service)
04	01	03	+1(inclusive day)

The result is 4 years, 1 month and 4 days before deducting lost time. Note that the lost time computed on a 30-day month basis was 37 days, but was only 35 days when computed on a day-to-day basis. Subtract the 35 days lost time from the period of service computed.

YR	MO	DAY
04	01	04
-00	01	05
03	11	29 (total service)

The result is less than the enlistment contract of 4 years, but since the member completed the enlistment contract, he or she is entitled to credit for the entire 4 years. Set basic pay date at February 20, 2013, when the member reenlists on February 20, 2017.

Example 2: A member enlisted on July 18, 2012, for 4 years. She was AWOL from July 28, 2015, through September 3, 2015, which is 38 days on a day-to-day basis (July 28-31, 4 days; August 1-31, 31 days; and September 1-3, 3 days). She is discharged on August 24, 2016, after making good the 38 days of bad time by serving July 18-31 (14 days) and August 1-24 (24 days).

Step 1. When she reenlists on February 20, 2017, compute prior service as follows:

YR	MO	DAY	
16	08	24	(ending date of the last period of service)
-12	07	18	(beginning date of the last period of service)
04	01	06+1	(inclusive day)

The result is 4 years, 1 month and 7 days before deducting lost time.

Step 2. Lost time on a day-to-day basis was 38 days. Compute lost time on a 30-day month basis as:

July 28-31, 2015,	03 days
August 1-30, 2015,	30 days
September 1-3, 2015,	03 days
Total	36 days

Step 3. Following the rule set out in step 2, deduct the lost time in the manner most beneficial to the member.

YR	MO	DAY	
04	01	07	(service before deducting lost time)
-00	01	06	(lost time)
04	00	01	

Step 4. Set the basic pay date at February 19, 2013, when the member reenlists on February 20, 2017.

2.4.1.4. Regarding adjusting the basic pay date when a member has lost time, lost time does not change an officer's basic pay date (See paragraph 2.2.2). When an enlisted person returns to duty after a period of lost time, add the number of days lost time to the member's basic pay date to reflect the lost time."

Example: An enlisted member with no prior service enlisted on July 18, 2015. He was AWOL from February 10, 2017, through March 16, 2017. When the member returns to duty status, change his basic pay date as follows:

Compute lost time:

February 10-30	21 days
March 1-16	16 days
	37 days lost time

YR	MO	DAY	
15	07	18	(original basic pay date)
+00	01	07	
15	08	25	

The new basic pay date is August 25, 2015.

2.4.2. Procedure When Basic Pay Date Falls on February 29. When basic pay date falls on February 29, entitlement to longevity increases begins on March 1 in non-leap years and on February 29 in leap years.

3.0 COMPUTATION OF PAY

3.1 Basic Pay Entitlements

3.1.1. When Entitled to Basic Pay. The pay of Military Service members is prescribed by law. Current basic pay rates are contained in Tables 1-7, 1-8, 1-9, 1-10, and on the Basic Pay tables on DFAS.MIL. Members are entitled to receive pay according to their pay grades and years of service if they are:

3.1.1.1. On active duty in a pay status; and

3.1.1.2. Not prohibited by law from receiving such pay.

3.1.2. Employment of Members in Another Capacity

3.1.2.1. Employment Under the Government

3.1.2.1.1. Unless otherwise provided by law (such as during the period a member is on terminal leave pending retirement, separation, or release from active duty under honorable conditions), a member may not be employed in another capacity by the government and receive pay, other than the pay and allowances that accrue by reason of the military status. A member may be employed, however, on a voluntary basis during off-duty hours in connection with non-appropriated fund activities.

3.1.2.1.2. Under agreements such as that between the DoD and the Agency for International Development (AID) of the Department of State, military members may be detailed to agencies such as AID for certain types of service for specified periods. As provided in pertinent agreements, members that are detailed are entitled to the pay and allowances of employees of the agency (AID Foreign Service personnel, in the case of that agency) holding comparable positions. Such members are paid by the agency in which service is performed, not by the Military Service involved.

3.1.2.2. Acceptance or Holding Civil Office

3.1.2.2.1. An officer of an Armed Force on active duty may not be employed on civil functions if the civil duties separate the member from the parent organization or interfere with the performance of military duties. This applies to employment on civil works or internal improvements, by an incorporated company, or as acting paymaster or disbursing agent of the Bureau of Indian Affairs.

3.1.2.2.2. Unless otherwise provided by law, an officer of a Regular Component of the Army, Navy, Air Force, or Marine Corps may not hold a civil office by election or appointment under the United States, a territory, possession, or state. Acceptance of such position terminates the officer's appointment and any further entitlement to receive pay and allowances whether or not the officer continues to fulfill the duties as an officer subsequent to accepting the office.

3.1.2.3. Medical Officers. Medical officers on active duty who receive any compensation or stipend payments for services they perform as interns or resident physicians in private or public institutions (state, county, municipal, or privately owned hospitals) receive such payments for the benefit of the United States. Collect these payments from medical officers for deposit to the U.S. Treasury.

3.1.3. Formal Acceptance of Appointment by Officers

3.1.3.1. Pay and allowances generally accrue from the date of acceptance of appointment as an officer. The normal method of acceptance is taking the oath of office. Commencement of travel in compliance with an order is considered acceptance for pay purposes, but payment will not be made until formal signing of the oath of office. See Table 1-3 for specifics and for graduates of the academies.

3.1.3.2. An officer need not take the oath of office upon promotion if the service has been continuous since the last oath.

Note: See Table 1-4 for other situations regarding effective dates for promotions or restoration of grade.

3.1.4. Restriction Against Dual Payments

3.1.4.1. Except as prescribed in subparagraph 3.1.4.3, a Reserve member who is entitled to disability compensation or a pension from the Department of Veterans Affairs (VA) because of earlier military service, and who performs military duty for which the member is entitled to compensation, may elect to receive either of the following for the period of military duty:

3.1.4.1.1. Payments for the VA disability compensation or pension; or

3.1.4.1.2. If the member specifically waives those payments, the pay and allowances authorized by law for the duty the member is performing.

3.1.4.2. Except as prescribed in subparagraph 3.1.4.3, a Reserve member who is entitled to retired or retainer pay because of earlier military service, and who performs military duty for which the member is entitled to compensation, may elect to receive either of the following for the period of military duty:

3.1.4.2.1. Payments of the pay and allowance authorized by law for the duty the member is performing; or

3.1.4.2.2. If the member specifically waives those payments, the retired or retainer pay to which the member is entitled.

3.1.4.3. A Reserve member who is called to active duty for a period of more than 30 days in time of war or national emergency generally ceases to be entitled to payments based on earlier military service until the period of active duty ends and is entitled to the pay and allowances authorized by law for the duty the member is performing. However, where the payments based on earlier military service exceed the payments for the active duty, the member may receive the former payments instead.

3.1.5. Posthumous Promotions. Members may be promoted posthumously. The amount of bonus, gratuity, pay, or allowances is not changed by these promotions. This payment restriction does not apply to promotions of members while in a missing status where a determination by the Secretary of the Military Department concerned is subsequently made that the member died before the date of the promotion.

3.1.6. Corrections of Military Record. Members who are separated from active service, but later retroactively restored to active duty by administrative record correction action, become entitled to retroactive military pay and allowances for the period of restoration subject to the following: The purpose of such a record correction is to restore the member to the same position the member would have had if he or she had not been separated from military service, without awarding an unearned windfall. When settling such an account, the earnings received from civilian employment during the period of restoration to active duty must be deducted from the net balance of military pay and allowances otherwise due. Any amount of civilian earnings in excess of the net balance of retroactive military pay and allowances otherwise due will not be collected so as not to place the member in debt. Additionally, amounts paid to a member for military retired pay, separation pay, severance pay, and/or VA pension or compensation during what is now a period of active duty under a record correction must be taken into account when determining the amount of retroactive military pay and allowances due, if they have not otherwise been recouped or accounted for. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

3.2 Computing Monthly Pay

3.2.1. Monthly Pay

3.2.1.1. Service of 30 Days or More. Compute monthly compensation as if each month had 30 days. When service begins on an intermediate day of the month, pay for the actual number of days served during that calendar month, but only through the 30th day of that month. If active military service begins on the 31st day of any month, compensation does not accrue for that day. Any person who enters active service during February and serves until the end of the month is entitled to pay for 1 month (30 days), less the prorated amount for the number of days expired before entry on duty. If the service ends before the last day of February, pay the member only for the actual number of days served.

3.2.1.2. Service of Less Than 30 Days. Members of the Uniformed Services entitled to receive compensation for continuous periods of less than 1 month are entitled to pay and allowances for each day of the period at the rate of 1/30 of the monthly amount of such pay and allowances. Include the 31st day of a calendar month in the computation. Members who are obligated to serve on active duty for 30 days or more, but who were released before performing such active duty for at least 30 days, are entitled to receive pay and allowances on a day-to-day basis.

3.2.2. Absence Without Pay

3.2.2.1. Deduct 1/30 of 1 month's pay for each day's absence in a non-pay status.

3.2.2.2. No pay is lost for unauthorized absence on the 31st day of a month, except when it is the first day of absence or when the member is paid for the day under subparagraph 3.2.1.2.

3.2.2.3. Absence in a non-pay status on the 28th of February in a non-leap year result in loss of pay for 3 days. If the member is absent only on the 28th day of February in a leap year, deduct the pay for 1 day for the 28th. If the absence occurs on the 29th of February, deduct pay for 2 days. When payment is made under subparagraph 3.2.1.2, on the basis of each day served, deduct only for the actual period of unauthorized absence.

3.2.3. Annual Salary. Annual salary is divided into 12 equal installments. One installment represents the pay for each calendar month. The daily rate is 1/30 of the monthly rate. The instructions in subparagraph 3.2.1 for monthly pay also apply to annual salary.

3.2.4. Basic Pay Rates. Tables 1-7 through 1-10 contain monthly rates of basic pay and are listed on the Basic Pay tables on DFAS.MIL.

3.3 Saved Pay and Allowances

3.3.1. Enlisted. An enlisted member who accepts an appointment as an officer will, following appointment, be paid the greater of:

3.3.1.1. The pay and allowances to which such member would be entitled if the member had remained in the last enlisted grade held before appointment as an officer and continued to receive increases in pay and allowances authorized for that grade; or

3.3.1.2. The pay and allowances to which the member thereafter becomes entitled as an officer.

3.3.2. Warrant Officers. A warrant officer who accepts an appointment as a commissioned officer will, following appointment, be paid the greater of:

3.3.2.1. The pay and allowances to which the member thereafter becomes entitled as a commissioned officer;

3.3.2.2. The pay and allowances to which such member would be entitled if the member had remained in the last warrant officer grade held before appointment as a commissioned officer and continued to receive increases in pay and allowances authorized for that grade; or

3.3.2.3. In the case of an officer who was formerly an enlisted member, the pay and allowances to which entitled, under subparagraph 3.3.1.1, before appointment as an officer.

3.3.3. Prior Service Medical Students. Members selected to participate as DOM students at the USUHS, or in the AFHPSP and FAP, who have prior active service, including members who have had a break in service, in a pay grade with years of service greater than the rate of second lieutenant or ensign, will be authorized saved pay for the basic pay rate of the former grade. The

former basic pay rate will be increased on January 1 of each year by the average percentage increase authorized for that year. The member will continue to receive the former pay rate until the date, occurring before or after graduation or participation in the program, that the member's actual grade and years of service basic pay rate exceeds the former grade rate. This saved pay provision applies only to basic pay. The member's other pay entitlements will be paid at the member's actual grade and years of service.

3.3.4. Restrictions

3.3.4.1. Except for prior service DOM students discussed in subparagraph 3.3.3, a member entitled to saved pay is not authorized the pay for one grade and an allowance for another grade.

3.3.4.2. The saved pay amount may be reduced when the member loses entitlement to specific items. However, these specific items will be included in saved pay if the member again qualifies for such items (See subparagraph 3.3.4.7.).

3.3.4.3. In the case of the Navy or Marine Corps, a member in a temporary appointment is not entitled to saved pay because of a permanent promotion.

3.3.4.4. BAH may be continued as an item of saved pay and will be paid whenever it is not forfeited because the member is assigned to government quarters.

3.3.4.5. For enlisted members, BAS is the alternative for subsistence in kind. Since officers are not authorized subsistence in kind, a member eligible for saved pay is entitled to the appropriate BAS rate (including the "when permitted to mess separately rate" even when subsistence in kind otherwise would be provided or made available) under the conditions prevailing for enlisted members at their permanent station. Credit BAS at the "when permitted to mess separately rate" at all times, except when the member would otherwise be entitled to a different rate (See Chapter 25, paragraph 2.2.).

3.3.4.6. For appointments accepted before January 6, 2006, special duty assignment pay, incentive pay for hazardous duty, special pay for diving duty, special pay for sea duty, and hardship duty pay may be retained as an item of saved pay only for as long as the member continues to perform the duty and would be eligible to receive payment had the member remained in the former status.

3.3.4.7. For appointments accepted on or after January 6, 2006, in determining the amount of pay and allowances of a grade formerly held by an officer who was an enlisted member and accepted an appointment as an officer, the following special and incentive pays may be considered only so long as the officer continues to perform the duty that creates the entitlement to, or eligibility for, that pay and would otherwise be eligible to receive that pay in the former grade:

3.3.4.7.1. Incentive pay for hazardous duty;

3.3.4.7.2. Submarine duty pay;

3.3.4.7.3. Special pay for diving duty;

3.3.4.7.4. Hardship duty pay;

3.3.4.7.5. Career sea pay;

3.3.4.7.6. Special pay for service as a member of a Weapons of Mass Destruction Civil Support Team;

3.3.4.7.7. Assignment incentive pay;

3.3.4.7.8. Special pay for duty subject to hostile fire or imminent danger;

3.3.4.7.9. Special pay or bonus for an extension of duty at a designated overseas location;

3.3.4.7.10. Foreign language proficiency bonus; and

3.3.4.7.11. Critical skill retention bonus.

3.3.4.8. The enlisted cash clothing allowances prescribed in Chapter 29 may not be included in the saved pay computation if the officer is entitled to the initial uniform allowance prescribed in Chapter 30, section 2.0.

3.3.4.9. Family Separation for Housing (FSH) may be continued as an item of saved pay under the same conditions as BAH (see subparagraph 3.3.4.4). If the member was entitled to FSH due to an enforced separation from the member's family at the time of appointment, the allowance may be included in the computation of saved pay until the entitlement ends. FSH may be reinstated for future periods if the member again qualifies for FSH due to an enforced separation from the family. Similarly, other items of overseas station allowance and/or special or incentive pay may be reinstated if a member again qualifies for them.

3.3.4.10. Effective January 6, 2006, the following special and incentive pays are dependent on a member being in an enlisted status and may not be considered in determining the amount of pay and allowances of a grade formerly held by an officer:

3.3.4.10.1. Special duty assignment pay;

3.3.4.10.2. Reenlistment bonus;

3.3.4.10.3. Enlistment bonus; and

3.3.4.10.4. Critical skill incentive pay (see Chapter 22, section 5.0).

3.3.5. Breaks in Service. A break in service (e.g., released from active duty or discharged) does not disqualify an officer for the saved pay and allowances entitlements of this section.

3.4 Increased Basic Pay During a Period of Service Essential to the Public Interest

3.4.1. Entitlement to Increased Basic Pay. This section applies only to enlisted members of the Regular Navy or Marine Corps, or Naval or Marine Corps Reserve, whose enlistments expire while serving on a naval vessel in foreign waters.

3.4.1.1. Retention in Service. Such members may be retained on active duty until the naval vessel returns to the Continental United States (CONUS) if the period of retention is determined "service essential to the public interests." The senior officer present afloat makes this determination.

3.4.1.2. Pay and Allowances. During the period of retention, except in time of war, members are entitled to regular pay and allowances, plus a 25-percent increase in the basic pay, to which they were entitled on the day before the period of retention began.

3.4.2. Members Not Eligible for Increase

3.4.2.1. Enlisted members are not entitled to the increased basic pay if retained on active duty after the expiration of enlistment:

3.4.2.1.1. At shore stations;

3.4.2.1.2. On ships on duty in waters in or around possessions and territories of the United States;

3.4.2.1.3. On ships on duty in ports or waters within the sovereign jurisdiction of the United States;

3.4.2.1.4. Due to lack of transportation; or

3.4.2.1.5. Merely because it is desirable to continue their services, or some benefit may be derived there from.

3.4.2.2. A member of the Naval Reserve or Marine Corps Reserve is not entitled to the 25-percent increase while retained beyond the period of obligated service as distinguished from normal date of expiration of enlistment.

3.4.3. Restrictions in Use. Do not use the 25-percent increase in computing:

3.4.3.1. Cash settlement for unused leave on discharge;

3.4.3.2. Physical disability or temporary disability retired pay;

3.4.3.3. Disability severance pay; or

3.4.3.4. Reenlistment bonus.

3.4.4. Termination of Increase in Basic Pay. The 25-percent increase in basic pay continues through date of:

3.4.4.1. Discharge, if the member is discharged within 30 days after arrival in CONUS; or

3.4.4.2. Transfer to a hospital for treatment (See Table 1-5, rule 19 for the date of termination of normal pay and allowances.).

3.5 Allowable Travel Time for Reserve Members Called to or Released From Active Duty

3.5.1. Pay and Allowances Entitlement for Allowable Travel Time

3.5.1.1. Reserve members called to active duty are entitled to active duty pay and allowances for the time allowed for necessary travel from:

3.5.1.1.1. Home to a first duty station; or

3.5.1.1.2. Last duty station to home (except when released from active duty for retirement or dismissal, when discharged, or upon resignation).

3.5.1.2. Pay and allowances for allowable travel time is an earned entitlement. The payment for the return home may be made upon the member's release from such duty without regard to actual performance of the travel. If the member dies after payment, but before payment would otherwise be due, no part of the payment will be recovered by the United States.

3.5.2. Terms and Special Conditions

3.5.2.1. Allowable travel time is considered active duty for all purposes normally ascribed to active duty. The computation of allowable travel time, whether actual or constructive will:

3.5.2.1.1. For periods of active duty of 30 days or less, be based upon the rules contained in Table 1-6; or

3.5.2.1.2. For periods of active duty of more than 30 days, be based upon the rules and provisions in Chapter 57.

3.5.2.2. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time, if any, when:

3.5.2.2.1. Ordered to perform ADT;

3.5.2.2.2. Performing authorized IDT immediately before or after ADT at or near the same site; or

3.5.2.2.3. Receiving orders that direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

4.0 ABSENCE FROM DUTY, EFFECT ON PAY, AND ALLOWANCES

4.1 Authorized Leave

4.1.1. Authority. All Military Service members on active duty for 30 consecutive days or more are entitled to accrue leave under applicable Military Service leave regulations. While on authorized leave, they are entitled to full pay and allowances except as otherwise provided in Table 1-11.

4.1.2. Applicable Service Leave Regulations. Applicable Military Service leave regulations are:

4.1.2.1. Army - ***Army Regulation 600-8-10***;

4.1.2.2. Navy - ***Military Personnel Manual 1050-010***;

4.1.2.3. Air Force and Space Force - Department of the Air Force Instruction ***36-3003***; and

4.1.2.4. Marine Corps - ***Marine Corps Order 1050.3J***.

4.1.3. Pay and Allowances During Leave

4.1.3.1. Entitlement. See Table 1-11.

4.1.3.2. Full Pay and Allowances Defined. This term means (includes) the following:

4.1.3.2.1. Basic pay;

4.1.3.2.2. Special pays;

4.1.3.2.3. Incentive pay for hazardous duty;

4.1.3.2.4. BAS (enlisted leave rations);

4.1.3.2.5. BAH;

4.1.3.2.6. Personal money allowances;

4.1.3.2.7. Clothing maintenance allowances;

4.1.3.2.8. Family separation allowances; and

4.1.3.2.9. Station allowances (CONUS Cost of Living Allowance (See Chapter 67); and Overseas Cost of Living Allowance and Temporary Lodging Allowance (See Chapter 68).

4.1.4. Advance Leave Carryover or Change to Excess Leave (Effective November 14, 1986)

4.1.4.1. When Carryover Allowed. Members may elect to carry all or part of an advance leave balance over to a new term of service when discharged for the purpose of:

4.1.4.1.1. Reenlisting within 24 hours of discharge or extending an enlistment; or

4.1.4.1.2. Accepting an appointment as a warrant or commissioned officer of the Armed Forces. Carryover will not exceed the number of days or fraction of days the member will accrue in the new enlistment or term of service or 30 days, whichever is less.

Example 1: A member's current term of service ends April 30, 2015. The member reenlists for 6 years on March 1, 2015, and has a 5.0-day advance leave balance. The 5.0-day advance leave balance can be carried into the new term of service.

Example 2: A member's current term of service ends September 30, 2015. On May 1, 2015, the member agrees to serve a 12-month extension and has a 12.5-day advance leave balance that will be offset by leave accrual through September 30, 2015. Between May 1, 2015, and September 30, 2015, the member was charged for 30 days of leave. When the extension became operative (October 1, 2015), the member could elect to carry the 30.0-day advance leave balance into the new term of service (12-month extension).

4.1.4.2. Excess Leave. Advance leave becomes excess leave and requires collection of pay and allowances under the following conditions:

4.1.4.2.1. Discharge for the purpose of reenlisting, extending an enlistment, or accepting a warrant or commission, and advance leave exceeds 30 days;

4.1.4.2.2. Advance leave balance exceeds that which will accrue in the new enlistment or term of service (for example, enlistment or extension(s)), including when an agreement to extend is cancelled by the Military Service. If an agreement to extend is cancelled by the member for the purpose of immediate reenlistment, collect the advance under subparagraph 4.4.1.2.1, if applicable;

4.1.4.2.3. Relief from active duty;

4.1.4.2.4. Appointment as a cadet or midshipman at a Service academy;

4.1.4.2.5. Death; or

4.1.4.2.6. Return from a period of leave that was in excess of the number of days of leave and fractions thereof that the member will accrue before the normal expiration of current enlistment or term of active service. The term of an extension(s) will be considered when determining the normal expiration of current enlistment or term of active service. Extension(s) will be considered from the date the member agrees to the extension(s). Excess leave properly charged before the date a member extends a term of service (reenlistment, appointment or agrees to extend voluntarily or is involuntarily extended) will not be affected and under no circumstances will pay and allowances previously collected be refunded (See subparagraph 4.1.5 when it is known at the time leave is granted that the member will be in excess leave status).

Example 3: A member's current term of service ended on March 31, 2016. The member reenlisted for 6 years on January 1, 2015, and had a 35.5-day advance leave balance. The member carried 30.0 days of advance leave into the new term of service. The remaining 5.5-day advance leave balance changes to excess leave and requires immediate collection of pay and allowances. Subparagraph 4.1.5 applies.

Example 4: Same as example 2, except that the member took 34 days of leave between May 1, 2015, and September 30, 2015. Since a maximum of 30.0 days of advance leave could be carried into the new term of service (12-month extension), immediate collection of pay and allowances for the remaining 4.0 days was required when the leave was used. Subparagraph 4.1.5 applies.

4.1.4.3. Amount to be Collected. Compute collection under subparagraph 4.1.4.2 on the basis of pay and allowances received by the member during the period of leave involved.

4.1.5. Pay and Allowances During Excess Leave. Members on excess leave are not entitled to pay and allowances. Apply as follows.

4.1.5.1. When the complete period of leave is granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of leave.

4.1.5.2. When a portion of the leave is granted as advance leave and a portion granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of excess leave. Members in an excess leave status are considered to have a rate of pay.

4.1.6. Leave Pending Review of Certain Court-Martial Convictions. Under regulations prescribed by the Secretary of the Military Department concerned, members sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of their conviction as provided by the Uniform Code of Military Justice ***(UCMJ) Article 76a***,

4.1.6.1. Such leave will be charged against any accrued leave to the member's credit on the day before the day such leave begins unless the member elects to be paid for accrued leave under Chapter 35, subparagraph 2.1.2.

4.1.6.1.1. If the member does not elect to be paid for accrued leave or does not have sufficient accrued leave to cover the total period of leave required to be taken, the leave not covered by accrued leave will be charged as excess leave.

4.1.6.1.2. If the member elects to be paid for accrued leave, the entire period of leave will be charged as excess leave and pay, and allowances will not accrue for such period except under the provisions of subparagraph 4.1.6.2.

4.1.6.2. A member required to take leave under Article 76a, UCMJ, whose sentence by court-martial to dismissal or dishonorable or bad-conduct discharge is set aside or disapproved on appellate review, will accrue pay and allowances for the period of leave charged as excess leave (except for any day of accrued leave for which the member has been paid under subparagraph 4.1.6.1.2.), unless a rehearing or new trial is ordered and dismissal or dishonorable or bad-conduct discharge results from the rehearing or new trial and such dismissal or discharge is later executed.

4.1.6.2.1. Computation of Payment. The amount of gross pay and allowances accrued under this subparagraph will be reduced by the total gross income from wages, salaries, tips, other personal service income, unemployment compensation, and public assistance benefits from any government agency during the period the member is deemed to have accrued gross pay and allowances. The total gross income, however, cannot reduce the amount of gross pay and allowances to the extent that the member becomes indebted to the government.

4.1.6.2.1.1. Approved Sentence Does Not Include Reduction. Pay and allowances under this section will be paid in the pay grade held by the member on the day before the day on which the court-martial sentence was approved by the convening authority.

4.1.6.2.1.2. Approved Sentence Includes Reductions. If the pay grade of the member was reduced to a lower grade as a result of the court-martial sentence, and the reduction has not been set aside, disapproved, or otherwise vacated, pay and allowances accrued under this paragraph will be paid at the lower pay grade.

4.1.6.2.2. Time of Payment

4.1.6.2.2.1. Payment will be made within 60 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if no rehearing or new trial has been ordered.

4.1.6.2.2.2. Payment will be made within 180 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if a rehearing or new trial has been ordered, but charges have not been referred to a rehearing or new trial within 120 days from the date of that order.

4.1.6.2.2.3. If a rehearing or new trial has been ordered, and a dismissal or a dishonorable or bad-conduct discharge is not included in the result of the rehearing

or new trial, payment will be made within 60 days of the date of the announcement of the result of such rehearing or new trial.

4.1.6.2.2.4. If a rehearing or new trial has been ordered, and a dismissal for a dishonorable or bad-conduct discharge is included as the result of such rehearing or new trial, but such dismissal or discharge is not later executed, payment will be made within 60-days of the date of the order which set aside, disapproved, or otherwise vacated such dismissal or discharge.

4.1.6.2.2.5. If a member who is entitled to be paid under this section fails to provide sufficient information in a timely manner regarding his/her income when such information is requested under subparagraph 4.1.6.3, the periods of time prescribed in this paragraph will be extended until 30 days after the date on which the member provides the requested information.

4.1.6.3. In all cases where payment must be made under subparagraph 4.1.6.2, the member solely is responsible for providing the information as to all sources and amounts of income received by the member during periods of required appellate leave. Pay will be computed only on the basis of a written record.

4.1.6.3.1. For periods where the member was employed, information as to all sources and amounts of income should include, at a minimum, copies of all pertinent:

4.1.6.3.1.1. Federal income tax returns;

4.1.6.3.1.2. Employer statements of income earned from wages, salaries, tips; and

4.1.6.3.1.3. Documentation of other personal service income.

4.1.6.3.2. For periods where the member has been unemployed, the member must submit an affidavit or written evidence of lack of employment and, at a minimum, copies of all pertinent:

4.1.6.3.2.1. Documentation to verify the duration of unemployment compensation;

4.1.6.3.2.2. Public assistance benefits received from any government agency;

4.1.6.3.2.3. Federal income tax returns; and

4.1.6.3.2.4. Any other documentation required by the Service concerned.

NOTE: The burden of proving the existence of a valid claim against the United States is on the member asserting the claim. A member must prove by clear and convincing evidence on the written record that the U.S. DoD is liable under the law for the amount claimed.

4.2 Unauthorized Absence and Other Lost Time

4.2.1. Effect on Pay and Allowances. The types of unauthorized absences, and other lost time, and their effect on pay and allowances are shown in Table 1-12 (Compute forfeitures of pay and allowances as instructed in subparagraph 3.2.2).

4.2.2. Unauthorized Absence and Desertion

4.2.2.1. Determination by Court-Martial. A member found guilty of unauthorized absence by a court-martial, forfeits pay and allowances for the period of absence. An acquittal (or disapproval by the reviewing authority, in case of conviction) affects only the disciplinary aspects of the absence. It does not prevent an administrative determination that the member was AWOL.

4.2.2.2. Administrative Determination of Unauthorized Absence. When a member is in an unauthorized absence status, an administrative determination must be made as to whether the absence was unavoidable. Table 1-13 contains rules for determining whether the absence was unavoidable. If it is not excused as unavoidable, the member forfeits pay and allowances for the period of absence. This applies even though a court-martial finds the member not guilty of a charge of unauthorized absence, or when a finding of guilty has been disapproved by the reviewing authority.

4.2.2.3. Discharge for Desertion. A discharge for desertion is conclusive evidence of desertion for the purpose of forfeiture of pay, even in the absence of trial by court-martial.

4.2.2.4. Dropped From Rolls. A commissioned officer of the Army or Air Force, who is dropped from the rolls by the President for absence without authority for 3 months, forfeits all pay due or to become due. Pay and allowances due at the time the officer is dropped from the rolls, however, will be used to satisfy debts due the United States and its instrumentalities.

4.2.2.5. Disposition of Forfeitures as a Result of Desertion. When an enlisted member, warrant officer, or limited duty officer forfeits pay as a result of desertion, deposit the gross amount of such forfeited pay to the Armed Forces Retirement Home Trust Fund. Do not, however, deposit this pay beyond the expiration of term of enlistment for enlisted members.

4.2.3. Computing Periods of Unauthorized Absence. Unauthorized absence of 24 consecutive hours or less does not affect pay or allowances. This applies even though the absence involves parts of 2 days. When the period of unauthorized absence exceeds 24 consecutive hours, use Table 1-14 to determine the first and last day of the period of absence.

4.2.4. Absence in the Hands of Civil Authorities

4.2.4.1. General. Pay the member all pay and allowances earned through the day before the first day of unauthorized absence. If the member is delivered to civil authorities by military authorities, he or she is entitled to all pay and allowances earned through the day prior to the date of such delivery. For entitlement to pay and allowances during confinement, see Table 1-12, rules 4, 5, and 6.

* 4.2.4.2. Finding of Insanity. An administrative determination under the rules contained in Table 1-13 must be made as to whether the absence was unavoidable when a member is found not guilty by reason of insanity by a civil court and committed under applicable Federal or State law for an indefinite period of time. Table 1-12 contains rules for determining the effect of absences on pay and allowances.

4.2.4.3. Work Release Program. In some states and local jurisdictions, a person convicted and sentenced to a term of civil confinement may be released from the confinement facility to the cognizance of an employer during the normal workday. Work release, job rehabilitation, or employment retention programs of this type generally are conducted for the purpose of providing prisoners a means to continue support of their dependents and to demonstrate that they are capable of self-rehabilitation. When members are paroled to military authorities under a "work release" or similar program, they are entitled to pay and allowances for each day of full duty performed commensurate with their grade and military specialty.

4.2.5. Absence Due to Disease

4.2.5.1. When Pay Is Forfeited. See Table 1-12, rule 3.

4.2.5.2. When Pay Is Not Forfeited. Pay is not forfeited for absence from duty caused by:

4.2.5.2.1. An injury;

4.2.5.2.2. A disease, except under Table 1-12, rule 3;

4.2.5.2.3. Simple drunkenness, if not coupled with chronic alcoholism or intemperate use of habit-forming drugs; or

4.2.5.2.4. Venereal disease, whether or not due to misconduct.

4.2.5.3. Personal Expense Money. A member whose pay is forfeited under Table 1-12, rule 3 for more than 1 month is entitled to $5 for personal expenses for each full month that he or she forfeits pay. This payment will be made even though the member is indebted to the United States. The term "full month" is the period from a date in 1 month through the preceding date in the following month. For example, July 3 through August 2 is 1 month.

4.2.6. Military Confinement. Pay and allowances accrue to a member in military confinement except when:

4.2.6.1. Confined by military authorities, for civil authorities. See Table 1-12, rules 6 and 8;

4.2.6.2. Pay and allowances are forfeited by court-martial sentence. See Chapter 48 and Table 1-12, rule 10; and

4.2.6.3. The term of enlistment expires. See subparagraph 4.2.7.

4.2.7. Term of Enlistment Expires

4.2.7.1. General. Pay and allowances accrue to a member upon return to a full-duty status. Full duty is attained when a member, not in confinement, is assigned useful and productive duties (as opposed to duties prescribed by regulations for confinement facilities) on a full-time basis which are not inconsistent with the grade, length of service, and military occupational specialty (MOS). While placement in the same MOS is not essential, the decision to place a member in that MOS or to assign the member available duties consistent with the grade and service rests with the appropriate military commander.

4.2.7.2. Absentee Returned to Military Control. An absentee who surrenders or is apprehended after a term of enlistment has expired is not entitled to pay and allowances until restored to a full-duty status for the purpose of making good the lost time. While held in retention, a member may be assigned duties as prescribed by regulations governing detained prisoners without being returned to full-duty status.

4.2.7.3. Enlistment Expires Before Trial. An enlisted member retained in the Military Service for the purpose of trial by court-martial is not entitled to pay for any period after the expiration of the enlistment unless acquitted or the charges are dismissed, or the member is retained in or restored to a full-duty status.

4.2.7.4. Confined Awaiting Trial by Court-Martial. If a member is confined awaiting court-martial trial when the enlistment expires, pay and allowances end on the date the enlistment expires. If the member is acquitted when tried, pay and allowances accrue until discharge.

4.2.7.5. Confined Serving Court-Martial Sentence. If a member is confined serving a court-martial sentence when the enlistment expires, pay and allowances end on the date the enlistment expires unless the sentence is completely overturned or set aside as specified in Chapter 48. Pay and allowances will not accrue again until the date the member is restored to a full-duty status.

4.2.7.6. Confined While in a Status of Being Held in the Service to Make Up Lost Time. If confined while in a status of being held in the Military Service to make up lost time, an enlisted member continues in a pay status, except to the extent that pay may be forfeited by

court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

4.2.7.7. Confinement Deferred or Prisoner Restored to Duty. A prisoner in a non-pay status is entitled to pay and allowances when service of sentence to confinement is deferred or the member is restored to a full-duty status. The date restored to duty is the date the member reported present for duty.

4.2.7.8. Absentee Confined Upon Return to Military Control. An enlisted member whose term of enlistment has expired while in a status of absence without leave or desertion is not entitled to pay and allowances upon return to military control while confined awaiting trial and disposition of the case if the conviction becomes final and the member has not been returned to a full-duty status. A member, however, who is returned to military control and restored to full duty for the purpose of making good the lost time before being confined to await trial, continues in a pay status except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service is extended to make up lost time would have expired, even if he or she is restored to duty at a later date.

4.2.7.9. Confined Under Sentence of Death. The pay and allowances of a member, serving in confinement under sentence of death and pending completion of the appellate review of the record of trial, do not accrue after the expiration of the enlistment.

4.2.7.10. Appellate Review of Court-Martial Sentence. A confined member who is pending appellate review of his or her court-martial sentence is not entitled to pay and allowances after the expiration of term of enlistment, unless the conviction is completely overturned or set aside.

4.2.8. Reserve Officer Absent From Duty. A Reserve officer whose term of active service expires while confined as a result of court-martial action continues to be entitled to pay and allowances, except when forfeited under an approved sentence of a court-martial or a period of service is terminated by proper orders.

5.0 PAYMENT IN CASES OF VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS

5.1 Voidability of Contract

A fraudulent contract of enlistment or induction is not void but is voidable at the option of the government. When the government becomes aware of the fraud, it may void the contract or waive the objection and allow the contract to stand (See Table 1-15.).

5.2 Fraudulent Enlistments – Pay and Allowances

Members under investigation, or determined to be serving in fraudulent enlistments, are due pay and allowances for periods shown in Table 1-15.

5.3 Travel Payments

See ***Joint Travel Regulation***, Chapter 5, Paragraph 051007.

5.4 Disbursing Officer Entitled to Credit

A disbursing officer is entitled to credit for proper payments to a member who fraudulently enlisted if payments were made without the knowledge of the fraud and before the government rescinded the contract.

5.5 Failure to Discover Physical Condition of Enlistee or Inductee

Failure to discover that the physical condition of an enlistee or inductee was such as would warrant rejection for military service does not deprive member of right to pay and allowances or of the status of being entitled to basic pay (See Table 1-15.).

6.0 FINANCIAL INSTITUTION CHARGES

6.1 Reimbursement

Reimbursement of financial institution charges may be authorized. Authorized reimbursements are limited to overdraft charges or minimum balance, or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late or in an incorrect manner or amount.

6.2 Non – Reimbursement

Charges by financial institutions resulting from erroneous information provided by the member or the financial institution to a military pay office are not the liability of the government and will not be reimbursed.

6.3 Definitions

6.3.1. Financial Institutions. For the purpose of this section, a financial institution is defined as a bank, savings and loan association, or similar institution or a credit union chartered by the United States or a state.

6.3.2. Pay. For the purpose of this section, pay is defined as basic pay, allowances, bonuses, special and incentive pays.

7.0 MILITARY PAYDAYS

7.1 Payday

The payday is the first calendar day of the month after the month in which the entitlement was earned. This does not preclude one payment in midmonth for any element of compensation.

7.2 Exception

Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

7.3 Determination

For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

Table 1-1. Service as Cadet or Midshipman - Officers

RULE	When a member currently serving as an officer has had service as a cadet or midshipman in	to which appointed	and member	then the period involved is
1	any of the military academies		held no concurrent enlisted and/or Reserve status	not creditable.
2	any of the military academies	after June 25, 1956	had an enlistment contract or period of obligated service that was not terminated	not creditable.
3	any of the military academies		concurrently retained a commission or warrant in the Army or Air Force Reserve	creditable.
4	any of the military academies	on or after January 1, 1953	concurrently retained a commission or warrant in the Naval Reserve	creditable.

Table 1-2. Absence from Duty in Enlisted Status

RULE	When the absence is	and	then the period of absence is
1	authorized leave or authorized excess leave		creditable.
2	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is administratively excused as unavoidable	creditable.
3	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is not administratively excused as unavoidable	not creditable (note 1).
4	civil detention of a Navy or Marine Corps member	occurred before July 24, 1956, and the member was not acquitted or released without trial, and without making restitution	not creditable (note 1).
5	civil detention of a Navy or Marine Corps member	occurred on or after July 24, 1956, and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 2)	not creditable (note 1).
6	inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct		not creditable (note 1).
7	desertion		not creditable (note 1).
8	because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 3)	the member was a member of the Army or Air Force	not creditable (note 1).
9	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred on or after July 24, 1956 (note 3)	not creditable (note 1).
10	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred before July 24, 1956	(note 4).

Table 1-2. Absence from Duty in Enlisted Status (Continued)

NOTES:

1. Prior to February 11, 1996, absence during which a member was serving on active duty as an enlisted member and was also a Reserve officer is creditable. After February 10, 1996, a commissioned or warrant officer may not count the periods of absence for any purpose other than for computing length of service for basic pay. Also, see subparagraph 2.2.2.
2. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution, or is later convicted by court-martial on the same facts, the period of absence is not creditable.
3. The period spent in confinement is creditable when the member is acquitted, or the sentence is set aside or disapproved.
4. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while waiting (and during) trial which resulted in a sentence by a general court-martial to confinement and total loss of pay and allowances.

Table 1-3. When Active Duty Pay Begins

RULE	When a person is	in the	and	then active duty pay and allowances	
				begin on:	are authorized for:
1	originally appointed as a permanent officer	Regular Army, Navy, Air Force, or Marine Corps (note 1)		the date of formal acceptance of appointment (see subparagraph 3.1.3).	
2	an enlisted member temporarily appointed to a warrant or commissioned officer grade	Navy or Marine Corps		the date of formal acceptance of appointment (see subparagraph 3.1.3).	
3	an enlisted member or warrant officer on active duty appointed to a commissioned officer grade under *10 U.S.C. § 12201*	Reserve	continues on active duty in that commissioned officer grade	the date of formal acceptance of appointment (see subparagraph 3.1.3).	
4	enlisted, reenlisted, or inducted	Regular Army, Navy, Air Force, or Marine Corps		the date of enlistment, reenlistment, or induction.	
5	a service academy graduate commissioned as a second lieutenant or ensign	Regular Army or Air Force		the date of graduation (note 2).	
6	a service academy graduate commissioned as a second lieutenant or ensign	Regular Navy or Marine Corps		the date of formal acceptance of appointment.	
7	a reserve or retired member called or recalled to active duty	Regular Army, Navy, Air Force, or Marine Corps		the date member necessarily complies with active duty order (note 3).	

Table 1-3. When Active Duty Pay Begins (Continued)

RULE	When a person is	in the	and	then active duty pay and allowances	
				begin on:	are authorized for:
8	a temporary officer (without component) called to active duty	Army or Air Force		the date member necessarily complies with active duty orders (note 3).	
9	a reserve or retired member ordered to active duty to take a physical examination incident to being ordered to active duty for more than 30 days	Regular Army, Navy, Air Force, or Marine Corps		the date member necessarily complies with active duty orders (note 3).	period of the examination, and allowable travel time in connection therewith (notes 3, 4, 5, and 6).
10	an Army National Guard or Air National Guard member called into federal service	Army or Air Force	the period of federal service is 30 days or less	the date on which the member, in person or by authorized telephonic or electronic means, contacts the member's unit.	
11	an Army National Guard or Air National Guard member called into federal service	Army or Air Force	the period of federal service is more than 30 days or an indefinite period	the date member necessarily complies with active duty orders (notes 3 and 7).	
12	a separated Service academy cadet required to serve a period of enlisted active duty	Regular Army, Navy, Air Force, or Marine Corps		the date following date of approval of cadet’s separation from the academy.	

Table 1-3. When Active Duty Pay Begins (Continued)

NOTES:

1. Original appointments include officers appointed from warrant officer, enlisted member, or civilian status.
2. Pay accrues from date of graduation, even though appointment is issued and accepted at later date.
3. See paragraph 3.5 and Table 1-6 for allowable travel time to include in computation. Pay and allowances do not accrue if the member begins travel or reports earlier than the travel time necessary to comply with the active duty orders.
4. If member passes the physical examination, pay and allowances accrue for travel time to first duty station when later ordered to active duty for more than 30 days.
5. If the member fails the physical examination, pay and allowances accrue for period required for the examination and travel time to and from the examination.
6. If the member is ordered to active duty solely to take a physical examination, not incident to being ordered to active duty, active duty pay, and allowances do not accrue.
7. Pay status does not begin if the Army National Guard or Air National Guard member is unable to respond to the call to active duty because of illness or other reason.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade

RULE	When member is a(n)	and action is	in the	and	then effective date of increase in pay and allowances
1	officer	designation of special assignment under *10 U.S.C. § 601(a)*	Army, Air Force, or Marine Corps as General or Lt General; or Navy as Admiral or Vice Admiral		is the date officer assumes the designated duty (note 1).
2	Reserve officer not on the active duty list	promotion to grade above O-2	Navy or Marine Corps		is the date officer becomes eligible for promotion to the higher grade.
3	Reserve officer not on the active duty list	promotion to grade O-2	Navy or Marine Corps		is the date of rank.
4	officer	promotion to grade above O-1	Uniformed Services		is the effective date of the promotion.
5	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is ordered to serve on active duty in the higher permanent Reserve grade	is the effective date of orders to serve on active duty in the higher permanent Reserve grade (note 2).
6	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	is the effective date of orders or letter announcing promotion (note 3).
7	Reserve officer on active duty (other than for training) (but not on the active duty list)	temporary promotion to a higher Reserve grade	Army or Air Force	officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	is the effective date of orders announcing promotion; or date shown in special orders confirming verbal orders.
8	enlisted member	advancement in rank or rating	Navy	effective date is specified in the letter authorizing the advance	is the effective date as stated, or date of the letter, whichever is later (note 4).

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

RULE	When member is a(n)	and action is	in the	and	then effective date of increase in pay and allowances
9	enlisted member	advancement in rank or rating	Navy	effective date is not stated in letter	is the date advance was actually affected, but not before date member's commander receives the authority (note 4).
10	enlisted member	advancement in rank or rating	Marine Corps	effective date is specified in the directive authorizing the advance	is the effective date as stated in the directive or date of the directive, whichever is later (note 4).
11	enlisted member	advancement in rank or rating	Marine Corps	promotion is not effected by directive	is the date certificate of appointment is signed by issuing authority (note 4).
12	enlisted member	appointment or promotion to a higher grade	Army or Air Force		1. is the date cited in orders, or date of orders, whichever is later (note 5); or 2. is the date of oral appointment or promotion, if later confirmed in writing (note 4).
13	enlisted member	restoration of former grade		reason for reduction was non-judicial punishment	may be retroactive to date of reduction.
14	enlisted member	restoration of former grade		reason for reduction was inefficiency	is the date of restoration orders.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

NOTES:

1. If the officer's assignment is terminated because of:
   a. Assignment to another position also designated a special assignment: the officer will continue to draw the pay rate of the terminated assignment through the day before assuming the new position.
   b. Hospitalization: the officer will continue to draw the pay rate of the terminated assignment for the full period of hospitalization, but for not more than 180 days.
   c. Retirement: the officer will continue to draw the pay rate of the terminated position through the day before retirement, but for not more than 90 days.
2. A retroactive amendment of active duty orders is authority to serve in the higher grade from date of the amendment only. Increased pay and allowances are authorized from that date. Such orders do not create entitlement to increased pay and allowances for the retroactive period.
3. A retroactive promotion date is to be used only for consideration of seniority and time in grade for future promotions. Such orders do not create entitlement to increased pay and allowances for the period between the eligibility date for promotion and the effective date of the promotion order or letter. The effective date of promotion for purposes of entitlement to increased pay and allowances must not be earlier than the date the officer is assigned to a position requiring a grade equal to or higher than the grade to which promoted.
4. An appointment, promotion, or advancement to a higher grade with an effective date beyond the expiration date of the current enlistment and which is contingent upon the member's extension of enlistment or reenlistment, entitles the member to increased pay and allowances from the effective date of extension or reenlistment, whichever is later. Payment for the higher rank or rating is not authorized for a period prior to date of current enlistment.
5. This restriction does not prevent payment to enlisted members for retroactive promotions or advancements that are made pursuant to ***10 U.S.C. § 1552***(a)(2) (retroactive promotion or advancement without decision of the Board for Correction of Military Records), effective October 23, 1992.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
1	Regular Army, Navy, Marine Corps, or Air Force	officer holding permanent appointment	resignation, discharge, or dismissal		1. shown as official date of separation in official notice; or 2. officer receives official notice, if no official date of separation is shown (note 1).
2	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	discharge or dismissal from permanent status		of termination of appointment.
3	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	resignation		of termination of appointment.
4	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	transfer to Fleet Reserve, or Fleet Marine Corps Reserve (note 2)		before date placed on the retired list.
5	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	involuntary retirement under Officer Personnel Act of 1947		before date placed on the retired list.
6	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	retirement on last day of month after month member completed 30 years of active service		before date placed on the retired list.
7	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	retirement, other than as shown in rules 5 and 6; includes physical disability retirement		before date placed on the retired list.
8	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	permanent appointment as an officer		before date of acceptance of permanent appointment.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
9	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	termination of appointment for any other reason		of termination of appointment.
10	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty		of allowable travel time after release (see Table 1-6).
11	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty for retirement		before date placed on retired list.
12	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	discharge, dismissal, or a resignation		shown in official separation notice, or date member receives official notice of separation.
13	Army, Navy, Marine Corps, or Air Force	enlisted member	retirement (including physical disability retirement)		before date placed on retired list.
14	Army, Navy, Marine Corps, or Air Force	enlisted member	transfer to Fleet Reserve or Fleet Marine Corps Reserve		of transfer.
15	Army, Navy, Marine Corps, or Air Force	enlisted member	discharge		of discharge (note 3).
16	Army, Navy, Marine Corps, or Air Force	enlisted member	retention in service after expiration of term of service (note 4)	convenience of the government	of the period of retention.
17	Army, Navy, Marine Corps, or Air Force	enlisted member	retention in service after expiration of term of service (note 4)	to make good lost time	of the period of retention, if retained in full-duty status or if authorized to perform duty.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	If member is in the	and status is an	and action is	and reason for retention is	then pay and allowances are authorized through date
18	Army, Navy, Marine Corps, or Air Force	enlisted member		probation after confinement	of the probation period, if duty is performed during such period.
19	Army, Navy, Marine Corps, or Air Force	enlisted member		medical care or hospitalization (with member's consent)	of release from medical care or hospitalization (note 5).
20	Army, Navy, Marine Corps, or Air Force	enlisted member		service is essential to public interest (see paragraph 3.4)	of discharge (note 6).
21	Army, Navy, Marine Corps, or Air Force	enlisted member		court-martial action	see subparagraph 4.2.7.
22	Army, Navy, Marine Corps, or Air Force	enlisted member	demotion (administrative)		before date of demotion orders at the higher rate; and at the reduced rate on and after date of demotion orders.
23	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	death		of death.
24	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	revoking a promotion (erroneous promotion through administrative error)		before date of discovery at the higher rate; at the reduced rate on or after date of discovery (note 7).
25	Army, Navy, Marine Corps, or Air Force	officer or enlisted member	retirement	late delivery of retirement orders	retirement orders are delivered, or member is notified that retirement orders were issued.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

NOTES:

1. Discharge orders do not relieve the government of its obligation to an officer. The officer must have received actual or constructive notice by the effective date, unless the officer willfully avoids notice of separation. If kept in Military Service without fault, in ignorance of an order of dismissal, the officer is entitled to all salaries and benefits of the office. If held in Military Service under orders after the date shown in separation orders, the officer is entitled to pay if there is nothing in the records showing non-entitlement.
2. A member who reverts from a temporary officer appointment to a permanent enlisted or warrant officer grade is entitled, if otherwise proper, to the active duty pay and allowances of the temporary officer grade through and including the date of reversion.
3. Includes discharge for underage enlistment. Does not include discharge for fraudulent contract of enlistment (See section 5.0.).
4. A member whose enlistment is extended involuntarily by law comes under rule 15, not rules 16-21.
5. If medical care or hospitalization was due to member's misconduct, pay and allowances terminate on date of expiration of term of Military Service.
6. See subparagraph 3.4.4 for date of termination of the 25 percent increase in basic pay.
7. An erroneous promotion is later voided by revoking promotion orders (certificates of appointment or other documents used by the Military Service concerned to administratively effect promotions) from the original effective date. Payment of the pay and allowances of the higher grade through the date prior to the date of discovery is contingent, in each case, upon an administrative determination of the commander, that service performed while serving in the higher grade may be regarded as service performed in a "de facto" status; that is, the member was promoted by competent authority and performed duties of the higher grade (See procedural regulations of the Military Service concerned).

Table 1-6. Allowable Travel Time – Travel Between Places Within the United States

RULE	If order to active duty is for	and travel by (note 1)	then travel time allowed is	using (notes 3 and 4).
1	30 days or less	all transportation is reasonably available	computed on the basis of air transportation (not more than 1 day for travel between places within the CONUS) (note 2)	actual commercial air schedules and including the actual or estimated time to travel to and from air terminal(s) (but not more than 2 hours for each trip).
2	30 days or less	air transportation is not reasonably available for entire travel	computed as if actually performed by public surface transportation	actual schedules of fastest available mode.

NOTES:

1. When the air terminal is within 50 miles of the active duty station and direct or connecting flights are obtainable within 50 miles of the place from which ordered to active duty.
2. Additional time may be allowed when there is an actual delay in air travel. The delay must have been due to reasons beyond the control of the member, such as mechanical failure, adverse weather conditions, excess passenger load, cancelled flights, illness of other passengers, or other circumstances.
3. Travel is not expected to start or end between midnight and 0600.
4. Travel days will not exceed the computed travel time. In the computation of travel time, use existing commercial schedules to determine the latest departure time that would permit arrival at the duty station on the reporting date and hour. On release from active duty, use earliest schedule after release, which would permit arrival home by fastest available means, without regard to actual performance of travel. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time per subparagraph 3.5.2 when member:
   a. is ordered to perform ADT;
   b. performs authorized IDT immediately before or after ADT at or near the same site; and
   c. receives orders, which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

*Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

	Cumulative Years of Service (Notes 1, 2 & 3)						
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-10 (Note 4)							
O-9 (Note 4)							
O-8 (Note 4)	12,803.70	13,223.70	13,501.80	13,579.20	13,926.90	14,506.50	14,641.80
O-7 (Note 4)	10,638.90	11,133.00	11,361.90	11,544.00	11,872.80	12,198.30	12,574.20
O-6 (Note 5)	8,067.90	8,863.20	9,444.90	9,444.90	9,481.20	9,887.40	9,941.40
O-5 (Note 5)	6,725.70	7,576.50	8,100.90	8,199.60	8,527.20	8,722.50	9,153.00
O-4 (Note 5)	5,803.20	6,717.30	7,166.40	7,265.40	7,681.50	8,127.90	8,684.10
O-3 (Notes 5 & 6)	5,102.10	5,783.70	6,241.80	6,806.10	7,132.80	7,490.70	7,721.70
O-2 (Notes 5 & 6)	4,408.50	5,020.80	5,782.80	5,978.10	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	3,826.20	3,982.80	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

	Cumulative Years of Service (Notes 1, 2 & 3)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-10 (Note 4)					18,491.70	18,491.70	18,491.70	18,491.70
O-9 (Note 4)					18,096.00	18,357.30	18,491.70	18,491.70
O-8 (Note 4)	15,192.60	15,351.30	15,825.90	16,512.90	17,145.60	17,568.60	17,568.60	17,568.60
O-7 (Note 4)	12,948.90	13,325.40	14,506.50	15,504.30	15,504.30	15,504.30	15,504.30	15,584.10
O-6 (Note 5)	9,941.40	10,506.30	11,505.00	12,091.20	12,677.10	13,010.70	13,348.50	14,002.80
O-5 (Note 5)	9,469.80	9,878.10	10,501.80	10,799.10	11,093.10	11,426.70	11,426.70	11,426.70
O-4 (Note 5)	9,116.10	9,416.70	9,589.50	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10
O-3 (Notes 5 & 6)	8,102.10	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00
O-2 (Notes 5 & 6)	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-10 (Note 4)	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70
O-9 (Note 4)	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70	18,491.70
O-8 (Note 4)	17,568.60	18,008.40	18,008.40	18,458.10	18,458.10	18,458.10	18,458.10
O-7 (Note 4)	15,584.10	15,895.80	15,895.80	15,895.80	15,895.80	15,895.80	15,895.80
O-6 (Note 5)	14,002.80	14,282.40	14,282.40	14,282.40	14,282.40	14,282.40	14,282.40
O-5 (Note 5)	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70	11,426.70
O-4(Note 5)	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10	9,689.10
O-3 (Notes 5 & 6)	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00	8,301.00
O-2 (Notes 5 & 6)	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80	6,100.80
O-1 (Notes 5, 6 & 7)	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70	4,814.70

Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2024 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,339.50.
2. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10, note 3) and the maximum amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
3. For rank titles, see Volume 7A Comparable Grades.
4. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2024, which is $18,491.70 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
   a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
   b. Chief of Staff of the Army;
   c. Chief of Naval Operations;
   d. Chief of Staff of the Air Force;
   e. Commandant of the Marine Corps;
   f. Chief of Space Operations;
   g. Commandant of the Coast Guard;
   h. Chief of the National Guard Bureau; or
   i. Commander of a unified or specified combatant command (as defined in ***10 U.S.C. § 161(c)***).
5. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule during calendar year 2024, which is $15,000.00.
6. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
7. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 2.2.1.6.

*Table 1-7A. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

	Cumulative Years of Service (Notes 1, 2 & 3)						
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-10 (Note 4)							
O-9 (Note 4)							
O-8 (Note 4)	13,380.00	13,818.90	14,109.30	14,190.30	14,553.60	15,159.30	15,300.60
O-7 (Note 4)	11,117.70	11,634.00	11,873.10	12,063.60	12,407.10	12,747.30	13,140.00
O-6 (Note 5)	8,430.90	9,261.90	9,870.00	9,870.00	9,907.80	10,332.30	10,388.70
O-5 (Note 5)	7,028.40	7,917.30	8,465.40	8,568.60	8,910.90	9,114.90	9,564.90
O-4 (Note 5)	6,064.20	7,019.70	7,488.90	7,592.40	8,027.10	8,493.60	9,075.00
O-3 (Notes 5 & 6)	5,331.60	6,044.10	6,522.60	7,112.40	7,453.80	7,827.90	8,069.10
O-2 (Notes 5 & 6)	4,606.80	5,246.70	6,042.90	6,247.20	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	3,998.40	4,161.90	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

	Cumulative Years of Service (Notes 1, 2 & 3)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-10 (Note 4)					18,808.20	18,808.20	18,808.20	18,808.20
O-9 (Note 4)					18,808.20	18,808.20	18,808.20	18,808.20
O-8 (Note 4)	15,876.30	16,042.20	16,538.10	17,256.00	17,917.20	18,359.10	18,359.10	18,359.10
O-7 (Note 4)	13,531.50	13,925.10	15,159.30	16,202.10	16,202.10	16,202.10	16,202.10	16,285.50
O-6 (Note 5)	10,388.70	10,979.10	12,022.80	12,635.40	13,247.70	13,596.30	13,949.10	14,632.80
O-5 (Note 5)	9,895.80	10,322.70	10,974.30	11,285.10	11,592.30	11,940.90	11,940.90	11,940.90
O-4 (Note 5)	9,526.20	9,840.60	10,020.90	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00
O-3 (Notes 5 & 6)	8,466.60	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50
O-2 (Notes 5 & 6)	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-10 (Note 4)	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-9 (Note 4)	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-8 (Note 4)	18,359.10	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20	18,808.20
O-7 (Note 4)	16,285.50	16,611.00	16,611.00	16,611.00	16,611.00	16,611.00	16,611.00
O-6 (Note 5)	14,632.80	14,925.00	14,925.00	14,925.00	14,925.00	14,925.00	14,925.00
O-5 (Note 5)	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90	11,940.90
O-4(Note 5)	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00	10,125.00
O-3 (Notes 5 & 6)	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50	8,674.50
O-2 (Notes 5 & 6)	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30	6,375.30
O-1 (Notes 5, 6 & 7)	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30	5,031.30

Table 1-7A. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2025 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,399.80.
2. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member payable (Table 1-10A, note 3) and the maximum amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
3. For rank titles, see Volume 7A Comparable Grades.
4. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2025, which is $18,808.20 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
   a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
   b. Chief of Staff of the Army;
   c. Chief of Naval Operations;
   d. Chief of Staff of the Air Force;
   e. Commandant of the Marine Corps;
   f. Chief of Space Operations;
   g. Commandant of the Coast Guard;
   h. Chief of the National Guard Bureau; or
   i. Commander of a unified or specified combatant command (as defined in ***10 U.S.C. § 161(c)***).
5. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule during calendar year 2025, which is $15,258.30.
6. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
7. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 2.2.1.6.

*Table 1-8. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.
Notes 1 and 2

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-3E				6,806.10	7,132.80	7,490.70	7,721.70
O-2E				5,978.10	6,100.80	6,294.90	6,622.80
O-1E				4,814.70	5,141.10	5,331.30	5,525.70

Cumulative Years of Service (Notes 1 & 2)								
Pay Grade (Notes 3 & 4)	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-3E	8,102.10	8,423.40	8,607.90	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00
O-2E	6,876.60	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00
O-1E	5,716.50	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-3E	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00	8,859.00
O-2E	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00	7,065.00
O-1E	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10	5,978.10

NOTES:

1. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Table 1-10, note 3) and the amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
2. For rank titles, see Volume 7A Comparable Grades.
3. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Effective November 24, 2003, creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of 10 U.S.C. § 12732(a)(2).
4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See the Basic Pay – Officers table for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 2.2.1.6.

*Table 1-8A. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.
Notes 1 and 2

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
O-3E				7,112.40	7,453.80	7,827.90	8,069.10
O-2E				6,247.20	6,375.30	6,578.10	6,920.70
O-1E				5,031.30	5,372.40	5,571.30	5,774.40

Cumulative Years of Service (Notes 1 & 2)								
Pay Grade (Notes 3 & 4)	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
O-3E	8,466.60	8,802.60	8,995.20	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70
O-2E	7,185.90	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00
O-1E	5,973.60	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20

Cumulative Years of Service (Notes 1 & 2)							
Pay Grade (Notes 3 & 4)	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-3E	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70	9,257.70
O-2E	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00	7,383.00
O-1E	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20	6,247.20

NOTES:

1. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Table 1-10A, note 3) and the amount of hostile fire or imminent danger pay ($225) actually payable to the officer for the qualifying month.
2. For rank titles, see Volume 7A Comparable Grades.
3. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Effective November 24, 2003, creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of 10 U.S.C. § 12732(a)(2).
4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See the Basic Pay – Officers table for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 2.2.1.6.

*Table 1-9. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
W-5							
W-4	5,273.10	5,671.50	5,834.40	5,994.60	6,270.60	6,543.60	6,820.20
W-3	4,815.60	5,015.70	5,222.10	5,289.00	5,504.40	5,928.90	6,370.80
W-2	4,260.90	4,663.80	4,787.70	4,873.20	5,149.20	5,578.50	5,791.80
W-1	3,739.80	4,143.00	4,250.70	4,479.60	4,749.90	5,148.30	5,334.30

Cumulative Years of Service (Note)								
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
W-5					9,375.60	9,851.10	10,205.70	10,597.20
W-4	7,235.40	7,599.90	7,946.70	8,231.10	8,508.30	8,914.50	9,248.70	9,629.70
W-3	6,579.00	6,819.90	7,067.40	7,513.80	7,814.70	7,994.70	8,186.10	8,447.10
W-2	6,001.20	6,257.40	6,457.80	6,639.00	6,856.20	6,998.70	7,111.80	7,111.80
W-1	5,595.30	5,850.90	6,052.20	6,237.60	6,462.90	6,462.90	6,462.90	6,462.90

Cumulative Years of Service (Note)							
Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
W-5	10,597.20	11,128.20	11,128.20	11,683.50	11,683.50	12,269.10	12,269.10
W-4	9,629.70	9,821.70	9,821.70	9,821.70	9,821.70	9,821.70	9,821.70
W-3	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10	8,447.10
W-2	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80	7,111.80
W-1	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90	6,462.90

NOTE:

For rank titles, see Volume 7A Comparable Grades.

*Table 1-9A. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
W-5							
W-4	5,510.40	5,926.80	6,096.90	6,264.30	6,552.90	6,838.20	7,127.10
W-3	5,032.20	5,241.30	5,457.00	5,526.90	5,752.20	6,195.60	6,657.60
W-2	4,452.60	4,873.80	5,003.10	5,092.50	5,380.80	5,829.60	6,052.50
W-1	3,908.10	4,329.30	4,442.10	4,681.20	4,963.50	5,379.90	5,574.30

Cumulative Years of Service (Note)								
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**	**Over 26**
W-5					9,797.40	10,294.50	10,665.00	11,074.20
W-4	7,560.90	7,941.90	8,304.30	8,601.60	8,891.10	9,315.60	9,664.80	10,062.90
W-3	6,875.10	7,126.80	7,385.40	7,851.90	8,166.30	8,354.40	8,554.50	8,827.20
W-2	6,271.20	6,539.10	6,748.50	6,937.80	7,164.60	7,313.70	7,431.90	7,431.90
W-1	5,847.00	6,114.30	6,324.60	6,518.40	6,753.60	6,753.60	6,753.60	6,753.60

Cumulative Years of Service (Note)							
Pay Grade	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
W-5	11,074.20	11,628.90	11,628.90	12,209.40	12,209.40	12,821.10	12,821.10
W-4	10,062.90	10,263.60	10,263.60	10,263.60	10,263.60	10,263.60	10,263.60
W-3	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20	8,827.20
W-2	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90	7,431.90
W-1	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60	6,753.60

NOTE:

For rank titles, see Volume 7A Comparable Grades.

*Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2024
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,370.50
E-8						5,214.90	5,445.60
E-7	3,624.90	3,956.40	4,108.20	4,308.30	4,465.50	4,734.60	4,886.40
E-6	3,135.60	3,450.60	3,603.00	3,750.90	3,904.80	4,252.50	4,387.80
E-5	2,872.20	3,065.70	3,214.20	3,365.70	3,601.80	3,848.70	4,052.10
E-4	2,633.70	2,768.40	2,918.40	3,066.30	3,197.40	3,197.40	3,197.40
E-3	2,377.50	2,526.90	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,514.80	6,696.60	6,910.50	7,127.10	7,472.10	7,765.20	8,072.70
E-8	5,588.40	5,759.40	5,944.50	6,279.30	6,449.10	6,737.40	6,897.30
E-7	5,155.20	5,379.30	5,532.30	5,694.90	5,757.90	5,969.70	6,083.10
E-6	4,649.70	4,729.80	4,788.00	4,856.40	4,856.40	4,856.40	4,856.40
E-5	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40
E-4	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40
E-3	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,544.00	8,544.00	8,970.30	8,970.30	9,419.40	9,419.40	9,891.30	9,891.30
E-8	7,291.20	7,291.20	7,437.30	7,437.30	7,437.30	7,437.30	7,437.30	7,437.30
E-7	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70	6,515.70
E-6	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40	4,856.40
E-5	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40	4,076.40
E-4	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40	3,197.40
E-3	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20	2,680.20
E-2	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10	2,261.10
E-1 (Notes 4 & 5)	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20	2,017.20

Table 1-10. Monthly Rates of Basic Pay – Enlisted Members Effective January 1, 2024 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,294.80 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,294.80 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $1,865.10.

*Table 1-10A. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,657.30
E-8						5,449.50	5,690.70
E-7	3,788.10	4,134.30	4,293.00	4,502.10	4,666.50	4,947.60	5,106.30
E-6	3,276.60	3,606.00	3,765.00	3,919.80	4,080.60	4,443.90	4,585.20
E-5	3,001.50	3,203.70	3,358.80	3,517.20	3,763.80	4,021.80	4,234.50
E-4	2,752.20	2,892.90	3,049.80	3,204.30	3,341.40	3,341.40	3,341.40
E-3	2,484.60	2,640.60	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,807.90	6,997.80	7,221.60	7,447.80	7,808.40	8,114.70	8,436.00
E-8	5,839.80	6,018.60	6,212.10	6,561.90	6,739.20	7,040.70	7,207.80
E-7	5,387.10	5,621.40	5,781.30	5,951.10	6,017.10	6,238.20	6,356.70
E-6	4,858.80	4,942.50	5,003.40	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40
E-3	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,928.60	8,928.60	9,374.10	9,374.10	9,843.30	9,843.30	10,336.50	10,336.50
E-8	7,619.40	7,619.40	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10
E-7	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80
E-6	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40	3,341.40
E-3	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80	2,800.80
E-2	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80	2,362.80
E-1 (Notes 4 & 5)	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10	2,108.10

Table 1-10A. Monthly Rates of Basic Pay – Enlisted Members Effective January 1, 2025 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,758.00 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,758.00 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $1,949.10.

*Table 1-10B. Monthly Rates of Basic Pay – Enlisted Members - Effective April 1, 2025
For the most current rates, see Basic Pay table on DFAS.MIL.

Cumulative Years of Service (Note 1)							
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**
E-9 (Notes 2 & 3)							6,657.30
E-8						5,449.50	5,690.70
E-7	3,788.10	4,134.30	4,293.00	4,502.10	4,666.50	4,947.60	5,106.30
E-6	3,276.60	3,606.00	3,765.00	3,919.80	4,080.60	4,443.90	4,585.20
E-5	3,220.50	3,466.50	3,637.50	3,802.20	3,959.40	4,142.40	4,234.50
E-4	3,027.30	3,182.10	3,354.90	3,524.70	3,675.60	3,675.60	3,675.60
E-3	2,733.00	2,904.60	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Cumulative Years of Service (Note 1)							
Pay Grade	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 24**
E-9 (Notes 2 & 3)	6,807.90	6,997.80	7,221.60	7,447.80	7,808.40	8,114.70	8,436.00
E-8	5,839.80	6,018.60	6,212.10	6,561.90	6,739.20	7,040.70	7,207.80
E-7	5,387.10	5,621.40	5,781.30	5,951.10	6,017.10	6,238.20	6,356.70
E-6	4,858.80	4,942.50	5,003.40	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60
E-3	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Cumulative Years of Service (Note 1)								
Pay Grade	**Over 26**	**Over 28**	**Over 30**	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 2 & 3)	8,928.60	8,928.60	9,374.10	9,374.10	9,843.30	9,843.30	10,336.50	10,336.50
E-8	7,619.40	7,619.40	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10	7,772.10
E-7	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80	6,808.80
E-6	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80	5,074.80
E-5	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70	4,259.70
E-4	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60	3,675.60
E-3	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00	3,081.00
E-2	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20	2,599.20
E-1 (Notes 4 & 5)	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00	2,319.00

Table 1-10B. Monthly Rates of Basic Pay – Enlisted Members Effective April 1, 2025 (Continued)

NOTES:

1. For rank titles, see Volume 7A Comparable Grades.
2. Basic pay for senior enlisted member (grade E-9) is $10,758.00 regardless of years of service while serving as:
   a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
   b. Sergeant Major of the Army;
   c. Master Chief Petty Officer of the Navy;
   d. Chief Master Sergeant of the Air Force;
   e. Sergeant Major of the Marine Corps;
   f. Chief Master Sergeant of the Space Force;
   g. Master Chief Petty Officer of the Coast Guard; or
   h. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
3. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $10,758.00 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
4. Must have 4 months of active duty or more.
5. Basic pay for an E-1 with less than 4 months of active duty is $2,144.10.

Table 1-11. Authorized Absence - Effect on Pay and Allowances

RULE	When member is absent from duty	and	then the member is	and the period of absence is
1	on authorized leave	such leave is: a. ordinary accrued leave; b. emergency leave; c. reenlistment leave; or d. delay en route	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged as leave.
2	on authorized leave	such leave is advanced accrued leave	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged against leave as it accrues (note 1).
3	on authorized leave	such leave is: a. graduation leave; b. sick or convalescent leave; c. pass or liberty; or d. proceed time	entitled to otherwise proper credit of full pay and allowances during the period of absence	not chargeable against leave.
4	at home on Permanent Change of Station (PCS) orders awaiting final action on physical evaluation board proceedings		entitled to pay and allowances as follows: a. basic pay; b. special pay (if a health professional officer); c. BAS for officers and enlisted (as applicable) (note 2); d. BAH (note 3); and e. clothing maintenance allowance	chargeable to leave to the extent possible (note 4).
5	on excess leave		not entitled to pay and allowances (note 5)	not chargeable to accrued leave (note 6).

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

RULE	When member is absent from duty	and	then the member is	and the period of absence is
6	on authorized educational leave of absence not to exceed 2 years, or 3 years if pursuing a program of education in the health care profession		entitled to basic pay (member is not entitled to BAH, BAS, or any other pay and allowance to which member might otherwise be entitled for period of leave of absence)	not chargeable to accrued leave.
7	on authorized rest and recuperative absence for not more than 30 days for extending duty under Chapter 14, section 3.0	blank	entitled to otherwise proper credit of full pay and allowances during the period of absence (note 7)	not chargeable to accrued leave.

NOTES:

1. See subparagraph 4.1.4 for collection requirements when advance leave is changed to excess leave.
2. Enlisted members are entitled to BAS at the rate shown in Chapter 25, Table 25-1 or the Basic Allowance for Subsistence (BAS) table except for days of leave specifically authorized by the PCS orders. Pay BAS at the rate shown in Chapter 25, subparagraph 2.2.2.3 for the PCS order-authorized leave period.
3. Members without dependents are entitled to BAH as prescribed in subparagraph 4.1.3.2.5.
4. A negative leave balance, which existed prior to the member being ordered home continues until separation or retirement and will be collected as excess leave.
5. A member separating effective March 1, whose separation leave period through February 28 (or through February 29 during leap year) results in excess leave, is not entitled to pay and allowances for February 29 and 30 (or for February 30 during leap year). These days are not considered days of excess leave; however, the member is considered to be in a non-pay status through February 30. See subparagraph 3.2.2.

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

NOTES (continued):

6. Under ***DoD Instruction (DoDI) 1327.06, "Leave and Liberty Policy and Procedures,"*** a member does not accrue leave during periods of excess leave (here referred to as "nonaccrual"). Computation of the number of days involved in an excess leave balance, which accounts for this nonaccrual may result in a total which includes a fraction. Effective with leave taken on or after Feb 1, 1987, the total is not rounded to eliminate the fraction when pay and allowances are collected for excess leave. The fractional one-half day is considered to occur on the first day of the excess leave involved. Collect pay and allowances for the number of days, to include fractional days.
7. Member is not entitled to special pay under Chapter 14, section 2.0.

Table 1-12. Unauthorized Absence and Other Lost Time - Effect on Pay and Allowances

RULE	When member is absent from duty	and	then the member
1	without authority, (AWOL) or excess leave, delays en route, pass or liberty	the absence is excused as unavoidable	is entitled to otherwise proper credits of pay and allowances (note 1).
2	without authority, (AWOL) or excess leave, delays en route, pass or liberty	the absence is not excused as unavoidable	is not entitled to pay and allowances (note 2).
3	for more than 24 consecutive hours as a result of a disease	the disease is caused by and immediately follows intemperate use of alcoholic liquors or habit-forming drugs	is entitled to allowances but not to basic pay, special, or incentive pay (note 3).
4	in confinement by civil authorities	is being detained as a witness before a civil court	is entitled to otherwise proper credits of pay and allowances.
5	in confinement by civil authorities	the absence is excused as unavoidable (see Table 1-13)	is entitled to otherwise proper credits of pay and allowances.
6	in confinement by civil authorities	the absence is not excused as unavoidable (see Table 1-13)	is not entitled to pay and allowances, except for that part of the period that is covered by authorized leave, liberty, or pass (note 4).
7	in confinement by military authorities for a foreign civil offense	is not considered “constructively absent” from duty (note 5)	is entitled to otherwise proper credits of pay and allowances.
8	in confinement by military authorities for a foreign civil offense	is considered “constructively absent” from duty (note 6)	is not entitled to pay and allowances except for that part of the period that is covered by authorized leave, unless the absence is excused as unavoidable (see Table 1-13).
9	in military confinement (other than for civil authorities)	is awaiting trial by court-martial or serving a sentence of confinement which did not include a forfeiture of pay	is entitled to otherwise proper credits of pay and allowances.
10	in military confinement (other than for civil authorities)	is serving a court-martial sentence which includes a forfeiture of pay and allowances	is entitled to pay and allowances accruing before the date the sentence was approved by the convening authority and to any unforfeited pay and allowances accruing after that date.

Table 1-12. Unauthorized Absence and Other Lost Time – Effect on Pay and Allowances (Continued)

RULE	When member is absent from duty	and	then the member
11	as a deserter	is found guilty of deserting by court-martial or is administratively discharged for desertion or dies prior to return to military control or while awaiting trial by court-martial for the charge of desertion	forfeits all pay and allowances including that due on the first day of desertion (note 7).
12	without authority for 3 months while serving as an Army or Air Force officer	is dropped from the rolls by the President	forfeits all pay and allowances due or to become due (note 7).

NOTES:

1. Enlisted members are entitled to BAS at the rate prescribed when permission to ration separately is granted unless they were subsisted at government expense.
2. See Chapter 26, for entitlement to BAH in a non-pay status. See Chapter 10 for entitlement to Hostile Fire Pay, which is payable in full for each month in which qualification is made.
3. A member is not entitled to pay or allowances for period of hospitalization after expiration of enlistment.
4. A member is not entitled to pay and allowances if granted a pass or liberty to serve civil confinement.
5. In any case where the commander of the military installation retains the discretionary authority to decide to incarcerate a member (or to merely restrict to the duty station and assign to perform useful and productive duties on a full-time basis), such member will not be considered as being "constructively absent" for the purposes of entitlement to pay and allowances.
6. Under existing DoD policy and Status of Forces Agreements, the U.S. Commander always retains discretionary authority to incarcerate or restrict a Military Service member to the installation when such a member is pending civil charges, even in cases where incarceration or restriction is requested by foreign authorities. Such member is not considered as being "constructively absent" for the purpose of entitlement to pay and allowances.
7. Pay and allowances due on date of desertion and on date an officer was dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.

*Table 1-13. Rules for Determining Whether Absence Is Unavoidable

RULE	When member is absent from duty	and	and	then absence may
1	in confinement by civil authorities or by military authorities for civil authorities	is tried and acquitted		be excused as unavoidable.
2	in confinement by civil authorities or by military authorities for civil authorities	charges are dismissed or member is released (or dies) without trial	it is clear that arrest and detention were not due to member's misconduct	be excused as unavoidable.
3	in confinement by civil authorities or by military authorities for civil authorities	is released without trial upon agreement to make restitution or reparation for the alleged offense	the commander determines that absence was not due to member's misconduct	be excused as unavoidable.
4	in confinement by civil authorities or by military authorities for civil authorities	is admitted to bail and trial is postponed indefinitely	it is apparent that the case will not be prosecuted	be excused as unavoidable.
5	in confinement by civil authorities or by military authorities for civil authorities	was released because the case was discontinued by the prosecutor or plaintiff or because the jury failed to agree		be excused as unavoidable.

Table 1-13. Rules for Determining Whether Absence Is Unavoidable (Continued)

RULE	When member is absent from duty	and	and	then absence may
6	in confinement by civil authorities or by military authorities for civil authorities	is tried and convicted		not be excused as unavoidable.
7	in confinement by civil authorities or by military authorities for civil authorities	is released under bond (not in a full-duty status) pending appeal of the case to a higher court	the appeal does not result in acquittal	not be excused as unavoidable.
8	in confinement by civil authorities or by military authorities for civil authorities	is discharged because of imprisonment or conviction by a civil court		not be excused as unavoidable.
9	in confinement by civil authorities or by military authorities for civil authorities	confinement is due to failure to obey a decree of a civil court		not be excused as unavoidable.
*10	in confinement by civil authorities	is tried and found not guilty by reason of insanity	the court orders commitment of the member under applicable Federal or State law	be excused as unavoidable.
11	without authority, (AWOL) or excess leave	the absence could not have been avoided by the member or by military authorities	the absence was not due to member's misconduct	be excused as unavoidable.
12	over pass or liberty	the absence could not have been avoided by the member or by military authorities	the absence was not due to member's misconduct	be excused as unavoidable.
13	over pass or liberty	the absence could have been prevented by member or by military authorities		not be excused as unavoidable.

Table 1-14. Computing Periods of Unauthorized Absence

RULE	When a member	and he/she is in the	and the hour of expiration of leave, pass, or liberty, or authorized travel	and the member	then
1	leaves the post of duty, place of service, or organization without authority	Army, Air Force, Navy or Marine Corps		remains absent more than 24 consecutive hours	the day of departure will be counted as the first day of unauthorized absence.
2	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	Navy, or Marine Corps	is before 2400 hours as specified in leave orders	does not report on or before the specified hour of the following day	the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
3	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	Navy, or Marine Corps	is 2400 hours as specified in leave orders		the day following the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
4	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty	Navy, or Marine Corps	is not specified in leave orders	does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.
5	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty	Army or Air Force	is not specified in leave orders	does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.

Table 1-14. Computing Periods of Unauthorized Absence (Continued)

RULE	When a member	and he/she is in the	and the hour of expiration of leave, pass, or liberty, or authorized travel	and the member	then
6	fails to report to the organization or post of duty by 2400 hours on the last day of authorized travel time	Army, Air Force, Navy, or Marine Corps	is not specified in orders		the day following the last day of authorized travel time is the first day of unauthorized absence.
7	is AWOL	Army, Air Force, Navy, or Marine Corps		returns to the place of duty, or organization, or otherwise to the jurisdiction of the Armed Forces	the day before the member's return is the last day of unauthorized absence.

NOTE:

The unauthorized absence begins at the normal duty hour. No unauthorized absence exists unless the member remains absent for more than 24 hours after the beginning of the normal duty hour.

*Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances

RULE	When an individual	and	then pay and allowances
1	is under investigation for a fraudulent enlistment or induction		will continue to be paid until a determination of fraud is made.
2	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government neither voids the enlistment or induction nor waives the fraud (or defect)	are suspended (including unpaid pay and allowances) from the date the disbursing officer is notified of the determination of fraud until the government either voids the enlistment or induction or allows it to stand.
3	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government voids the enlistment or induction	will not be paid (note 1).
4	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government waives the fraud (or defect)	continue and the service is as valid as that of any other member.
5	enlists in the Army or Air Force before 17 , and the government discovers the defect before the member reaches minimum age		do not accrue between date of notification to disbursing officer and date of discharge (note 1).
6	enlists in the Army or Air Force while 17 , without parent's or guardian's consent	is discharged upon application of parent or guardian	accrue to include the date of discharge or release.

*Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances (Continued)

RULE	When an individual	and	then pay and allowances
7	enlists in the Navy or Marine Corps while under the minimum statutory age (17)		accrue to include the date of discharge or release.
***8**	was judicially declared to have been mentally incapacitated before entry on active duty	is released from military control for such reason	do not accrue for any part of the period involved (note 2).
***9**	was not judicially declared to be mentally incapacitated before entry on active duty but is later found to have been mentally incapacitated at the time of entry on active duty	is released from military control for such reason	accrue from the time of entry on active duty until release from military control.
10	enlisted or inducted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service		accrue from the time of entry on active duty through the date of release from military control.

NOTES:

1. Individual retains amounts received before disbursing officer is notified, if otherwise proper.
2. Individual retains amounts received while performing active duty before release from military control.

*REFERENCES

CHAPTER 1 – BASIC PAY

2.0 – CREDITABLE SERVICE

2.1	37 U.S.C. §§ 201(e), 203(d), 205,
	27 Comptroller General (Comp Gen) 530
	24 Comp Gen 829
	25 Comp Gen 680
	10 U.S.C. §§ 507, 1038, 2106(c), 2107(g)
	62 Statutes (Stat) 1082
	37 Comp Gen 838
	1 Comp Gen 668
	45 Comp Gen 149
	Comp Gen B-195448, April 3, 1980
	42 Comp Gen 296
	45 Comp Gen 103
	38 Comp Gen 68
2.1.4.4.	10 U.S.C. §§ 516, 971
2.1.4.10.	10 U.S.C. § 2106(c)
2.1.4.11.	37 U.S.C. § 205(e)
2.1.4.12.	37 U.S.C. § 205(e)
	10 U.S.C. § 513
2.1.4.13.	10 U.S.C. § 2106
2.1.4.14.	10 U.S.C. § 2106
2.1.4.5.	37 U.S.C. § 205(a)
2.2	36 Comp Gen 146
	37 Comp Gen 237
	37 U.S.C. §§ 205, 205(b) (d) (e)
	Comp Gen B-221944.2
	1 Comp Gen 511
	1 Comp Gen 668
	3 Comp Gen 61
	22 Comp Gen 987
	25 Comp Gen 718
	45 Comp Gen 103
	22 Comp Gen 907
	23 Comp Gen 755
	10 U.S.C. §§ 2114(b), 2126
	38 Comp Gen 553
	38 Comp Gen 352
2.2.1.6.	10 U.S.C. § 2114(b)
2.2.1.8.	10 U.S.C. §§ 513, 12103(b) & (d)
	37 U.S.C. §§ 205, 205(e)
2.2.1.9.	10 U.S.C. §§ 516, 971

Note	46 U.S.C. §§ 513, 515 Title 46, Code of Federal Regulations, Part 310, Subparts A & C
2.2.2.	10 U.S.C. § 972(b) 37 U.S.C. § 205(a) 38 Comp Gen 352 38 Comp Gen 553
2.3	37 U.S.C. § 203(d) 38 Comp Gen 68
2.3.1.1.	10 U.S.C. § 2114(b)
2.3.1.2.	37 U.S.C. § 203(d)
2.3.1.3.	37 U.S.C. § 907
2.3.1.4.	37 U.S.C. § 203(d)
2.3.1.5.	37 U.S.C. § 203(d)
2.3.1.8.	10 U.S.C. §2114
2.3.2.	32 U.S.C. § 709
2.4	5 U.S.C. § 5505 38 Comp Gen 824 37 Comp Gen 455
2.4.1.	5 U.S.C. § 5505 38 Comp Gen 824 37 Comp Gen 455
2.4.1.1.	10 U.S.C. §§ 513, 12103(b) & (d) 37 U.S.C. § 205(e)
2.4.2.	5 U.S.C. § 5505 38 Comp Gen 824 37 Comp Gen 455

3.0 – COMPUTATION OF PAY

3.1.2.1.	5 U.S.C. §§ 5534a, 5536 3 Comp Gen 40 17 Comp Gen 1049 18 Comp Gen 213 46 Comp Gen 400 52 Comp Gen 471 Comp Gen B-214919, March 22, 1985
3.1.2.1.2.	22 U.S.C. § 2385(d)
3.1.2.2.2.	10 U.S.C. § 973 5 U.S.C. § 5534a
3.1.3.1.	21 Comp Gen 819
3.1.3.2.	10 U.S.C. §§ 3394, 5792, 8394, 8312, 8451
3.1.4.	10 U.S.C. § 12316
3.1.5.	10 U.S.C. § 1523 37 U.S.C. § 552(a)

3.1.6.	Comp Gen B-195129, April 28, 1980
	63 Comp Gen 385
	Comp Gen B-224946, September 25, 1987
	Comp Gen B-252140, June 3, 1993
	38 U.S.C. § 5304
3.2.1.1.	5 U.S.C. § 5505
	13 Comp Dec 75
	4 Comp Gen 757
	20 Comp Dec 165
	45 Comp Gen 395
	54 Comp Gen 952
	5 Comp Gen 935
	10 Comp Gen 11
3.2.1.2.	37 U.S.C. § 1004
	46 Comp Gen 100
	54 Comp Gen 952
	62 Comp Gen 266
3.2.2.	5 U.S.C. § 5505
	37 U.S.C. § 503
3.2.2.1.	5 U.S.C. § 5505
3.2.3.	5 U.S.C. § 5505
3.3.1.1.	37 U.S.C. § 907
3.3.1.2.	Comp Gen B-232042, July 7, 1989
3.3.3.	10 U.S.C. §§ 2114, 2121
3.3.4.	45 Comp Gen 763
3.3.4.1.	46 Comp Gen 57
3.3.4.2.	46 Comp Gen 804
3.3.4.3.	Secretary of the Navy Instruction 1421.3M December 17, 2019
3.3.4.9.	46 Comp Gen 57
3.3.5.	61 Comp Gen 296
3.4.1.	10 U.S.C. § 5540
3.5.1.	Executive Order (EO) 12683, July 21, 1989
	7 U.S.C. § 204(b)
	Comp Gen B-146551, December 13, 1961
3.5.1.2.	37 U.S.C. § 204(e)
3.5.2.1.	37 U.S.C. § 204(b)
	EO 12683, July 21, 1989
3.5.2.2.	48 Comp Gen 78

4.0 – ABSENCE FROM DUTY, EFFECT ON PAY AND ALLOWANCES

4.1.1.	10 U.S.C. § 701(a)
4.1.3.2.9.	Comp Gen B-181710, April 2, 1975
4.1.4.1.	37 U.S.C. § 502(a)
4.1.4.2.	10 U.S.C. § 701

4.1.4.3.	60 Comp Gen 51
4.1.5.	50 U.S.C., App 2205
4.1.6.	10 U.S.C. § 707
4.1.6.2.	Comp Gen B-213883, May 30, 1984
4.1.6.3.	10 U.S.C. § 707(c)
Note	DoDI 1340.21, May 12, 2004, paragraph E5.7
4.2.2.1.	50 U.S.C., App 2205 Comp Gen B-147334, November 6, 1961
4.2.2.3.	9 Comp Dec 517, 518
4.2.2.5.	10 U.S.C. § 2772
4.2.4.1.	Comp Gen B-169366, April 8, 1970
4.2.4.2.	52 Comp Gen 317 DFAS Office of General Counsel (OGC) Memo, March 11, 2024
4.2.4.3.	Comp Gen B-194949, November 7, 1979
4.2.5.1.	14 Comp Gen 710
4.2.6.1.1.	Comp Gen B-169366, April 8, 1970
4.2.7.1.	54 Comp Gen 862
4.2.7.2.	9 Comp Gen 323 Comp Gen B-23804, February 21, 1942 Comp Gen B-113109, January 30, 1953 54 Comp Gen 862
4.2.7.3.	Comp Gen B-131446, June 26, 1957
4.2.7.4.	30 Comp Gen 449
4.2.7.5.	11 Comp Gen 342 54 Comp Gen 862
4.2.7.6.	37 Comp Gen 488 47 Comp Gen 487
4.2.7.8.	37 Comp Gen 380 9 Comp Gen 323 3 Comp Dec 676
4.2.7.9.	33 Comp Gen 195
4.2.7.10.	59 Comp Gen 12
4.2.8.	Comp Gen B-171865, March 25, 1971

5.0 – PAYMENT IN CASES OF VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS

5.1	12 Comp Dec 445 3 Comp Gen 61 9 Comp Gen 26 54 Comp Gen 291
5.4	11 Comp Dec 710 47 Comp Gen 671
5.5	48 Comp Gen 377

6.0 – FINANCIAL INSTITUTION CHARGES

10 U.S.C. § 1035

7.0 – MILITARY PAYDAYS

10 U.S.C. § 1014

Table 1-1 – SERVICE AS CADET OR MIDSHIPMAN – OFFICERS

Rule 1	10 U.S.C. § 971(b)
	30 Comp Gen 228
Rule 2	10 U.S.C. §§ 516, 971(a)
Rules 3 and 4	32 Comp Gen 548

Table 1-2 – ABSENCE FROM DUTY IN ENLISTED STATUS

Rule 1	55 Comp Gen 1244
Rule 2, 3, 5, 6, 8 and 9	10 U.S.C. § 972
Note 2	38 Comp Gen 553

Table 1-3 – WHEN ACTIVE DUTY PAY BEGINS

Rule 5	37 U.S.C. § 204(f)
Rule 8	37 U.S.C. § 204(b)
Rule 9	Comp Gen B-181762, July 18, 1975
	19 Comp Gen 282
Rule 10	37 U.S.C. § 204(c)
Rule 11	43 Comp Gen 293

Table 1-4 – INCREASES IN PAY ON PROMOTION OR RESTORATION OF GRADE

Rule 1	10 U.S.C. § 601(a)
Rule 2	37 U.S.C. § 905(a)
Rule 3	37 U.S.C. § 905(b)
Rule 4	37 U.S.C. § 1010
Rules 5 & 6	10 U.S.C. §§ 3380, 8380
Rule 11	Comp Gen B-208043, January 18, 1983
Rule 12	10 U.S.C. § 1552(a)(2)
Rule 13	36 Comp Gen 137
Note 1	10 U.S.C. § 601(b)
Note 2	Comp Gen B-143510, September 29, 1960
	42 Comp Gen 445
Note 3	Comp Gen B-107486, November 15, 1966
Note 5	10 U.S.C. § 1552(a)(2)

Table 1-5 – TERMINATION OR REDUCTION OF ACTIVE DUTY PAY AND ALLOWANCES

Rule 5	Career Compensation Act of 1949, 61 Stat 795
Rule 16	7 Comp Gen 228
Rule 19	10 U.S.C. § 507
Rule 25	49 Comp Gen 429
Note 1	27 Comp Gen 13
Note 6	55 Comp Gen 109
Note 7	49 Comp Gen 800

Table 1-6 – ALLOWABLE TRAVEL TIME – TRAVEL BETWEEN PLACES WITHIN THE UNITED STATES

EO 10153, August 17, 1950
EO 10649, December 28, 1955
EO 12683, July 12, 1989
Comp Gen B-146551, December 13, 1961

Table 1-7 – MONTHLY RATES OF BASIC PAY – COMMISSIONED OFFICERS, ACADEMY CADETS AND MIDSHIPMEN AND ROTC MEMBERS

37 U.S.C. §§ 203, 1009
EO 14113, December 21, 2023

Table 1-7A – MONTHLY RATES OF BASIC PAY – COMMISSIONED OFFICERS, ACADEMY CADETS AND MIDSHIPMEN AND ROTC MEMBERS

37 U.S.C. §§ 203, 1009
EO 14132, December 23, 2024

Table 1-8 – MONTHLY RATES OF BASIC PAY – COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS OF ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE

37 U.S.C. §§ 203, 1009
EO 14113, December 21, 2023

Table 1-8A – MONTHLY RATES OF BASIC PAY – COMMISSIONED OFFICERS CREDITED WITH OVER 4 YEARS OF ACTIVE DUTY ENLISTED AND/OR WARRANT OFFICER SERVICE

37 U.S.C. §§ 203, 1009
EO 14132, December 23, 2024

Table 1-9 – MONTHLY RATES OF BASIC PAY – WARRANT OFFICERS

37 U.S.C. §§ 203, 1009
EO 14113, December 21, 2023

Table 1-9A – MONTHLY RATES OF BASIC PAY – WARRANT OFFICERS

37 U.S.C. §§ 203, 1009
EO 14132, December 23, 2024

Table 1-10 – MONTHLY RATES OF BASIC PAY – ENLISTED MEMBERS

37 U.S.C. §§ 203, 1009
EO 14113, December 21, 2023
Note 3 37 U.S.C. § 210(a)

Table 1-10A – MONTHLY RATES OF BASIC PAY – ENLISTED MEMBERS

37 U.S.C. §§ 203, 1009
EO 14132, December 23, 2024
Note 3 37 U.S.C. § 210(a)

Table 1-10B – MONTHLY RATES OF BASIC PAY – ENLISTED MEMBERS

37 U.S.C. §§ 203, 1009
Public Law 118-159, § 601, December 23, 2024
Note 3 37 U.S.C. § 210(a)

Table 1-11 – AUTHORIZED ABSENCE - EFFECT ON PAY AND ALLOWANCES

Rule 4		32 Comp Gen 348
Rule 6		10 U.S.C. § 708
		DoDI 1327.06, June 16, 2009
Rule 7		10 U.S.C. § 705
	Note 1	37 U.S.C. § 402
	Note 2	10 U.S.C. § 703
	Note 7	5 Comp Gen 935

Table 1-12 – UNAUTHORIZED ABSENCE AND OTHER LOST TIME - EFFECT ON PAY AND ALLOWANCES

Rules 1 & 2	40 Comp Gen 366
Rule 3	37 U.S.C. § 802
Rules 5 & 6	8 Comp Gen 80
	36 Comp Gen 173
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	45 Comp Gen 766
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Rule 10	48 Comp Gen 377

VOLUME 7A, CHAPTER 2: "REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.4	Updated "Conditions Under Review by the Secretary of the Military Department" for clarity.	Revision
References	Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 2

REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the repayment of unearned portions of bonuses and other benefits. A member who enters into a written agreement with specified service conditions for receipt of a bonus, special or incentive pay, educational benefits, stipend, or similar payment (hereinafter referred to as "pay or benefit") is entitled to the full amount of the pay or benefit if the member fulfills the required conditions. Failure to fulfill the conditions specified in the written agreement will result in termination of the agreement, and the member will be required to repay the unearned portion of the pay or benefit. Such repayment will be pursued unless the member's failure to fulfill the specified conditions is due to circumstances determined reasonably beyond the member's control. Conditions under which repayment will not be sought are set forth in section 3.0.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 POLICY

2.1 Payment Disposition

The Secretary of the Military Department concerned may establish, by regulation, procedures for determining the amount of the repayment required. Service regulations will apply the rules in Table 2-1 for disposition of unearned portions of the pay or benefit.

2.2 Use of Separation Designator Codes (SPD) in Effecting the Repayment of Unearned Portion of Bonuses and Other Benefits

SPD codes are used to track and analyze the reasons that Service members separate from military service and to assist in the review, development, and monitoring of separation policies and programs. Additionally, SPD codes are used to ensure standardized pay actions are consistent with separation policies. While automated processes are critical, it is also important to recognize and allow Secretaries of the Military Departments to exercise their delegated authority to change pay actions on a case-by-case basis. Therefore, when the Secretary of a Military Department concerned wishes to exercise delegated authority to change a pay action for the designated SPD code assigned to the member's DoD (DD) Form 214, the Secretary concerned submits the

requested exception to policy (ETP) to the Director of Military Compensation in the Office of the Assistant Secretary of Defense (OASD) for Manpower and Reserve Affairs (M&RA) for approval. The approved ETP is submitted to the Defense Finance and Accounting Service (DFAS) for processing. It is important for the Military Departments to treat Service members similarly at separation, so this authority to change the designated pay action should be used sparingly.

2.3 Definition

The term "service," as used in this chapter, refers to an obligation willingly undertaken by a member of the uniformed services in exchange for a pay or benefit offered by the Secretary of Defense or the Secretary of the Military Department concerned to do one or more of the following:

2.3.1. Remain on active duty;

2.3.2. Remain in an active status in a Reserve Component;

2.3.3. Perform duty in a specified skill, with or without a specified qualification or credential;

2.3.4. Perform duty at a specified location; or

2.3.5. Perform duty for a specified period of time.

2.4 Bankruptcy

An obligation to repay a pay or benefit to the United States is, for all purposes, a debt owed to the United States. A discharge in bankruptcy does not discharge a person from such debt if the discharge order is entered less than 5 years after:

2.4.1. The date of the termination of the agreement or contract on which the debt is based; or

2.4.2. The date of the termination of service on which the debt is based, in the absence of such agreement or contract.

3.0 REPAYMENT AND NON-REPAYMENT CONDITIONS

3.1 Conditions Under Which Repayment Will Be Sought

3.1.1. When the conditions of a written agreement are not fulfilled and repayment is determined appropriate, the member will be required to repay the United States the unearned portion of a pay or benefit. In cases other than death of a member, the Secretary of the Military Department concerned will advise DFAS of the disposition of any unearned portion of a pay or benefit.

3.1.2. Repayment will be sought, and any unpaid balances may not be paid to members who incur a disability because of their misconduct.

3.2 Delegation of Authority

The Secretary of the Military Department concerned may, through regulation, delegate the authority to make repayment determinations consistent with the criteria set forth in section 3.0, but not below the O-6 or equivalent level. If delegated, then the Military Departments will specify the level and the scope of the authorized delegation in implementing regulations.

3.3 Conditions Under Which Repayment Will Not Be Sought

As a general rule, repayment action may not be pursued in situations in which the member's inability to fulfill specified service conditions related to a pay or benefit is due to circumstances determined reasonably beyond the member's control. Payment of any unpaid portion of pay or benefit will be subject to the rules in Table 2-1, which in appropriate circumstances provide discretion to the Secretary of the Military Department concerned to pay unearned portions based on case-by-case determinations.

3.3.1. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement that existed at the time of the member's death, which was not the result of the member's misconduct, is payable as a lump sum in the settlement of the decedent's final military pay entitlements.

3.3.2. Repayment will not be sought and any remaining unpaid portion of a pay or benefit due to a member under a written agreement will be paid at the time of separation or retirement for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or for a combat-related disability.

3.3.3. Subject to the enlistment authorities and the relevant regulations of the Secretary of the Military Department concerned, a member who was paid a bonus or special pay for a period of enlistment in a Military Department, who is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid, may be considered to have completed the full term of service specified in the former enlistment contract, provided the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment. The member's enlistment bonus or special pay entitlements will be addressed prior to discharge from a Military Department.

3.3.4. Repayment will not be sought, and the Secretary of the Military Department concerned will not pay any remaining unpaid portion of a pay or benefit under the following circumstances, unless otherwise authorized by the Secretary of the Military Department concerned under subparagraph 3.4.2.

3.3.4.1. The member's employment in another military specialty or assignment rotation is directed;

3.3.4.2. The member's military specialty or assignment is phased out or eliminated;

3.3.4.3. The member's military specialty or assignment is otherwise affected by force structure or other mission essential requirements; or

3.3.4.4. The member is separated from service under a hardship separation or sole survivor discharge.

3.3.5. Pursuant to ***Title 10, U.S.C. section 1171***, enlisted members who are discharged within 12 months before the expiration of an enlistment, reenlistment, or extension of enlistment are considered to have completed the terms of the enlistment, reenlistment, or extension of enlistment for which the bonus was paid. Thus, recoupment is not required for the unearned portion of the pay or benefit arising from the early discharge. The Military Departments are responsible for determining whether a member's early discharge is made pursuant to 10 U.S.C. § 1171 and advising DFAS of the determination.

*3.4 Conditions Under Review by the Secretary of the Military Department

3.4.1. In instances involving a member's separation for medical reasons, not falling under ***10 U.S.C. Chapter 61*** or ***section 1413a(e)***, which were not the result of the member's misconduct, the Secretary of the Military Department concerned has the discretion to determine whether to require repayment of the unearned portion of pay or benefit or to pay an unpaid balance of a pay or benefit.

3.4.2. Under circumstances not specifically mentioned in this chapter, if a member under a written agreement for a pay or benefit does not fulfill the service conditions for the pay or benefit, repayment of unearned portions will be sought, and any unpaid portion will not be paid. However, the Secretary of the Military Department concerned has the discretion to, at some point in the process, grant an exception based on a case-by-case determination that requiring repayment of an unearned portion, or refraining from paying any unpaid portion would be:

3.4.2.1. Contrary to a personnel policy or management objective;

3.4.2.2. Against equity and good conscience; or

3.4.2.3. Contrary to the best interest of the United States.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
1	Dies, through no misconduct of the member		will not be sought		will be paid in the member's final pay.
2	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated or retired for disability under *10 U.S.C., Chapter 61*	will not be sought	if such separation or retirement is for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or involves a combat-related disability as defined in *10 U.S.C. § 1413a(e)*	will be paid to the member upon separation.
3	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated, other than as described in Rule 2, for medical reasons as a result of an injury or illness	will not be sought, unless the Secretary of the Military Department concerned determines that repayment of the unearned portion is appropriate due to a personnel policy or management objective, equity or good conscience, or it is in the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
4	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member continues in service in another capacity	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, equity or good conscience, or contrary to the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
5	Is an enlisted member paid a bonus or special pay and is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid	the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E. *(In this case, the member may be considered to have completed the full term of service on the former enlistment contract.)*
6	Is directed by the Service concerned to transfer into another military specialty or assignment rotation		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
7	Is in a military occupational specialty or assignment that is phased out or eliminated, or otherwise affected by a force structure or other mission essential requirement		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
8	Is separated from service under a hardship separation or a sole survivor discharge		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

RULE	If a member under a written agreement for a pay or benefit	and	then repayment of the unearned portion of the pay or benefit	and	any unpaid pay, or benefit under 10 U.S.C. or 37 U.S.C.
9	Does not fulfill the service conditions for the pay or benefit under any other circumstances		will be sought, unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to require repayment of an unearned portion of the pay or benefit would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned, at some point in the process, makes a case-by-case determination that to refrain from paying an unpaid portion of the pay, benefit, or student loan would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States.

*REFERENCES

CHAPTER 2 – REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

1.0 – GENERAL

Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memo, May 21, 2008
Under Secretary of Defense (USD) (P&R) Memo, February 6, 2009
DoD Instruction (DoDI) 1304.29, December 15, 2004, Incorporating Change 1, July 11, 2016

2.0 – POLICY

37 U.S.C. §§ 303a(e) and 373
OUSD (P&R) Memo, May 21, 2008
USD (P&R) Memo, February 6, 2009

2.2 DoDI 1336.01, February 17, 2022
OASD M&RA Memo, January 13, 2017

2.3 37 U.S.C. §§ 303a(e) and 373(d)(2)

3.0 – REPAYMENT AND NON-REPAYMENT CONDITIONS

OUSD (P&R) Memo, May 21, 2008
USD (P&R) Memo, February 6, 2009

3.1.2. 10 U.S.C. § 1207
3.3.2. 10 U.S.C., Chapter 61
10 U.S.C. § 1413a(e)
3.3.5. 10 U.S.C. § 1171
3.4.1. 10 U.S.C., Chapter 61

Table 2-1 OUSD (P&R) Memo, May 21, 2008
USD (P&R) Memo, February 6, 2009

Rule 2 10 U.S.C., Chapter 61
10 U.S.C. § 1413a(e)

VOLUME 7A, CHAPTER 3: "SPECIAL PAY – OFFICERS ONLY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
7.1	Updated the Nuclear Officer Accession Bonus to $75,000.	Revision
7.2	Updated the Nuclear Officer Continuation Bonus to $75,000.	Revision
References	Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 3

SPECIAL PAY – OFFICERS ONLY

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may pay a bonus or special pay to persons or officers, as appropriate, to support accession and retention efforts for a designated military specialty, career field, unit, grade, or to meet some other condition or conditions of service imposed by the Secretary of the Military Department concerned. This chapter establishes policy pertaining to the payments of bonuses or special pay in support of accession and retention efforts.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GENERAL BONUS AUTHORITY FOR OFFICERS

2.1 Authority

Title 37, U.S.C., section 332 (***37 U.S.C. § 332***) and the DoD Instruction (DoDI) 1304.34, General Bonus Authority for Officers, dated July 11, 2016, provides the general bonus authority for bonuses referenced in sections 3.0, 4.0, 5.0, and 6.0. The Secretaries concerned may pay these bonuses to a person, member, or officer in the Military Services who:

2.1.1. Accepts a commission or appointment as an officer in a Military Service;

2.1.2. Affiliates as an officer with a Reserve Component (RC) of a Military Service;

2.1.3. Agrees to remain on active duty (AD) or in an active status for a specified period as an officer in a Military Service;

2.1.4. Transfers between the Regular Component and the Ready Reserve of the same Military Service, or vice versa; or

2.1.5. Transfers from a Regular Component or the Ready Reserve of a Military Service to a Regular Component or the Ready Reserve of another Military Service, subject to the approval of the Secretary with jurisdiction over the Military Service to which the member is transferring.

2.2 Eligibility

In accordance with paragraph 2.1, the Secretary concerned may only pay a bonus to a person or officer who:

2.2.1. Signs a written agreement with the Secretary concerned to serve for a specified period in a designated career field, skill, unit, or grade, or meets some other condition or conditions of service imposed by the Secretary;

2.2.2. Successfully completes training and becomes qualified in a designated skill or career field, if completion of such training and technical qualification forms the basis for which the bonus is paid;

2.2.3. Qualifies pursuant to any additional criteria prescribed by the Secretary concerned;

2.2.4. Meets any additional eligibility criteria outlined in sections 3.0, 4.0, 5.0, and 6.0;

2.2.5. Is not in receipt of an accession, retention, reserve affiliation, or transfer bonus, in accordance with ***37 U.S.C. Chapter 5, Subchapter I***, for the same activity, skill, or period of service;

2.2.6. Will not exceed the mandatory retirement or high-year tenure date during the specified period of obligated service for which the bonus is paid; and

2.2.7. Is not serving a service obligation, except as noted in paragraph 2.8.

2.3 Additional Guidelines

2.3.1. An officer is not eligible for a bonus, under DoDI 1304.34, if previously discharged or released from AD or military service in an active status based on a determination of misconduct, substandard duty performance, or moral or professional dereliction.

2.3.2. In accordance with ***37 U.S.C. § 371***, an officer may not receive a bonus or incentive pay under 37 U.S.C. Chapter 5, Subchapter I and ***37 U.S.C. Chapter 5, Subchapter II***, for the same activity, skill, or period of military service.

2.3.3. An officer may receive only one bonus pursuant to paragraph 2.1 for the duration of the service obligation period, unless explicitly exempt in statute or DoDI 1304.34.

2.3.4. An officer may not receive more than $300,000 (or $150,000, in the case of a non-Active Guard Reserve officer in the RC) in combined bonus payments authorized under DoDI 1304.34 during the course of the officer's career. The Military Service may not exceed these payment caps unless specifically authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD (M&RA)).

2.3.5. An officer receiving pre-commissioning compensation in accordance with *10 U.S.C. § 2106*, and *10 U.S.C. § 2107* and *10 U.S.C. § 2107a*, or financial assistance through a loan repayment program under *10 U.S.C. § 16201*, *10 U.S.C. § 16301*, *10 U.S.C. § 16302*, or *10 U.S.C. § 16303*, is not eligible for a bonus pursuant to DoDI 1304.34 until the military service obligation (MSO) is completed.

2.3.6. An officer receiving a bonus in accordance with *37 U.S.C. § 333* and *37 U.S.C. § 334*, is not eligible for a bonus pursuant to DoDI 1304.34 for the same skill and period of service.

2.3.7. An officer receiving a bonus in accordance with *37 U.S.C. § 335*, is not eligible for a bonus pursuant to DoDI 1304.34 for the same period of obligated service.

2.3.8. Existing bonus contracts under 37 U.S.C. Chapter 5, Subchapter I, will remain in effect through the preexisting termination dates.

2.4 Payment Method

2.4.1. The Secretary concerned will establish the method of payment for the bonus (i.e., lump sum or periodic installments).

2.4.2. The Secretary concerned may make payment based on training milestones, proportional length of service, or lump sum. However, the Secretary will not pay an officer any portion of a skill bonus before awarding of the military skill specialty, if completion of such training and technical qualification forms the basis for which the bonus is paid.

2.4.3. Officers will receive their initial bonus payments based on the terms and conditions of their bonus agreements.

2.5 Amount

The bonus amount paid by the Secretary concerned will be fixed on acceptance of the agreement by the Secretary and may only be paid prospectively. The bonus paid may not exceed the following amounts, unless otherwise approved by the ASD (M&RA):

2.5.1. $60,000 for a minimum 4-year service obligation for an officer or person who accepts a commission or appointment as an officer in a Military Service, as described in subparagraph 2.1.1;

2.5.2. $10,000 for a minimum 3-year service obligation for an officer, as described in subparagraph 2.1.2;

2.5.3. $25,000 for each year of obligated service as an officer in a Regular Component for retention, as described in subparagraph 2.1.3;

2.5.4. $12,000 for each year of obligated service as an officer in an RC for retention, as described in subparagraph 2.1.3; or

2.5.5. $10,000 for a transfer, as described in subparagraphs 2.1.4 and 2.1.5.

2.6 Specific Rule for Designated Military Skills or Career Fields

The following are specific procedures, requirements, and conditions related to an accession, affiliation, retention, or transfer bonus paid to an officer for a period of obligated service in a designated military skill or career field:

2.6.1. The period of obligated service will include normal skill progression, as defined by the Secretary concerned (e.g., attending courses in professional military education) and any other advanced training or education related to a designated military skill.

2.6.2. The Secretary concerned may pay a conversion bonus to an officer who agrees to convert to a designated military skill in which there is a shortage of trained and qualified officers. The bonus may be payable in a lump sum upon approval and completion of the conversion training by the Secretary concerned.

2.6.2.1. The officer must agree to serve for not less than 3 years on AD or in an active status in the Selective Reserve (SELRES) in that military skill or career field.

2.6.2.2. The officer must serve in the pay grade of O-3 or below with no more than 8 years of commissioned military service at the time the officer enters into the conversion contract, as computed in accordance with ***37 U.S.C. § 205***.

2.6.2.3. The officer must have completed all service obligations previously incurred for receipt of an accession or retention bonus, in accordance with 37 U.S.C. § 332, or critical skills retention bonus, in accordance with ***37 U.S.C. § 355***, at the time the officer begins training for conversion to the new skill.

2.6.2.4. The bonus amount may not exceed the retention bonus amounts listed in paragraph 5.4.

2.6.3. Officers receiving skill-based bonuses are expected to serve in an assignment for which the skill is required. For service obligations of at least 36 months, the Secretary concerned may curtail the assignment requirements to a period of 2 years based on the needs of the Military Service. The Secretary concerned will establish assignment criteria and procedures that limit the circumstances in which such a period of obligated military service may be curtailed and will specify such other appropriate conditions of military service, consistent with 37 U.S.C. § 332(b)(2) and paragraph 2.2. Additionally, the Secretary will:

2.6.3.1. Ensure that military personnel centers identify, monitor, and review such obligated military service curtailments;

2.6.3.2. Approve any curtailment of the assignment criteria that involves more than one consecutive assignment in a military skill other than that which was designated for purposes of the bonus. This responsibility may be delegated no lower than the grade of major general or rear admiral (upper half); and

2.6.3.3. Ensure that any request for curtailment is:

2.6.3.3.1. Clearly justified based on the needs of the Military Department concerned; and

2.6.3.3.2. Not granted on a routine basis.

2.7 Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus in accordance with the provisions of ***37 U.S.C. § 373*** and Chapter 2.

2.8 Service Obligations

2.8.1. An officer who has a service obligation is not eligible for a bonus under DoDI 1304.34, except when the officer:

2.8.1.1. Serves his or her initial service obligation incurred at time of commissioning or appointment in accordance with DoDI 1304.25, "Fulfilling the Military Service Obligation (MSO);"

2.8.1.2. Incurs a service obligation due to a permanent change in duty station or promotion;

2.8.1.3. Incurs a service obligation for attending and completing professional military education or government-funded education courses (this exception does not apply to undergraduate education); or

2.8.1.4. Incurs a service obligation as a result of transferring Post 9-11 GI Bill benefits.

2.8.2. For the situations described in subparagraphs 2.8.1.1 through 2.8.1.3, the service obligations may run concurrently for bonuses offered under DoDI 1304.34. For subparagraph 2.8.1.4, the Secretary concerned will determine if the service obligation is concurrent or consecutive.

2.8.3. Excluding the situations described in subparagraph 2.8.1:

2.8.3.1. The Military Department may offer a bonus under DoDI 1304.34 up to 1 year from completion of an officer's service obligation.

2.8.3.2. The bonus may not be paid until completion of the previous service obligation.

2.8.3.3. The service obligation for a new bonus will begin on the date of the agreement or completion of a previous service obligation, whichever date is later.

2.9 Non-Availability

2.9.1. Officers of the SELRES who incur a period of authorized absence approved by the Secretary concerned or are transferred to the Standby Reserve in accordance with DoD Directive 1200.7, will have their bonuses suspended during this period and will not be entitled to bonus payments. The Secretary concerned will determine this period of time on a case-by-case basis.

2.9.2. The Secretary concerned may reinstate RC officers in the bonus program who are subsequently reassigned in the SELRES to a skill for which they had previously contracted, if they extend their MSO so they are able to serve the full original bonus agreement period.

2.9.3. Officers' entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable SELRES service, as appropriate. The Secretary concerned will adjust the anniversary date for periods of authorized absence. Failure to meet reinstatement criteria in a capacity that was previously agreed on will result in termination of the bonus and in repayment, as appropriate.

3.0 ACCESSION BONUS

3.1 General

An accession bonus offers a monetary incentive for a person (including a Service member) to accept a commission or appointment as an officer and serve for a specified period on AD or in an active status in a Military Service.

3.1.1. An accession bonus is authorized when an individual executes a written agreement and agrees to serve for a minimum 4-year period in:

3.1.1.1. A designated military skill or career field;

3.1.1.2. A unit;

3.1.1.3. A grade; or

3.1.1.4. Some other role that meets a condition or conditions imposed by the Secretary concerned.

3.1.2. The procedures described in sections 2.0 and 3.0, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an accession bonus.

3.2 Additional Accession Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements listed in paragraph 2.2, an eligible person must:

3.2.1. Meet the qualification standards listed in DoDI 1304.26 for a commission or appointment;

3.2.2. Be an initial recipient of a commission or appointment in a Regular Component or RC;

3.2.3. Have completed all previous service obligations incurred as a result of receiving a bonus or special pay while serving as an enlisted Service member or Reserve Officer Training Course cadet or midshipmen;

3.2.4. Not have received:

3.2.4.1. Pre-commissioning compensation under 10 U.S.C. §§ 2106, 2107, and 2107a;

3.2.4.2. Financial assistance through a loan repayment program in accordance with 10 U.S.C. §§ 16201, 16301, 16302, or 16303; or

3.2.4.3. An accession bonus in accordance with ***37 U.S.C. § 324*** and ***37 U.S.C. § 330***; and

3.2.5. Accept a service obligation on AD or in the SELRES for at least 4 years.

3.3 Restrictions

3.3.1. An officer may receive only one officer accession bonus during a career. An officer accessed from the enlisted ranks is eligible for an accession bonus as an officer or warrant officer.

3.3.2. An officer reappointed in a Military Service after resignation or termination of a commission or appointment from an earlier period of military service is not eligible for an accession bonus.

3.3.3. An officer may not receive an accession bonus and a transfer bonus for the same period of military service.

3.3.4. An officer may not receive an accession bonus and an affiliation bonus for the same period of military service.

3.4 Amount

The amount of an accession bonus under DoDI 1304.34 may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

3.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

3.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 2.9 will apply.

3.7 Duration of Authority

Unless reauthorized by Congress, an officer accession bonus may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless an officer accession agreement was entered into prior to the date on the table.

4.0 RC AFFILIATION BONUS

4.1 General

The RC affiliation bonus offers a monetary incentive for an officer to affiliate with the SELRES of a Military Service.

4.1.1. The bonus is authorized when an officer affiliates with the SELRES of a Military Service and agrees to serve for a specified period of not less than 3 years of obligated service in a military skill designated critical by the Secretary concerned or not less than 3 years of obligated service in a specific SELRES unit or officer pay grade to meet manpower shortages in the specific SELRES unit or officer pay grade. Additionally, the Secretary concerned may, with the officer's consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

4.1.2. The procedures described in sections 2.0 and 4.0, as well as any additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of an RC affiliation bonus.

4.2 Additional RC Affiliation Bonus Eligibility Requirements

In addition to meeting the minimum eligibility requirements in paragraph 2.2, an eligible officer must execute an agreement to serve as an officer in the SELRES for a service obligation of at least 3 years and have fewer than 15 years of qualifying military service towards a regular or non-regular retirement, in accordance with DoDI 1215.07. The officer must also:

4.2.1. Be serving in the Ready Reserve or Standby Reserve of a Military Service; or

4.2.2. Be serving or have served in the Regular Component for a period of more than 30 days and have been released under honorable conditions.

4.3 Additional Guidelines

4.3.1. Individuals may receive more than one affiliation bonus in a career, though not for the same military skill, grade, or unit.

4.3.2. An officer may receive an affiliation bonus and transfer bonus as long as the officer serves the service obligations for each bonus consecutively. See section 6.0 for additional information on transfer bonuses.

4.3.3. Officers signing up for an affiliation bonus and a transfer bonus at the same time will incur an additional 12-month service obligation rather than an additional 24-month service obligation, as otherwise prescribed. The minimum service obligation for an officer receiving both bonuses is 4 years.

4.4 Amount

The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

4.5 Payment Method

4.5.1. The method of payment will be consistent with paragraph 2.5.

4.5.2. An affiliation bonus begins to accrue on the date the eligible officer is assigned to a unit or position in the SELRES.

4.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions in paragraph 2.9 will apply.

4.7 Duration of Authority

Unless reauthorized by Congress, an officer affiliation bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer affiliation agreement was entered into prior to the date on the table.

5.0 RETENTION BONUS

5.1 General

A retention bonus under DoDI 1304.34 provides a monetary incentive that may be offered by the Military Department to retain adequate numbers of qualified officers.

5.1.1. Specifically, the bonus may be used by the Military Department to obtain the voluntary extension of an officer's service in exchange for an agreement to serve for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition or conditions imposed by the Military Department concerned.

5.1.2. The procedures described in sections 2.0 and 5.0, as well as additional conditions and requirements prescribed by the Secretary concerned, govern the award and administration of the retention bonus.

5.1.3. In order to meet the designated military skill or career field criteria, the Secretary concerned may, with the officer's consent, convert the officer to a designated career field or military skill in which there is a shortage of trained and qualified personnel.

5.1.4. Officers appointed into a Military Service after a period of disenrollment, discharge, or separation who meet the eligibility requirements in paragraphs 2.2 and 5.2 may be eligible for a retention bonus.

5.2 Additional Retention Bonus Eligibility Requirements

In addition to the eligibility requirements in paragraph 2.2, an eligible officer must:

5.2.1. Have completed a minimum of 4 years of active commission service or qualifying service for an RC officer, in accordance with DoDI 1215.07; and

5.2.2. Agree to remain on AD or in an active status for a period of at least 2 years.

5.3 Restrictions

5.3.1. An officer is not eligible for a retention bonus if, at the start of the period of additional obligated service, the officer:

5.3.1.1. Has between 16 and 19 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer; or

5.3.1.2. Is retirement eligible with more than 22 years of active commissioned service or qualifying service in accordance with DoDI 1215.07.

5.3.2. The service obligation for a retention bonus may not extend an officer's service beyond 25 years of active commissioned service or qualifying service, in accordance with DoDI 1215.07 for an RC officer.

5.3.3. Officers who have transferred their Post-9/11 GI Bill or Montgomery GI Bill-SELRES education benefits to a dependent or spouse in accordance with DoDI 1341.13, are eligible for a retention bonus as specified in DoDI 1304.34. The Secretary concerned will determine if the service obligation for both the retention bonus and GI Bill transfer is served concurrently or consecutively.

5.4 Amount

The Secretary of the Military Department may prorate bonus amounts for retention requests greater than 2 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. The maximum retention bonus may not exceed:

5.4.1. $25,000 for each year of obligated service in a Regular Component; or

5.4.2. $12,000 for each year of obligated service in an RC.

5.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

5.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 2.9 will apply.

5.7 Duration of Authority

Unless reauthorized by Congress, an officer retention bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer retention agreement was entered into prior to the date on the table.

6.0 TRANSFER BONUSES

6.1 Intra-Service Transfer

The Intra-Service transfer bonus provides a monetary incentive for an officer to transfer from the Regular Component of a Military Service to the Ready Reserve (and vice versa, however mobilization does not constitute an intra-service transfer) of the same Service to meet manning requirements. The Secretaries concerned may pay a bonus to an officer who agrees to transfer from the Regular Component to the Ready Reserve (and vice versa) and agrees to serve for a specified period in a designated military skill, career field, unit, or grade, or to meet other conditions imposed by the Secretary concerned.

6.1.1. The procedures described in section 2.0 and paragraph 6.1, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.

6.1.2. All transfers among Military Service components will be conducted in accordance with DoDI 1300.04.

6.1.3. To be eligible for an intra-service transfer bonus, an officer must meet the following additional eligibility requirements:

6.1.3.1. The officer has fulfilled all service obligations satisfactorily within the officer's current Regular Component or RC;

6.1.3.2. The officer meets the qualification criteria for the transfer bonus of the Regular Component or RC of the Military Service to which the officer is transferring;

6.1.3.3. The officer must agree to remain in the component of the Military Service for which the transfer bonus is offered for a minimum of 2 years; and

6.1.3.4. The officer must have fewer than 15 years of active time.

6.1.4. Affiliation and Transfer Bonus

6.1.4.1. The Secretaries concerned may offer an intra-service transfer bonus in conjunction with an affiliation bonus.

6.1.4.2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum service obligation of 4 years.

6.1.4.3. Table 3-1 lists the intra-service transfers for which the Military Departments may offer a bonus.

6.2 Inter-Service Transfer

The Inter-Service transfer bonus provides a monetary incentive for an officer to transfer to another Military Service to meet manning requirements of that Military Service. The Secretaries concerned may pay a bonus to an officer who agrees to transfer to and serve in another Military Service for a specified period in a designated military skill, career field, unit, or grade or to meet some other condition(s) imposed by the Secretary of the gaining Military Department.

6.2.1. The procedures described in section 2.0 and paragraph 6.2, as well as any additional conditions and requirements prescribed by the Secretary of the Military Department concerned, govern the award and administration of the transfer bonus.

6.2.2. Transfers between Military Services include officers transferring from the Regular Component or the Ready Reserve of a Military Service to the Regular Component or the Ready Reserve of a different Military Service.

6.2.3. Officer transfers between Military Services will be conducted in accordance with DoDI 1300.04.

6.2.4. In order to successfully transfer, an officer must:

6.2.4.1. Qualify for retention in the Military Service to which the officer is transferring;

6.2.4.2. Have fulfilled all MSOs satisfactorily within the officer's current Regular Component or RC;

6.2.4.3. Meet the qualification criteria established by the Secretary of the Military Department with jurisdiction over the Military Service to which the officer is transferring;

6.2.4.4. Agree to sign a written agreement to remain in the Military Service for which the transfer bonus is offered for a minimum 3-year period; and

6.2.4.5. Have fewer than 15 years of active service time.

6.2.5. Affiliation and Transfer Bonus

6.2.5.1. The Secretary concerned may offer an inter-service transfer bonus in conjunction with an affiliation bonus.

6.2.5.2. Officers receiving both bonuses incur an additional 12-month service obligation for a minimum MSO of 4 years.

6.2.5.3. Table 3-2 lists the inter-service transfers for which a bonus may be offered.

6.3 Restrictions

An officer receiving separation pay in accordance with ***10 U.S.C., Chapter 59***, is not eligible for a transfer bonus.

6.4 Amount

A transfer bonus may not exceed $10,000.

6.5 Payment Method

The method of payment will be consistent with paragraph 2.5.

6.6 Non-Availability

In the event an RC officer becomes unavailable, the provisions of paragraph 2.9 will apply.

6.7 Duration of Authority

Unless reauthorized by Congress, an officer transfer bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an officer transfer agreement was entered into prior to the date on the table.

7.0 SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS (NAVY ONLY)

*7.1 Nuclear Power Accession Bonus Program

7.1.1. Eligibility

7.1.1.1. Nuclear Officer Accession Bonus. An accession bonus is payable to officers or prospective officers who are selected for officer naval nuclear- propulsion training and execute a written agreement to participate in a program of training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants. Payment is authorized upon acceptance of the written agreement.

7.1.1.2. Nuclear Career Accession Bonus. Officers who are on AD and who successfully complete the nuclear propulsion-training program, leading to qualification for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants, are eligible for payment of the nuclear career accession bonus.

7.1.2. Payment. Payment procedures and bonus rates for this program are contained in Chief of Naval Operations Instruction (OPNAVINST) 7220.11J paragraph 7.c, paragraph 8.b, and enclosure 1 paragraphs 1.a and 1.b.

7.1.3. Repayment. An officer, who receives an accession bonus and does not commence or satisfactorily complete the nuclear power training, will be subject to the repayment provisions of 37 U.S.C. § 373, and Chapter 2.

7.1.4. Duration of Authority. A nuclear power accession bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

*7.2 Nuclear Officer Continuation Bonus (COBO)

7.2.1. Entitlement. The Secretary of the Navy may pay Nuclear Officer COBO to nuclear-qualified officers who agree to remain on AD for a specified period beyond their existing service obligation.

7.2.2. Eligibility. Officers who meet the criteria defined in OPNAVINST 7220.11J are eligible to receive COBO upon acceptance of their written agreement to remain on AD in connection with supervision, operation, and maintenance of naval nuclear propulsion plants.

7.2.3. Payment. The amount payable may not exceed $75,000 for each 12-month period. The payment procedures, rates and effective dates are contained in the governing regulation, OPNAVINST 7220.11J, paragraph 9.c and enclosure 1 paragraph 1.c.

7.2.4. Repayment. An officer who receives a bonus and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the

bonus is paid, may be subject to repayment of any unearned portion of the bonus in accordance with the provisions of 37 U.S.C. § 373, Chapter 2, and OPNAVINST 7220.11J.

7.2.5. Duration of Authority. A nuclear officer continuation bonus may not be paid to any person after the date on the Duration of Authority table. No payments will be made after the termination date unless the entitlement commenced prior to that date.

7.3 Nuclear Career Annual Incentive Pay (AIP)

7.3.1. Purpose. The Secretary of the Navy may pay Nuclear Career AIP to nuclear-trained and nuclear-qualified officers who are on AD and who complete their initial service requirement, and to nuclear-trained and nuclear-qualified limited duty and warrant officers who serve in an assignment with duties in connection with direct supervision, operation, or maintenance of naval nuclear propulsion plants.

7.3.2. Eligibility. AIP is paid annually to nuclear-trained and qualified officers who remain on AD for a specified period and who meet the eligibility criteria set forth in OPNAVINST 7220.11J.

7.3.2.1. Warrant Officers in pay grades W-2 through W-5 and Officers in pay grades O-1 through O-6 are eligible for AIP. Officers serving in a period of obligated service associated with paragraph 7.2 are not eligible for AIP during that period of their obligated service.

7.3.2.2. In order to be eligible for AIP (or a pro rata portion thereof), for any nuclear service year, an officer must be qualified for duties in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants on 30 September.

7.3.3. Payment. Under 37 U.S.C. § 333(d)(1)(B), Nuclear Career AIP may not exceed $25,000 for each 12-month period of qualifying service. The current payment procedures and rates are contained in the governing regulation, OPNAVINST 7220.11J paragraph 10.c and enclosure 1 paragraph 1.d.

NOTE: An officer of the U.S. Navy who is not on AD on the last day of a nuclear service year may be paid AIP on a pro rata basis if otherwise qualified, unless termination of AD or loss of qualifications was voluntary or was the result of his own misconduct.

7.4 Prototype Shift Engineer Incentive Pay (SEIP)

7.4.1. Entitlement. The Secretary of the Navy may pay SEIP to nuclear-trained and nuclear-qualified officers who have completed their initial service requirement and remain on AD for a specified period while maintaining current technical qualifications, as approved by the Secretary, for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

7.4.2. Eligibility. Nuclear-trained submarine and surface warfare officers who meet the criteria defined in OPNAVINST 7220.11J, are eligible to receive SEIP while assigned to a

qualifying billet and qualified for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

7.4.3. Payment. Officers who meet the eligibility criteria for SEIP in OPNAVINST 7220.11J paragraph 11.a are eligible for SEIP at the start of their shift engineer tour. The payment procedures and monthly rate is specified in OPNAVINST 7220.11J, paragraph 11.b and enclosure 1 paragraph 1.e.

7.4.4. Repayment. An officer, who fails to commence or satisfactorily complete a shift engineer tour will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2. Specific exclusions from recoupment are listed in OPNAVINST 7220.11J.

8.0 COMMAND PAY

8.1 Purpose

Command pay is designed to recognize officers assigned as commanding officers in operational leadership positions of unusual responsibility which are of a critical nature to a Military Service. The Secretary concerned may designate positions under his or her jurisdiction that are authorized command pay.

8.2 Eligibility

Secretaries concerned will establish eligibility criteria based on Service-specific needs but will consider paygrade, level of responsibility, and the operational nature of the assignment.

8.3 Amount

Secretaries of the Military Departments concerned will establish monthly rates, but the amount of command pay per month will not exceed $150.

8.4 Restrictions

8.4.1. No more than 10 percent of the number of officers on AD in a Military Service in paygrades O-4 through O-6 may be paid command pay.

8.4.2. Command pay is not authorized for more than one officer per unit, except for the dates of assumption of and relief from command.

Table 3-1. Intra-Service Transfers that Allow Bonuses

Intra-Service Transfer			Bonus		Service Obligation
FROM	**TO**	**YOS**	**Transfer**	**Affiliation**	**Years**
AC	IRR	>8	Yes	No	2
AC	IRR	<8	No	No	N/A
AC	SELRES	N/A	Yes	Yes	4
IRR	SELRES	N/A	No	Yes	3
IRR	AC	N/A	Yes	No	2
SELRES	AC	N/A	Yes	No	2
SELRES	IRR	Any	No	No	N/A
SELRES	SELRES	N/A	No	Yes	3

AC – Active Component

IRR – Individual Ready Reserve

YOS – Total Years of military service

Table 3-2. Inter-Service Transfers that Allow Bonuses

Inter-Service Transfer			Bonus		Service Obligation
FROM	**TO**	**YOS**	**Transfer**	**Affiliation**	**Years**
AC	AC	<15	Yes	No	3
AC	IRR	>8	Yes	No	3
AC	IRR	<8	No	No	N/A
AC	SELRES	N/A	Yes	Yes	4
IRR	SELRES	N/A	Yes	Yes	4
IRR	AC	N/A	Yes	No	3
SELRES	AC	N/A	Yes	No	3
SELRES	IRR	Any	No	No	N/A
SELRES	SELRES	N/A	Yes	Yes	4

AC – Active Component

IRR – Individual Ready Reserve

YOS – Total Years of military service

*REFERENCES

CHAPTER 03 – SPECIAL PAY – OFFICERS ONLY

1.0 – GENERAL

37 U.S.C. § 332(a)

2.0 – GENERAL BONUS AUTHORITY FOR OFFICERS

37 U.S.C. § 332(a)
DoDI 1304.34, July 11, 2016, paragraph 3.1
2.7 37 U.S.C. § 373

3.0 – ACCESSION BONUS

37 U.S.C. § 332(a)(1)
DoDI 1304.34, July 11, 2016, paragraph 3.2

4.0 – RC AFFILIATION BONUS

37 U.S.C. § 332(a)(2)
DoDI 1304.34, July 11, 2016, paragraph 3.3

5.0 – RETENTION BONUS

37 U.S.C. § 332(a)(3)
DoDI 1304.34, July 11, 2016, paragraph 3.4

6.0 – TRANSFER BONUSES

37 U.S.C. § 327
37 U.S.C. § 332(a)(4) & (5)
6.1 DoDI 1304.34, July 11, 2016, paragraph 3.5(a)
DoDI 1300.04, July 25, 2017, paragraph 3.1
6.2 DoDI 1304.34, July 11, 2016, paragraph 3.5(b)
DoDI 1300.04, July 25, 2017, paragraph 3.2
6.3 10 U.S.C., Chapter 59

7.0 – SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS

7.1 37 U.S.C. § 333(a)(1)
OPNAVINST 7220.11J, April 25, 2023, paragraph 8
7.1.2 37 U.S.C. § 333(d)(1)(A)
7.2 37 U.S.C. § 333(a)(2)
OPNAVINST 7220.11J, April 25, 2023, paragraph 9

7.3	37 U.S.C. § 333(b) OPNAVINST 7220.11J, April 25, 2023, paragraph 10
7.4	37 U.S.C. § 333(b) OPNAVINST 7220.11J April 25, 2023, paragraph 11

8.0 – COMMAND PAY

	37 U.S.C. § 352 DoDI 1340.26, Incorporating Change 1, January 11, 2019, paragraph 4.2
Table 3-1	DoDI 1304.34, July 11, 2016, Table 1
Table 3-2	DoDI 1304.34, July 11, 2016, Table 2

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 4: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 5: "HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.1 2.2.2 (Previous Edition)	Remove reference to Legacy Special Pays and renumbered subsequent paragraphs accordingly.	Deletion
7.2	Updated Eligibility for Retention Bonus to include 6-year option in accordance with the Assistant Secretary of Defense – Health Affairs Memo, July 25, 2024, for Fiscal Year 2025.	Revision
Table 5-1 through Table 5-10	Updated to reflect the current rates established in the Assistant Secretary of Defense – Health Affairs Memo, July 25, 2024, for Fiscal Year 2025.	Revision
Table 5-1A Through Table 5-10A	October 2025: Inserted the Fiscal Year 2026 rates established by the Assistant Secretary of Defense – Health Affairs Memo, September 10, 2025.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 5

HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy pertaining to Health Professions Special and Incentive (HPS&I) Pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the ***DoD Instruction (DoDI) 6000.13***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

Each HPS&I pay is in addition to any other pay or allowance to which an HPO is eligible except as specified in sections 3.0 through 8.0.

2.1 Consolidated Special Pays (CSP)

HPOs may be paid special pay at the rate for the specialty for which they are fully qualified. The specialty or subspecialty must be the same for all pays received. The HPO may only receive Incentive Pay (IP) and a Retention Bonus (RB) for one specialty, even if the HPO holds qualifications in two or more specialties. The IP and RB must be effective on the same date. The eligibility for each HPS&I pay is described in sections 3.0 through 8.0.

2.2 Restrictions

2.2.1. The amount of HPS&I pay is not included in computing the amount of any increase in pay or in computing retired, separation, severance, or readjustment pays.

2.2.2. An officer receiving a health profession bonus is not eligible to receive a payment pursuant to ***Title 37, United States Code (U.S.C.), section 332*** for the same period of obligated service.

2.2.3. An officer receiving health professions IP is not eligible to receive a payment pursuant to ***37 U.S.C. § 353*** for the same skill and period of service.

2.2.4. An officer receiving Board Certification Pay (BCP) is not eligible to receive a payment pursuant to 37 U.S.C. § 353(b) for the same skill and period of service covered by the certification.

2.3 Eligibility

To be eligible to participate in the CSP, an HPO must:

2.3.1. Not have reached the mandatory retirement or removal date due to age or years of service and complete any additional service obligation incurred before the individual's mandatory retirement or removal date, unless granted a waiver;

2.3.2. Have a current, valid, and unrestricted license or approved waiver;

2.3.3. Maintain all licensing, credentialing, and specialty qualifications;

2.3.4. Meet privileging requirements; and

2.3.5. Sign a service agreement indicating:

2.3.5.1. The amount of bonus or pay;

2.3.5.2. The method of payment of the bonus or pay;

2.3.5.3. The period of obligated service for the bonus or pay;

2.3.5.4. Whether the service will be performed on Active Duty (AD) or in active status in a Reserve Component (RC);

2.3.5.5. The type or conditions of the service; and

2.3.5.6. The circumstances that may result in termination of the agreement and repayment of any unearned portion of the bonus or pay if the officer fails to fulfill the conditions of the bonus or pay, to include an unfulfilled service obligation or eligibility requirement.

3.0 ACCESSION BONUS (AB)

3.1 Eligibility

To be eligible for an AB, an individual must:

3.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

3.1.2. Be a graduate of an accredited school in a health profession;

3.1.3. Be qualified for an appointment as a commissioned officer in a regular or RC of a Uniformed Service (an individual must accept an appointment as an HPO before the bonus will be paid);

3.1.4. Execute a written agreement to accept an appointment as an HPO of the Army, Navy, or Air Force to serve on AD in a regular component or in an active status in a RC in a health profession for a specified period;

3.1.5. When appointed, have completed the service obligation for receipt of financial assistance from the DoD to pursue a course of study in a health profession. This includes, but is not limited to, participants and former participants of the:

3.1.5.1. Reserve Officers' Training Corps;

3.1.5.2. Armed Forces Health Professions Scholarship Program;

3.1.5.3. Financial Assistance Program;

3.1.5.4. Uniformed Services University of the Health Sciences; and

3.1.5.5. Other commissioning programs;

3.1.6. Have been honorably discharged or released from any prior service;

3.1.7. Be qualified in the specialty to which appointed; and

3.1.8. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive an AB, and no longer hold an appointment, if a former HPO.

3.2 Amounts

AB amounts are listed in Table 5-1. For the most current rates, see the ***HPO AB*** table on DFAS.MIL.

4.0 CRITICALLY SHORT WARTIME SKILLS ACCESSION BONUS (CSWSAB)

4.1 Eligibility

To be eligible for CSWSAB, an individual must:

4.1.1. Meet the eligibility criteria itemized in subparagraphs 3.1.1 through 3.1.8;

4.1.2. Be fully qualified in the critically short wartime specialty to which appointed; and

4.1.3. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive a CSWSAB, and no longer hold an appointment, if a former HPO.

4.2 Amounts

CSWSAB amounts are listed in Table 5-2. For the most current rates, see the ***CSWSAB*** table on DFAS.MIL.

5.0 BCP

5.1 Eligibility

5.1.1. HPOs must:

5.1.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

5.1.1.2. Be serving in an Active Component (AC) or RC of a Military Service and entitled to basic pay under ***37 U.S.C. § 204*** or compensation pursuant to ***37 U.S.C. § 206***;

5.1.1.3. Be serving on AD or in an active Reserve status in a designated health professional clinical specialty;

5.1.1.4. Have a post-baccalaureate degree in a clinical specialty (a post master's certificate acceptable to the Secretary concerned can satisfy this requirement); and

5.1.1.5. Be certified by a professional board in a designated health profession clinical specialty.

5.1.2. All Officers, to include General/Flag officers at the rank of O-7 and above, are eligible for the BCP.

5.2 Amount

The annual amount payable is $8,000, to be prorated monthly.

6.0 IP

6.1 General Provisions

6.1.1. IP When Not Participating in an RB Agreement. Subject to acceptance by the Secretary concerned, an HPO who is eligible for and not in an existing RB agreement, and who is no longer obligated pursuant to a previous IP agreement, may enter into a new 1-year IP agreement at the rate in the HPS&I pay plan. IP agreements must be for at least 1 year and cannot be prorated. If, during the IP agreement, the HPO becomes eligible for a higher IP, the HPO may terminate and renegotiate at that higher rate, obligating for at least a year from the date of renegotiation.

6.1.2. IP When Participating in an RB Agreement. An HPO who enters into an RB contract may also be eligible for IP for the same specialty at the amount in the HPS&I pay plan. An HPO who elects this option will continue IP eligibility, at the rate in effect at the time the RB agreement is effective, for each active year of the RB contract. Any renegotiation of either the RB or IP will require signing a new RB contract at the annual rate in effect at the time of signature, with an obligation that ends after the obligation of the original agreement.

6.1.3. Effective Date. The effective date of the IP agreement will be calculated from the date the member completes the qualifying training plus 3 months.

6.2 Eligibility

6.2.1. To be eligible for IP, an HPO must be:

6.2.1.1. Serving in an AC or RC of a Military Service and entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206;

6.2.1.2. Serving on AD or in an active Reserve status in a designated health professional specialty; and

6.2.1.3. Eligible as prescribed in paragraph 2.3;

6.2.2. Medical Corps and Dental Corps Officers at the rank of O-7 and above are eligible for the HPO IP at the General Medical Officer (GMO) or General Dental Officer rate, respectively. All other General/Flag officers are authorized the HPO IP rate for their credentialed specialty.

6.3 Amounts

Annual payment amounts for IP contracts are listed in Tables 5-3 through 5-6 and paid in equal monthly payments. For the most current IP rates, see the ***Dental Corps BCP IP/RB***, ***Medical Corps BCP IP/RB***, ***Nurse Corps BCP IP/RB***, and ***Specialty IP/RB*** tables on DFAS.MIL.

7.0 RB

7.1 General Provisions

7.1.1. Subject to acceptance by the Secretary concerned, an HPO with an RB contract pursuant to ***37 U.S.C. Chapter 5, Subchapter II***, may request termination of that contract to enter into a new RB contract with an equal or longer obligation at the RB annual rate in effect at the time of execution of the new contract. The new obligation period will not retroactively cover any portion or period that was executed in accordance with the prior contract.

7.1.2. The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting.

*7.2 Eligibility

The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting. To be eligible for an RB, an HPO must:

7.2.1. Meet the eligibility criteria itemized in paragraph 2.3;

7.2.2. Have completed qualifications for the specialty or subspecialty for which the RB is being paid before the beginning of the fiscal year during which a written agreement is executed;

7.2.3. Enter into a written agreement, accepted by the Secretary concerned, to remain on AD or in an active status in an RC as an HPO for 2, 3, 4, or 6 years;

7.2.4. Be below the grade of O-7; and

7.2.5. Meet one of the following requirements:

7.2.5.1. Have completed any AD or reserve duty service commitment incurred for any and all pre-commissioning education and training; or

7.2.5.2. Have completed the service obligation for an AB (an individual eligible for an AB may decline the AB and accept the RB).

7.3 Amounts

Annual payment amounts for AC RB contracts are listed in Tables 5-3 through 5-6. For the most current AC RB rates, see the ***Dental Corps RC AB/RB***, ***Medical Corps RC AB/RB***, ***Nurse Corps RC AB/RB***, and ***Specialties RC AB/RB*** tables on DFAS.MIL.

8.0 RC

8.1 AB

8.1.1. To be eligible for an AB, a RC participant must:

8.1.1.1. Execute a written agreement to remain a satisfactory participant in the Selected Reserves (SELRES) in accordance with ***DoDI 1215.13***;

8.1.1.2. Be qualified in a critical skill identified on the RC HPS&I Pay Plan; and

8.1.1.3. Meet the provisions outlined in paragraphs 2.3 and 3.1.

NOTE: An HPO in the SELRES who transfers to the Individual Ready Reserve or Standby Ready Reserve is not eligible for payments and will have the special pay suspended during this period.

8.1.2. Payment amounts for RC AB contracts are listed in Tables 5-7 through 5-10. For the most current RC AB rates, see the Dental Corps RC AB/RB, Medical Corps RC AB/RB, Nurse Corps RC AB/RB, and Specialties RC AB/RB tables on DFAS.MIL.

8.2 Affiliation Bonus for RC (AFBRC)

8.2.1. Eligibility

To be eligible for an AFBRC, an HPO must:

8.2.1.1. Meet the eligibility criteria itemized in paragraph 2.3;

8.2.1.2. Be serving on AD, or have served on AD, and have a DoD (DD) Form 214, "Certificate of Release or Discharge from Active Duty," that verifies an honorable discharge or release;

8.2.1.3. Provide the original DD 214 (copy 1 or copy 4), or a reproduction with a certified true-copy stamp, and the appropriate Federal Government authenticating seal imprinted for each period of service;

8.2.1.4. Be qualified to hold an appointment as an HPO;

8.2.1.5. Be qualified in the specialty in which they agree to serve;

8.2.1.6. Execute a written agreement to serve 3 years in the SELRES; and

8.2.1.7. Not have previously received an AB in the SELRES, unless granted a waiver.

8.2.2. Amount

The Secretary concerned may pay an AFBRC up to $10,000 to eligible officers.

8.2.3. Restrictions

An officer receiving a health profession bonus is not eligible to receive a payment pursuant to 37 U.S.C. § 332 for the same period of obligated service.

8.3 BCP

8.3.1. Eligibility

An HPO must meet the provisions outlined in paragraph 5.1.

8.3.2. Payment

If eligible, a RC member will be paid at the daily rate of one-thirtieth of the BCP monthly rate as defined in paragraph 5.2 for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206.

8.4 IP

8.4.1. Eligibility

An HPO must meet the provisions outlined in paragraph 6.2.

8.4.2. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the IP monthly rate for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206. See paragraph 6.3.

8.5 RB

8.5.1. Eligibility

To be eligible for an RB, an HPO must meet the provisions outlined in paragraph 7.1.

8.5.2. Payment

Payment amounts for RC RB contracts are listed in Tables 5-7, through 5-10. For the most current RC RB rates, see the Dental Corps RC AB/RB, Medical Corps RC AB/RB, Nurse Corps RC AB/RB, and Specialties RC AB/RB tables on DFAS.MIL.

9.0 TERMINATION

9.1 Reasons

The Secretary concerned may terminate, at any time, an HPO special pay agreement. The Secretary concerned will establish regulations that specify the conditions and procedures for termination, and they will be included in the written service agreement for the specific special pay. Reasons for termination may include, but are not necessarily limited to:

9.1.1. Loss of privileges;

9.1.2. Court-martial conviction;

9.1.3. Failure to maintain a current, valid, and unrestricted license or approved waiver; or

9.1.4. Reasons that are in the best interest of the Military Department.

9.2 Proration

If an agreement for one or more special pays is terminated, the HPO will be paid on a pro-rata basis for the portion served until the official date of termination.

9.3 Repayment

An HPO who fails to maintain the eligibility requirements for a special pay, does not complete the obligation period for the pay, or whose pay is terminated by the Secretary concerned, as described in paragraph 8.1, will be subject to the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2. These repayment authorities will be stipulated in the written service agreement.

9.4 Reinstatement

If an HPO's special pay is terminated due to failure to maintain a valid license, the member can become eligible for special pays again. Once the HPO's license is reinstated and eligibility is re-established, the HPO may negotiate new contractual special pay agreements. Regardless of whether the HPO receives special pays, the HPO will be held responsible for the original contracted special pay service obligation until completed or until involuntary separation from military service occurs.

9.5 Duration of Authority

Unless reauthorized by Congress, a special pay or incentive pay set forth in this chapter may not be paid for service provided after the date listed on the ***Duration of Authority table*** unless a written agreement for the special pay or incentive pay was entered into prior to the date on the table.

*Table 5-1. AB Effective October 1, 2024
For the most current rates, see the Health Professions AB table on DFAS.MIL.

NURSE	AB 3-Year Obligation	AB 4-Year Obligation
Any Specialty	$30,000	$50,000
Obstetrics/Gynecology Nursing	Not Applicable (N/A)	$40,000
SPECIALTY	**AB 3-Year Obligation**	**AB 4-Year Obligation**
Dietician	N/A	$30,000
Medical Lab Technologist	N/A	$30,000
Occupational Therapy	N/A	$30,000
Optometrists	$20,000	$30,000
Pharmacist	N/A	$30,000
Physical Therapist	N/A	$30,000
Physician Assistant	$37,500	$60,000
Public Health Officer (Air Force)	$22,500	$40,000
Social Worker	$18,750	$30,000
Veterinary Officer	N/A	$20,000

*Table 5-1A. CSWAB – Nurse Corps and Specialties AB Effective October 1, 2025
See note

CSWAB NURSE	3-Year Obligation in $	4-Year Obligation in $
Any Specialty	30,000	50,000
Certified Registered Nurse Anesthetist	Not Applicable (N/A)	250,000
Critical Care Nursing	N/A	100,000
Mental Health Nurse Practitioner	N/A	120,000
Obstetrics/Gynecology Nursing	N/A	40,000
SPECIALTY AB	**3-Year Obligation in $**	**4-Year Obligation in $**
Dietician	N/A	30,000
Medical Lab Technologist	N/A	30,000
Occupational Therapy	N/A	30,000
Optometrists	20,000	30,000
Pharmacist	N/A	30,000
Physical Therapist	N/A	30,000
Physician Assistant	37,500	60,000
Public Health Officer (Air Force)	22,500	40,000
Social Worker	18,750	30,000
Veterinary Officer	N/A	20,000

Note:
For the most current rates, see the CSWAB – Nurse Corps and Specialties AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-2. CSWAB Effective October 1, 2024
See note

DENTAL SPECIALTY	CSWSAB 4-YEAR OBLIGATION	
Comprehensive Dentistry	$400,000	
General Dentistry	$150,000	
Oral and Maxillofacial Surgery	$600,000	
Prosthodontics	$300,000	
MEDICAL SPECIALTY	CSWSAB **4-YEAR OBLIGATION**	
Aerospace Medicine	$300,000	
Anesthesia	$600,000	
Cardiology	$325,000	
Cardio-Thoracic Surgery	$600,000	
Diagnostic Radiology	$375,000	
Emergency Medicine	$400,000	
Family Practice	$275,000	
General Surgery	$600,000	
Infectious Diseases	$200,000	
Internal Medicine	$250,000	
Neurosurgery	$600,000	
Ophthalmology	$225,000	
Orthopedics	$600,000	
Preventive Medicine	$300,000	
Psychiatry	$600,000	
Pulmonary Medicine	$400,000	
Trauma/Critical Care Surgery	$600,000	
Urology	$300,000	
Vascular Surgery	$600,000	
NURSE SPECIALTY	**CSWSAB 4-YEAR OBLIGATION**	
Certified Registered Nurse Anesthetist	$250,000	
Critical Care Nursing	$100,000	
Mental Health Nurse Practitioner	$120,000	
SPECIALTY CSWSAB	**3-YEAR OBLIGATION**	**4-Year OBLIGATION**
Clinical Psychologist	$42,500	$65,000

Note:
For the most current rates, see the Health Professions AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-2A. CSWAB Dental and Medical Corps Effective October 1, 2025
See note

DENTAL SPECIALTY CORPS	4-YEAR OBLIGATION in US $	
Comprehensive Dentistry	400,000	
Endodontics	400,000	
General Dentistry	150,000	
Oral and Maxillofacial Surgery	700,000	
Prosthodontics	400,000	
MEDICAL CORPS	**3-YEAR OBLIGATION in US $**	**4-YEAR OBLIGATION in US $**
Anesthesia	337,500	600,000
Cardiology	337,500	600,000
Cardio-Thoracic Surgery	450,000	800,000
Diagnostic Radiology	281,250	500,000
Emergency Medicine	281,250	500,000
General Surgery	393,750	700,000
Neurosurgery	450,000	600,000
Orthopedics	337,500	600,000
Psychiatry	337,500	600,000
Trauma/Critical Care Surgery	450,000	800,000
Urology	281,250	500,000
Vascular Surgery	450,000	800,000
Any Physician Specialty Not Listed Above	225,000	400,000
CSWAB SPECIALTY	**3-YEAR OBLIGATION in US $**	**4-Year OBLIGATION in US $**
Clinical Psychologist	$42,500	$65,000

Note:
For the most current rates, see the CSWAB – Dental and Medical Corps table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-3. Dental Corps IP and RB Effective October 1, 2024

DENTAL CORPS	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	$25,000	$23,000	$32,000	$40,000	$50,000
Comprehensive Dentistry	$25,000	$28,000	$41,000	$60,000	$75,000
Dental Research	$25,000	$28,000	$41,000	$55,000	$65,000
Endodontics	$25,000	$28,000	$41,000	$55,000	$65,000
General Dentistry	$20,000	$16,000	$22,000	$30,000	$40,000
Operative Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Oral: Diagnosis; Medicine; Pathology; Radiology	$25,000	$28,000	$41,000	$55,000	$65,000
Oral Maxillofacial Surgery	$55,000	$55,000	$65,000	$95,000	$115,000
Orthodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Pediatric Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Periodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Prosthodontics	$25,000	$28,000	$41,000	$55,000	$65,000
Public Health Dentistry	$25,000	$28,000	$41,000	$55,000	$65,000
Temporomandibular Dysfunction/Orofacial Pain	$25,000	$28,000	$41,000	$55,000	$65,000

Note:
For the most current rates, see the Health Professions AB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-3A. Dental Corps IP and RB Effective October 1, 2025
See note

DENTAL CORPS	Fully Qualified IP Rate (prorated monthly)in US $	RB Rate (paid annually) in US $			
		2-year	3-year	4-year	6-year
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	27,000	23,000	32,000	40,000	50,000
Comprehensive Dentistry	27,000	28,000	41,000	60,000	75,000
Dental Research	27,000	28,000	41,000	55,000	65,000
Endodontics	27,000	28,000	41,000	55,000	65,000
General Dentistry	20,000	16,000	22,000	30,000	40,000
Operative Dentistry	27,000	28,000	41,000	55,000	65,000
Oral: Diagnosis; Medicine; Pathology; Radiology	27,000	28,000	41,000	55,000	65,000
Oral Maxillofacial Surgery	66,000	50,000	65,000	105,000	125,000
Orthodontics	27,000	28,000	41,000	55,000	65,000
Pediatric Dentistry	27,000	28,000	41,000	55,000	65,000
Periodontics	27,000	28,000	41,000	55,000	65,000
Prosthodontics	27,000	28,000	41,000	55,000	65,000
Public Health Dentistry	27,000	28,000	41,000	55,000	65,000
Temporomandibular Dysfunction/Orofacial Pain	27,000	28,000	41,000	55,000	65,000

Note:
For the most current rates, see the Dental Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-4. Medical Corps IP and RB Effective October 1, 2024
For the most current rates, see the Medical Corps BCP IP/RB table on DFAS.MIL.

MEDICAL CORPS	IP 1-YEAR RATE (PRORATED MONTHLY)
General Medical Officer (GMO)	$20,000
GMO with Aerospace Medicine or Undersea Medical Officer Training (Note 1)	$25,000
Internship (First Year of Graduate Medical Education)	$1,200
Initial Residency (Post-Graduate Year 2)	$8,000

Post Resident or Fellow Graduate (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Anesthesiology	$59,000	$40,000	$55,000	$105,000	$125,000
Cardiology-Adult/Pediatric	$59,000	$26,000	$39,000	$76,000	$95,000
Dermatology	$43,000	$17,000	$25,000	$43,000	N/A
Emergency Medicine	$49,000	$26,000	$39,000	$76,000	$95,000
Family Medicine	$43,000	$20,000	$28,000	$48,000	$60,000
Flight Surgery/ Aerospace Medicine Primary Course (AMP), Other Residency Trained	Note 2	Note 2	Note 2	Note 2	Note 2
Gastroenterology Adult/ Pediatrics	$49,000	$25,000	$36,000	$58,000	N/A
General Internal Medicine	$43,000	$13,000	$23,000	$40,000	N/A
General Surgery	$57,000	$50,000	$65,000	$105,000	$125,000
Gynecological Surgery and Obstetrics	$54,000	$20,000	$30,000	$46,000	$58,000
Neonatology	$50,000	$24,000	$34,000	$63,000	$78,000
Neurology Adult/ Pediatrics	$43,000	$13,000	$19,000	$30,000	$40,000
Neurosurgery (Note 3)	$65,000	$75,000	$100,000	$150,000	N/A
Ophthalmology	$51,000	$15,000	$21,000	$32,000	N/A
Orthopedics	$59,000	$43,000	$58,000	$95,000	$115,000
Otolaryngology	$53,000	$22,000	$30,000	$43,000	N/A
Pathology	$43,000	$13,000	$20,000	$35,000	N/A
Pediatrics	$43,000	$15,000	$20,000	$35,000	N/A
Physiatrist/Physical Medicine	$43,000	$12,000	$13,000	$20,000	N/A
Preventative/Occupational Medicine	$43,000	$13,000	$20,000	$35,000	N/A

Table 5-4. Medical Corps IP and RB (Continued)

Post Resident Or Fellow Graduate (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly)	RB Rate (paid annually) 2-year	RB Rate (paid annually) 3-year	RB Rate (paid annually) 4-year	RB Rate (paid annually) 6-year
Psychiatry Adult/ Pediatrics	$43,000	$19,000	$31,000	$65,000	$85,000
Pulmonary/Critical Care Medicine	$50,000	$27,000	$37,000	$63,000	$78,000
Radiology Diagnostic/Therapeutic	$59,000	$34,000	$49,000	$76,000	N/A
Residency in Aerospace Medicine (RAM)	$43,000	$20,000	$30,000	$40,000	N/A
RAM (Other Residency Trained)	Note 4	Note 4	Note 4	Note 4	Note 4
Subspecialty Category I (Note 5)	$59,000	$50,000	$65,000	$110,000	$130,000
Subspecialty Category II (Note 6)	$51,000	$12,000	$18,000	$32,000	N/A
Subspecialty Category III (Note 7)	$46,000	$18,000	$25,000	$43,000	$55,000
Subspecialty Category IV (Note 8)	$46,000	$20,000	$28,000	$48,000	$60,000
Subspecialty Category V (Note 9)	$59,000	$26,000	$36,000	$55,000	N/A
Urology	$51,000	$20,000	$30,000	$55,000	N/A

NOTES:

1. GMO aerospace medicine training: Physicians who have completed the AMP courses.
2. Physicians who are trained in a primary specialty and have completed the AMP Course (AMP, United States Air Force) or Undersea Medical Officer Training (United States Navy) are eligible for a $3,000 increase in IP and RB above their primary specialty rates.
3. The annual IP amount for the 4-year Neurosurgery retention agreement is $80,000.
4. Physicians who are trained in a primary specialty and have completed RAM are eligible for a $5,000 increase in IP and RB above their primary specialty rates.
5. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;

Table 5-4. Medical Corps IP and RB (Continued)

f. Pediatric Surgery;
g. Plastic Surgery;
h. Trauma/Critical Care Surgery; or
i. Vascular Surgery.

6. Internal medicine nuclear medicine physicians only.
7. All internal medicine/pediatric fellowship-trained subspecialties not listed separately.
8. All family medicine fellowship trained subspecialties.
9. Physicians who are fellowship trained in:
   a Ophthalmology;
   b. Otolaryngology;
   c. Obstetrics/gynecology; and
   d. Urology.

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025
Note 1

MEDICAL CORPS IP		1-YEAR RATE (PRORATED MONTHLY) IN US $			
General Medical Officer (GMO)		20,000			
GMO with Aerospace Medicine or Undersea Medical Officer Training (Notes 2 and 3)		25,000			
Initial Residency (Post-Graduate Year 2)		8,000			
Internship (First Year of Graduate Medical Education)		1,200			
POST RESIDENT or GRADUATE FELLOW (initial residency is the first residency completed)	**Fully Qualified IP Rate (prorated monthly) in US $**	**RB (Paid Annually) IN US $**			
		2-Year Rate	**3-Year Rate**	**4-Year Rate**	**6-Year Rate**
Anesthesiology	66,000	40,000	55,000	105,000	125,000
Cardiology – Adult/Peds	69,000	26,000	39,000	76,000	95,000
Dermatology	48,000	17,000	25,000	43,000	60,000
Emergency Medicine	54,000	26,000	39,000	76,000	95,000
Family Medicine	43,000	20,000	28,000	48,000	60,000
Flight Surgery/Aerospace Medicine Primary Course (AMP), Other Residency Trained	Note 4	Note 4	Note 4	Note 4	Note 4
Gastroenterology – Adult/Peds	54,000	25,000	36,000	58,000	68,000
General - Internal Medicine	43,000	20,000	28,000	48,000	60,000
General Surgery	66,000	50,000	65,000	105,000	125,000
Gynecological Surgery and Obstetrics	60,000	20,000	30,000	46,000	58,000
Neonatology	50,000	24,000	34,000	63,000	78,000
Neurology – Adult/Peds	48,000	13,000	19,000	30,000	40,000
Neurosurgery (Note 5)	75,000	75,000	100,000	150,000	150,000
Ophthalmology	54,000	20,000	25,000	37,000	50,000
Orthopedics	66,000	50,000	65,000	105,000	125,000
Otolaryngology	60,000	25,000	35,000	48,000	65,000
Pathology	48,000	15,000	20,000	35,000	40,000
Pediatrics	43,000	15,000	25,000	35,000	40,000
Physiatrist/Physical Medicine	43,000	15,000	20,000	30,000	N/A

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025 (Continued)

POST RESIDENT or GRADUATE FELLOW (initial residency is the first residency completed)	Fully Qualified IP Rate (prorated monthly) in US $	RB (Paid Annually) IN US $			
		2-Year Rate	3-Year Rate	4-Year Rate	6-Year Rate
Preventive/Occupational Medicine	43,000	15,000	30,000	35,000	40,000
Psychiatry – Adult/Peds	48,000	19,000	31,000	65,000	85,000
Pulmonary/Critical Care Medicine	60,000	27,000	37,000	63,000	78,000
Radiology – Diagnostic/Therapeutic	66,000	34,000	49,000	76,000	N/A
Residency in Aerospace Medicine (RAM)	43,000	20,000	30,000	45,000	N/A
RAM (other residency trained)	Note 6	Note 6	Note 6	Note 6	Note 6
Subspecialty Category 1 (Note 7)	72,000	50,000	65,000	110,000	130,000
Subspecialty Category II (Note 8)	51,000	12,000	18,000	32,000	N/A
Subspecialty Category III (Note 9)	46,000	20,000	28,000	48,000	60,000
Subspecialty Category IV (Note 10)	46,000	20,000	28,000	48,000	60,000
Subspecialty Category V (Note 11)	66,000	26,000	36,000	55,000	70,000
Urology	60,000	20,000	30,000	55,000	65,000

NOTES:

1. For the most current rates, see the Medical Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. GMO Aerospace Medicine Training: Physicians who have completed the Aerospace Medicine Primary courses.
3. GMO Undersea Medicine Training: Physicians who have completed the Undersea Medicine Officer courses.
4. Physicians who are trained in a primary specialty and have completed the Aerospace Medicine Primary Course (AMP, USAF) or Undersea Medical Officer Training (USN) are eligible for a $3,000 increase in Incentive Pay and Retention Bonus above their primary specialty rates.
5. The annual IP amounts for Neurosurgery are $102,000 for a four-year retention agreement and $120,000 for a six-year retention agreement.
6. Physicians who are residency-trained in a specialty other than RAM, who have also completed RAM, are eligible for a $5,000 increase in both IP and RB above their non-RAM specialty rates.

Table 5-4A. Medical Corps IP and RB Effective October 1, 2025 (Continued)
NOTES (Continued):

7. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colorectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
8. Internal Medicine and Nuclear medicine physicians only.
9. All Internal Medicine/Pediatric fellowship-trained subspecialties not listed separately.
10. All Family Medicine fellowship trained subspecialties.
11. Physicians who are trained in:
   a Ophthalmology;
   b. Otolaryngology;
   c. Obstetrics/Gynecology; and
   d. Urology.

*Table 5-5. Nurse Corps IP and RB Effective October 1, 2024
For the most current rates, see the Nurse Corps BCP IP/RB table on DFAS.MIL.

NURSE CORPS	Fully Qualified IP Only 1 Year Rate (prorated monthly)	RB Rate paid annually 2-Year	RB Rate paid annually 3-Year	RB Rate paid annually 4-Year	RB Rate paid annually 6- Year
Certified Registered Nurse Anesthetist	$15,000	$10,000	$20,000	$40,000	$60,000
Community/Public Health Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Critical Care Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Emergency Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Flight Nurse	N/A	$10,000	$15,000	$20,000	$35,000
General/Clinical Nursing (Note)	N/A	$10,000	$15,000	$20,000	$35,000
Medical-Surgical Nursing	N/A	$10,000	$15,000	$25,000	$35,000
Mental Health Nurse Practitioners	N/A	$20,000	$30,000	$40,000	$60,000
Neonatal Intensive Care	N/A	$10,000	$15,000	$25,000	$35,000
Nurse Midwife	N/A	$15,000	$20,000	$30,000	$45,000
Obstetrics/Gynecology Nursing	N/A	$10,000	$15,000	$25,000	$35,000
Pediatric Nursing	N/A	$10,000	$15,000	$20,000	N/A
Perioperative Nursing	N/A	$10,000	$15,000	$20,000	$35,000
Psychiatric/Mental Health Nursing	N/A	$10,000	$15,000	$20,000	$35,000
All Other Nurse Practitioners	N/A	$10,000	$15,000	$20,000	$35,000

NOTES:

This RB is intended for nurses who are not eligibility for the specialty nurse RBs.

*Table 5-5A. Nurse Corps IP and RB Effective October 1, 2025
(Note 1)

NURSE CORPS	Fully Qualified IP Only 1 Year Rate (prorated monthly in US $)	RB Rate paid annually in US $			
		2-Year	3-Year	4-Year	6-Year
Certified Registered Nurse Anesthetist	18,000	20,000	30,000	50,000	75,000
Community/Public Health Nursing	N/A	10,000	15,000	20,000	35,000
Critical Care Nursing	N/A	10,000	15,000	20,000	35,000
Emergency Nursing	N/A	10,000	15,000	20,000	35,000
Flight Nurse	N/A	10,000	15,000	20,000	35,000
General/Clinical Nursing (Note 2)	N/A	10,000	15,000	20,000	35,000
Medical-Surgical Nursing	N/A	10,000	15,000	25,000	35,000
Mental Health Nurse Practitioners	4,800	20,000	30,000	40,000	60,000
Neonatal Intensive Care	N/A	10,000	15,000	25,000	35,000
Nurse Midwife	4,800	15,000	20,000	30,000	45,000
Obstetrics/Gynecology Nursing	N/A	10,000	15,000	25,000	35,000
Pediatric Nursing	N/A	10,000	15,000	20,000	N/A
Perioperative Nursing	N/A	10,000	15,000	20,000	35,000
Psychiatric/Mental Health Nursing	N/A	10,000	15,000	20,000	35,000
All Other Nurse Practitioners	4,800	10,000	15,000	30,000	45,000

NOTES:

1. For the most current rates, see the Nurse Corps IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. This RB is intended for nurses who do not meet the eligibility for the specialty nurse RBs.

*Table 5-6. Biomedical Services, Medical Services, Specialists, and Veterinary Corps IP and RB Effective October 1, 2024
For the most current rates, see the Specialty IP/RB table on DFAS.MIL.

SPECIALTY	PAID ANNUALLY				
	Fully Qualified IP Rate/Year (with or without RB)	RB Rate 2-Year	RB Rate 3-Year	RB Rate 4-Year	RB Rate 6-Year
Laboratory Officer	N/A	N/A	N/A	$10,000	N/A
Occupational Therapist	N/A	N/A	N/A	$7,500	N/A
Optometrist	$5,000	$5,000	$10,000	$15,000	$20,000
Pharmacist	N/A	$15,000	$15,000	$20,000	N/A
Physician Assistant	$5,000	$10,000	$15,000	$25,000	$35,000
Podiatrist	$5,000	$10,000	$15,000	$25,000	N/A
Psychologist	$5,000	$15,000	$20,000	$30,000	$40,000
Public Health Officer (Air Force)	$5,000	$5,000	$6,250	$7,500	N/A
Registered Dietician	N/A	N/A	N/A	$7,500	N/A
Social Worker	$2,500	$10,000	$18,000	$20,000	$25,000
Veterinary Biomedical Scientist Officer (Army, PhD Complete Only)	$5,000	$7,000	$11,000	$15,000	N/A
Veterinarians (Army) Preventive Medicine	$5,000	$5,000	$6,250	$7,500	N/A
Veterinary Officer	$5,000	$2,500	$3,750	$5,000	N/A

Table 5-6 A. Health Profession Officer and Clinical Phycologist, IP and RB Effective October 1, 2025
See note

SPECIALTY	RB (Paid annually) in US $				
	Fully Qualified IP Rate/Year	2-Year	3-Year	4-Year	6-Year
Clinical Psychologist	5,000	15,000	20,000	30,000	40,000
Laboratory Officer	N/A	N/A	5,000	10,000	15,000
Occupational Therapist	N/A	N/A	N/A	7,500	N/A
Optometrist	5,000	5,000	10,000	15,000	20,000
Pharmacist	N/A	10,000	15,000	20,000	N/A
Physical Therapist	N/A	N/A	N/A	7,500	N/A
Physician Assistant	5,000	10,000	15,000	25,000	35,000
Podiatrist	5,000	10,000	15,000	25,000	N/A
Preventive Medicine Veterinarians (Army)	5,000	5,000	6,250	7,500	N/A
Public Health Officer (Air Force)	5,000	5,000	6,250	7,500	N/A
Registered Dietician	N/A	N/A	N/A	7,500	N/A
Social Worker	2,500	10,000	18,000	20,000	25,000
Veterinary Biomedical Scientist Officer (Army, PhD Complete Only)	5,000	7,000	11,000	15,000	N/A
Veterinary Officer	5,000	2,500	3,750	5,000	N/A

Note:
For the most current rates, see the Health Profession Officer And Clinical Phycologist Board Certification Pay, IP and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.

*Table 5-7. Dental RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Dental RC AB/RB table on DFAS.MIL.

DENTAL CORPS	AB (Note)	RB (Note)
Dental Officer, Clinical/General	$25,000	$25,000
Dentist, Comprehensive	$30,000	$30,000
Oral & Maxillofacial Surgeon	$45,000	$45,000
Prosthodontist	$30,000	$30,000
Public Health Dentist	$30,000	$30,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-7A. Dental RC AB and RB Effective October 1, 2025
(Note 1)

DENTAL CORPS	PAID ANNUALLY IN US $	
	AB (Note 2)	RB (Note 2)
Dental Officer, Clinical/General	25,000	25,000
Dentist, Comprehensive	30,000	30,000
Oral & Maxillofacial Surgeon	45,000	45,000
Prosthodontist	30,000	30,000

NOTES:

1. For the most current rates, see the Dental RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-8. Medical RC AB and RB Effective October 1, 2024
For the most current rates, see the Medical RC AB/RB table on DFAS.MIL.

MEDICAL CORPS	AB (Note)	RB (Note)
Aerospace Medicine Specialist	$40,000	$40,000
Anesthesiology	$50,000	$50,000
Critical Care Pulmonary Disease Medicine/Cardiology	$60,000	$60,000
Emergency Medicine Emergency Services	$50,000	$50,000
Family Medicine/ Family Practice	$25,000	$25,000
Field Surgeon Aeromedical Physician General Practice Medicine	$25,000	$25,000
Flight Surgeon; Aviation/Aerospace GMO; Aviation/Aerospace; Residence Trained	$40,000	$40,000
Infectious Disease	$25,000	$25,000
Internist	$25,000	$25,000
Nephrology	$25,000	$25,000
Nuclear Medicine	$25,000	$25.000
Obstetrician and Gynecologist	$25,000	$25,000
Occupational Medical Officer	$40,000	$40,000
Ophthalmology	$25,000	$25,000
Otolaryngologist	$25,000	$25,000
Pediatrician	$25,000	$25,000
Preventive Medicine	$40,000	$40,000
Psychiatrist	$25,000	$25,000
Radiologist, Diagnostic	$45,000	$45,000
Surgeon Colon Rectal	$75,000	$75,000
Surgeon Critical Care Trauma	$75,000	$75,000
Surgeon, General	$75,000	$75,000
Surgeon, Neurological	$50,000	$50,000
Surgeon Orthopedic	$75,000	$75,000
Surgeon, Plastic	$50,000	$50,000
Surgeon, Thoracic Cardiovascular	$75,000	$75,000
Surgeon Vascular Peripheral	$50,000	$50,000
Undersea Medicine	$25,000	$25,000
Urologist	$45,000	$45,000

Table 5-8. Medical RC AB and RB (Continued)

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-8A. Medical RC AB and RB Effective October 1, 2025
(See Note 1)

MEDICAL CORPS	AB (Note 2)	RB (Note 2)
Aerospace Medicine Specialist	40,000	40,000
Anesthesiologist	50,000	50,000
Critical Care/Pulmonary Disease Medicine/Cardiology	60,000	60,000
Emergency Medicine/Emergency Services	50,000	50,000
Family Medicine, Family Practice	25,000	25,000
Field Surgeon/General Practice Medicine/Aeromedical Physician	25,000	25,000
Flight Surgeon, Aviation/Aerospace GMO, Aviation/Aerospace Res Trained	40,000	40,000
Infectious Disease	25,000	25,000
Internist	25,000	25,000
Nephrology	25,000	25,000
Obstetrician and Gynecologist	25,000	25.000
Occupational Medical Officer	40,000	40,000
Ophthalmology	25,000	25,000
Otolaryngologist	25,000	25,000
Pediatrician	25,000	25,000
Preventive Medicine	40,000	40,000
Psychiatrist	35,000	35,000
Radiologist, Diagnostic	45,000	45,000
Surgeon, Colon/Rectal	75,000	75,000
Surgeon, Critical Care/Trauma	75,000	75,000
Surgeon, General	75,000	75,000
Surgeon, Neurological	75,000	75,000
Surgeon Orthopedic	75,000	75,000
Surgeon, Plastic	50,000	50,000
Surgeon, Thoracic Cardiovascular	75,000	75,000
Surgeon Vascular/Peripheral	50,000	50,000
Undersea Medicine	25,000	25,000
Urologist	45,000	45,000

NOTES:

1. For the most current rates, see the Medical RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-9. Nurse Corps RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Nurse Corps RC AB/RB table on DFAS.MIL.

NURSE CORPS	AB (Note)	RB (Note)
Clinical Nurse, Critical Care	$35,000	$35,000
Flight Nurse	$20,000	$20,000
Maternal Infant Nurse	$15,000	$15,000
Medical/Surgical Nurse	$25,000	$25,000
Mental Health Nurse	$17,500	$17,500
Midwife	$15,000	$15,000
Nurse, Anesthetist	$30,000	$30,000
Nurse, Neonatal Intensive Care	$15,000	$15,000
Nurse, Practitioner, Family	$20,000	$20,000
Nurse, Practitioner, Mental Health	$20,000	$20,000
Nurse, Practitioner, Pediatric	$15,000	$15,000
Operating Room Nurse	$25,000	$25,000
Trauma Nurse /Emergency	$25,000	$25,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-9A. Nurse Corps RC AB and RB Effective October 1, 2025
See Note 1

NURSE CORPS	AB (Note 2)	RB (Note 2)
Clinical Nurse, Critical Care	35,000	35,000
Flight Nurse	20,000	20,000
Maternal Infant Nurse	15,000	15,000
Medical/Surgical Nurse	25,000	25,000
Mental Health Nurse	17,500	17,500
Midwife	15,000	15,000
Nurse, Anesthetist	30,000	30,000
Nurse, Neonatal Intensive Care (NICU)	15,000	15,000
Nurse, Practitioner, Family	20,000	20,000
Nurse, Practitioner, Mental Health	20,000	20,000
Nurse, Practitioner, Pediatric	15,000	15,000
Operating Room Nurse	25,000	25,000
Trauma Nurse /Emergency	25,000	25,000

NOTES:

1. For the most current rates, see the Nurse Corps RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*Table 5-10. Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB Effective October 1, 2024
(See Note)
For the most current rates, see the Specialties RC AB/RB table on DFAS.MIL.

SPECIALTIES	AB (Note)	RB (Note)
Aeromedical Evacuation Officer	$20,000	$20,000
Aerospace Physiology	$10,000	$10,000
Bioenvironmental Engineer	$10,000	$10,000
Clinical Laboratory/Biomedical Laboratory Science	$10,000	$10,000
Clinical Psychologist	$20,000	$20,000
Entomologist/Public Health	$15,000	$15,000
Health Services Administration	$10,000	$10,000
Information Systems	$10,000	$10,000
Medical Logistics Management	$15,000	$15,000
Microbiologist	$10,000	$10,000
Optometrist	$20,000	$20,000
Physician Assistant	$25,000	$25,000
Plans/Operations/Medical Intelligence	$15,000	$15,000
Social Worker	$15,000	$15,000
VETERINARY CORPS	**AB**	**RB**
Clinical Medicine	$25,000	$25,000
Preventive Medicine	$20,000	$20,000
Service Officer	$15,000	$15,000

NOTE:

The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be subject to the current law, DoDI 6000.13, and service policy existing at the time the contracts were signed. These amounts are paid annually.

*Table 5-10A. Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB Effective October 1, 2025 (See Note 1)

SPECIALTIES	AB (Note 2)	RB (Note 2)
Aeromedical Evacuation Officer	30,000	30,000
Aerospace Physiology	10,000	10,000
Bioenvironmental Engineer	10,000	10,000
Clinical Laboratory/Biomedical Laboratory Science	15,000	15,000
Clinical Psychologist	20,000	20,000
Entomologist/Public Health	20,000	20,000
Health Services Administration	10,000	10,000
Industrial Hygiene	10,000	10,000
Information Systems	10,000	10,000
Medical Logistics Management	15,000	15,000
Microbiologist	10,000	10,000
Optometrist	20,000	20,000
Physical Therapist	20,000	20,000
Physician Assistant	25,000	25,000
Plans/Operations/Medical Intelligence	15,000	15,000
Social Worker	20,000	20,000
VETERINARY CORPS	**AB (Note 2)**	**RB (Note 2)**
Clinical Medicine	25,000	25,000
Preventive Medicine	20,000	20,000
Service Officer	25,000	25,000

NOTES:

1. For the most current rates, see the Biomedical Services, Medical Services, Specialists, and Veterinary Corps Specialties RC AB and RB table on DFAS.MIL. These amounts are the maximum allowed by the Department of Defense. For service specific amount consult with your personnel office.
2. The amount listed for AB and RB represents the annual amount authorized for new agreements signed during the period of the pay plan. The length of the contracts will be to law, DoD 600.13 and service policy.

*REFERENCES

CHAPTER 5: - HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

2.0 – PROVISIONS

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

3.0 – AB

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

5.0 – BCP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

5.2 Assistant Secretary of Defense Health Affairs (ASD HA) Memo, September 6, 2022

6.0 – IP

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

6.2.2 ASD HA Memo, September 6, 2022

7.0 – RB

DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016

8.0 – RC	
	DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016
8.1.1.1	DoDI 1215.13, May 5, 2015
8.2.1.6	DoDI 1304.34, July 11, 2016, paragraph 3.1 e(2)(a)
9.0 – TERMINATION	
	DoDI 6000.13, December 30, 2015, Incorporating Change 1, Effective May 3, 2016
9.5	37 U.S.C. §§ 332, 335, 353
Table 5-1 – AB	
	ASD HA Memo, July 25, 2024
Table 5-2 – CSWSAB	
	ASD HA Memo, July 25, 2024
Table 5-3 – DENTAL CORPS IP	
	ASD HA Memo, July 25, 2024
Table 5-4 – MEDICAL CORPS IP	
	ASD HA Memo, July 25, 2024
Table 5-5 – NURSE CORPS IP AND RB	
	ASD HA Memo, July 25, 2024

Table 5-6 – BIOMEDICAL SERVICES, MEDICAL SERVICES, SPECIALISTS, AND VETERINARY CORPS INCENTIVE PAY & RETENTION BONUS

ASD HA Memo, July 25, 2024

Table 5-7 – DENTAL RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-8 – MEDICAL RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-9 – NURSE CORPS RC AB AND RB

ASD HA Memo, July 25, 2024

Table 5-10 – BIOMEDICAL SERVICES, MEDICAL SERVICES, SPECIALISTS, AND VETERINARY CORPS RC AB AND RB

ASD HA Memo, July 25, 2024

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 6: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 7: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 8: "SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
References	Updated supporting Service instruction references.	Revision

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CHAPTER 8

SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

1.0 GENERAL

1.1 Purpose

Special Duty Assignment Pay (SDAP) may be awarded to Service members for the performance of duty in an assignment, location, or unit designated, where the assigned duties are determined to be extremely demanding, involving an unusual degree of responsibility or difficulty, or requiring special qualifications.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SDAP

2.1 Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs and will consider paygrade, level of responsibility, and the operational nature of the assignment.

2.1.1. Army. See the Army SDAP message ALARACT 084/2021 – Corrected Fiscal Year 2022 SDAP Biennial Review Results, October 22, 2021.

2.1.2. Navy. See Chief of Naval Operations Instructions ***(OPNAVINST) 1160.6C***.

2.1.3. Air Force and Space Force. See Air Force Instruction ***(AFI) 36-3012***.

2.1.4. Marine Corps. See Marine Corps Order ***(MCO) 7220.12R***.

2.2 Additional Guidelines

2.2.1. The Secretary of the Military Department may pay a special duty pay to a member of the Active or Reserve Component of the Uniformed Service who:

2.2.1.1. Is entitled to basic pay under ***37 U.S.C. § 204***, or compensation under ***37 U.S.C. § 206***; and

2.2.1.2. Performs duties in an assignment, location, or unit designated, and under the conditions of service specified by the Secretary concerned.

2.2.2. SDAP will be in addition to any other pay or allowances a Service member may be receiving, except where otherwise stated.

2.2.3. Awarding new agreements for assignment and special duty pays under 37 U.S.C., Chapter 5, Subchapter I, was discontinued after October 1, 2017. Existing agreements under 37 U.S.C., Chapter 5, Subchapter I, will remain in effect and payments may continue through the agreed-upon date.

2.3 Restrictions

2.3.1. A member of a Reserve Component entitled to pay under 37 U.S.C. § 206 and authorized for special duty pay may be paid an amount of SDAP that is proportionate to the compensation received by the member for inactive duty training. The member may be awarded an amount at $1/30^{th}$ of the prescribed monthly rate of the special duty pay for the performance of each authorized period of inactive duty training with pay.

2.3.2. The Secretary of the Military Department concerned may increase, decrease, or abolish SDAP for any skill or assignment at any time and will establish restrictions and limitations to the pay through Service regulations.

2.3.3. Assignment and special duty pays are not to be continuous in nature and should be for a specified period. However, back-to-back assignment and special duty pays are authorized as long as the Service member continues to meet Service regulations and perform duties in assignments designated for the pay.

2.3.4. A member may receive multiple assignment and special duty pays. However, a Service member may not receive multiple pays for the same purpose and period of service.

2.4 Amount

2.4.1. Assignment and special duty pays may be paid in monthly, installment, or lump sum amounts, but may not exceed the amount listed in subparagraph 2.4.2. The combination of assignment and special duty pays may not exceed an average monthly amount of $3,500, unless otherwise authorized by the Assistant Secretary of Defense for Manpower and Reserve Affairs.

2.4.2. The Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of SDAP per month will not exceed $750.

2.5 Repayment

A member who receives SDAP in accordance with ***37 U.S.C. § 352***, and fails to fulfill the eligibility requirements for receipt of such pay, will be subject to the repayment provisions of ***37 U.S.C. § 373***.

3.0 ENTITLEMENT

3.1 Service Designations

Designations of military specialties and assignments for SDAP are in the applicable regulations of the Military Service concerned.

3.2 Written Agreement

3.2.1. Discretionary for Monthly Payments. The Secretary of the Military Department concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the payment of assignment pay or special duty pay on a monthly basis. If used, the written agreement will specify the period for which the assignment pay, or special duty pay will be paid and the monthly rate.

3.2.2. Non-discretionary for Installment or Lump Sum Payments. The Secretary of the Military Department concerned will require a Service member to enter into a written agreement with the Secretary in order to qualify for installment or lump sum payments of assignment pay or special duty pay. The written agreement will specify the period for which the Service member will receive assignment pay or special duty pay, the amount of each periodic installment or lump sum, and the repayment policy under paragraph 2.5.

4.0 CONDITIONS OF ENTITLEMENT

4.1 Effect of SDAP on Other Computations

SDAP is not used in the computation for an enlistment bonus, severance pay, separation pay, or cash settlement of accrued leave.

4.2 Tax

SDAP is subject to withholding of income tax, but not subject to withholding of Federal Insurance Contributions Act taxes.

4.3 Duration of Authority

Unless reauthorized by Congress, SDAP may not be paid for service provided after the date listed on the ***Duration of Authority*** table for SDAP unless an SDAP agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 8 - SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY

1.0 – GENERAL

37 U.S.C. § 352
DoD Instruction (DoDI) 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 1.2

2.0 – SDAP

2.1	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 4.1.b
2.1.1.	ALARACT 084/2021 Corrected Fiscal Year 2022 Special Duty Assignment Pay (SDAP) Biennial Review Results, October 22, 2021
2.1.2.	OPNAVINST 1160.6C, October 5, 2017
2.1.3.	AFI 36-3012, August 23, 2019, chapter 3
2.1.4.	MCO 7220.12R, August 6, 2013
2.2	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.a
2.3	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.b
2.4	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.1.d

3.0 – ENTITLEMENT

3.2	DoDI 1340.26, September 25, 2017, Incorporating Change 1, Effective January 11, 2019, paragraph 3.3

4.0 – CONDITIONS OF ENTITLEMENT

4.3	37 U.S.C. § 352(g)

VOLUME 7A, CHAPTER 9: "ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2	Updated to increase the enlistment bonus maximum amount to $75,000 effective January 11, 2024, through January 10, 2027.	Revision
3.3	Updated to reflect the maximum statutory increase to $50,000 for each year of obligation.	Revision
9.0	Removed obsolete Voluntary Extension Retention Bonus.	Deletion
References	Updated to reflect current statutes and other supporting references.	Revision

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CHAPTER 9

ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT AND RETENTION BONUSES

1.0 GENERAL

1.1 Purpose

This chapter establishes DoD policy guidance pertaining to active-duty enlistment, reenlistment, and retention bonuses.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331 (***37 U.S.C. § 331***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1.3 Repayment

1.3.1 For each of the bonuses described in this chapter, a member who does not complete the agreed term of service or who does not otherwise meet the conditions of service for the bonus will be subject to the repayment provisions of Chapter 2.

1.3.2. A member who is discharged 12 months or less before the expiration of enlistment or extension of enlistment in accordance with ***10 U.S.C. § 1171*** may be considered to have completed the terms of enlistment or extension of enlistment for which the bonus was paid. For all other early discharges, the Military Departments will determine and advise when repayment is not required.

1.4 Duration of Authority

Unless reauthorized by Congress, no bonus described in this chapter may be paid for service provided after the date listed on the ***Duration of Authority*** table for that bonus unless an agreement was entered into prior to the date on the table.

2.0 ENLISTMENT BONUS

2.1 Eligibility

An enlistment bonus is authorized for individuals who enlist in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary of the Military Department concerned. The individual must meet the qualifications listed in subparagraphs 2.1.1 through 2.1.8:

2.1.1. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development program certificate;

2.1.2. The individual must be an initial enlistee who enlists in a Regular Component of the Military Service. An initial enlistee is a person who has either never served or has served and was released from such service before completing the basic training requirements of the Service of which the person was a member, and the service was characterized as either honorable or uncharacterized;

2.1.3. Enlist for at least 2 years or extend an initial period of obligated service to a total of at least 2 years in a Regular Component of a Military Service and serve for a specified period of obligated service in at least one of the following categories:

2.1.3.1. A designated military skill,

2.1.3.2. Career field,

2.1.3.3. Unit,

2.1.3.4. Grade, or

2.1.3.5. Other condition or conditions imposed by the Under Secretary of Defense (Personnel and Readiness) (USD (P&R)) or the Secretary of the Military Department concerned;

2.1.4. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

2.1.4.1. Amount of the bonus;

2.1.4.2. Method of bonus payment - lump sum amount or periodic installments;

2.1.4.3. Period of obligated service; and

2.1.4.4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

2.1.5. Not have previously received an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

2.1.6. Not have previously received and not be eligible to receive a Selective Retention Bonus (SRB) under section 3.0 or a Critical Skill Retention Bonus (CSRB) under section 4.0;

2.1.7. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

2.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

*2.2 Amount

The Secretary of the Military Department concerned will determine the amount of the enlistment bonus awarded for a designated military skill. The bonus payment for a designated military skill or cumulative amount of enlistment bonuses to any individual is not to exceed $75,000 for a minimum 2-year service obligation. This amount is authorized from January 11, 2024, to January 10, 2027.

2.3 Computation

The Secretaries of the Military Departments are required to establish rules of computation for enlistment bonuses.

2.4 Method of Payment

2.4.1. The bonus may be paid either in periodic installments or a single lump sum. The timing of the initial payment is at the discretion of the Secretary of the Military Department concerned, except that it must not be paid before the member completes basic recruit training. For individuals enlisted for specialties requiring formal training, the Service concerned may withhold the initial payment until the individual completes the training and qualifies in the military skill, so the bonus serves as an incentive to complete the training needed to qualify in the skill.

2.4.2. If paid in installments, after the initial payment, the remainder of the bonus must be paid in equal, periodic installments.

3.0 SRB

3.1 Eligibility

The Secretary of the Military Department concerned may designate a unit, grade, or impose such other condition or conditions of service with respect to the SRB, as determined necessary to mitigate a significant current or projected personnel shortage or changing force structure requirements. An SRB based on unit, grade, or such other condition or conditions of service are subject to USD (P&R) approval. The member must:

3.1.1. Serve in a pay grade E-3 or higher;

3.1.2. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year on active duty;

3.1.3. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

3.1.3.1. Amount of the bonus;

3.1.3.2. Method of bonus payment - lump sum amount or periodic installments;

3.1.3.3. Period of obligated service; and

3.1.3.4. Designated military skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

3.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

3.1.4.1. A designated military skill,

3.1.4.2. Career field,

3.1.4.3. Unit,

3.1.4.4. Grade, or

3.1.4.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

3.1.5. Meet skill qualification prior to payment of the SRB for a member transferring into a designated military skill;

3.1.6. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned;

3.1.7. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service; and

3.1.8. In addition to the eligibility requirements in subparagraphs 3.1.1 through 3.1.7, an enlisted service member serving under an indefinite reenlistment must:

3.1.8.1. Be in the pay grade of E-5 or above;

3.1.8.2. Have 10 or more years of military service; and

3.1.8.3. Sign an agreement to remain on active duty for a period of at least 3 years.

3.2 Limitations

3.2.1. A re-entry or reenlistment must occur no later than 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of discharge or release from active duty.

3.2.2. Veterans with more than a 3-month but less than a 4-year break in active duty may qualify for a broken service, or a prior service re-entry, SRB program in accordance with regulations prescribed by the Secretary of the Military Department concerned.

3.2.3. Re-enlistees reentering active duty must provide documentation of a break in active-duty service greater than 24 hours. Acceptable documentation of the break in service includes the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty, (copy 1 or copy 4) or a reproduction of the DD 214, with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member's satisfactory participation for all periods of prior service. The 24-hour period begins on the day following the date of discharge or separation.

3.2.4. Members with prior enlisted service and subsequent service as an officer, who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same Regular Component of a Military Service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraphs 3.1 and 3.2.

3.2.5. Service members may be eligible for an SRB if they extend their existing service obligation for a minimum of 12 months.

3.2.6. Members who reenlist or voluntarily extend an enlistment to obtain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

3.2.7. A member is not eligible for an SRB if the member was discharged or released from active duty or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

3.2.8. An SRB may be paid to an enlisted member up to 28 years of active duty or service The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary of the Military Department concerned.

3.2.9. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary of the Military Department concerned to be consistent with the requirements of ***37 U.S.C. § 371***; and

3.2.9.1. Such preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable; or

3.2.9.2. Such preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously

authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with the SRB.

*3.3 Amount

The SRB may not exceed $30,000 for each year of obligated service in a Regular Component. The maximum amount for an SRB is $180,000. The statutory limit was increased to $50,000 for each year of obligated service. However, pursuant to DoD policy, the SRB amount is limited to $30,000 for each obligated year of service.

3.3.1. The Secretary of the Military Department concerned must determine the amount of the SRB based on a business case model that targets the retention of adequate levels of enlisted personnel in a reenlistment or extension category.

3.3.2. Members may receive more than one SRB for a career, but the total combined SRB payments over a career must not exceed $360,000.

3.3.3. SRB amounts may be prorated for extension requests greater than one year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount.

3.4 Computation

The Secretaries of the Military Departments are required to establish and publish the rules for computing the SRB.

3.5 Method of Payment

The bonus may be paid either in periodic installments or a single lump sum. If the Secretary of the Military Department concerned elects to pay SRBs in installments:

3.5.1. The installment amount will be at the discretion of the Secretary of the Military Department concerned, and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 28 years of service.

3.5.2. An initial installment to a member who reenlists after a break in active-duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

3.5.3. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

3.5.4. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

3.6 Additional Obligated Service

Additional obligated service is defined as any active service commitment beyond an existing contractual service agreement. Existing contractual service agreements include enlistments, extensions of enlistment, and reenlistments.

3.7 Changes and Termination of Awards

3.7.1. The Military Departments will notify USD (P&R) of any changes to a Military Department's SRB guidance under the enlisted bonus program. The Secretary of the Military Department concerned will issue an announcement that fully describes the change along with an effective date. The amount of the SRB offered after the date of such change may not exceed that authorized under 37 U.S.C. § 331(c).

3.7.2. Members agreeing to retrain and reenlist for a different specialty may be paid a bonus in the amount offered at the time of the agreement or upon completion of the training, whichever is greater. If after completion of the training a bonus is no longer offered for the skill, the bonus amount at the time of the agreement will be awarded to the Service member.

4.0 CSRB

4.1 Eligibility

An enlisted member of the Armed Forces, who is serving on active duty in a Regular Component and is qualified in a critical military skill designated by the Secretary of Defense, may be paid a retention bonus as provided in this section, if the member is not serving on an indefinite enlistment and reenlists or voluntarily extends the enlistment for at least 1 year.

4.2 Limitations

4.2.1. A retention bonus may not be given under paragraph 4.1 to a member of the Armed Forces who has completed more than 25 years of active duty or who will complete the 25th year before the end of the period of active duty or active status for which the bonus is offered. This limitation does not apply with respect to a member who is qualified in a skill related to special operations forces.

4.2.2. The USD (P&R) or the Principal Deputy, USD (PDUSD) (P&R) may waive the 25-year service limitation on eligibility with respect to a member who, during a period of active duty or service in an active status in a Reserve Component for which the bonus is being offered, is assigned duties in a skill designated as critical.

4.2.3. CSRB payments may not be made before the start of the active-duty service period for which the CSRB is being awarded, unless specifically authorized by the PDUSD (P&R).

4.3 Amount

4.3.1. A member may enter into an agreement, reenlist, or voluntarily extend enlistment more than once in order to receive a bonus under this section. However, a member may not receive a total of more than $200,000 in payments under this section.

4.3.2. A CSRB amount may not exceed $30,000, annually unless PDUSD (P&R) has granted an exception.

NOTE: The combined total of CSRB and Selective Reenlistment Bonus, in accordance with, ***DoD Directive (DoDD) 1304.21***, Policy on Enlistment Bonuses, Accession Bonuses for New Officers In Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members, during an individual's career, shall not exceed $200,000, unless the PDUSD (P&R) authorizes it for the skill concerned as an exception to policy.

4.4 Method of Payment

A bonus under this section may be paid in a single lump sum or periodic installments.

5.0 PRIOR SERVICE REENLISTMENT BONUS

5.1 Eligibility

The Secretary of the Military Department concerned may pay an individual who reenlists in a regular component of a military service after a break in active duty. An individual must:

5.1.1. Not have previously received, or currently be entitled to, and SRB under section 3.0; or a CSRB under section 4.0;

5.1.2. Not have more than 16 years of total military service and have received an honorable discharge at the conclusion of all previous periods of service;

5.1.3. Not have been released, or currently be released, from active duty for the purpose of enlistment in a Reserve Component;

5.1.4. Provide either:

5.1.4.1. The original DD Form 214 (copy 1 or copy 4);

5.1.4.2. A reproduction of the DD Form 214 with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted on the reproduction for any period of previous military service; or

5.1.4.3. Other official documentation verifying member's satisfactory participation for all periods of previous service in the Active Component and Selected Reserve;

5.1.5. Successfully complete any additional training or re-training required to become technically qualified in a designated critical skill for which the member is projected to occupy;

5.1.6. Reenlist for at least 3 years; and

5.1.7. Execute an agreement to serve as an enlisted member in the Regular or Reserve Component of a Military Service for a period of not less than 3 years upon acceptance of the agreement by the Secretary of the Military Department concerned that specifies the:

5.1.7.1. Amount of the bonus;

5.1.7.2. Method of bonus payment - lump sum amount or periodic installments;

5.1.7.3. Period of obligated service; and

5.1.7.4. Designated:

5.1.7.4.1. Military skill or specialty;

5.1.7.4.2. Career field;

5.1.7.4.3. Unit;

5.1.7.4.4. Grade; or

5.1.7.4.5. Such other condition or conditions of service imposed by the Secretary of the Military Department concerned.

5.2 Amount

The Prior Service Reenlistment Bonus amount must not exceed $20,000 for each year of obligated service in a Regular Component.

5.3 Method of Payment

5.3.1. The Secretary of the Military Department concerned must establish a method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary of the Military Department concerned must not pay a person or member any portion of the bonus prior to completion of training.

5.3.2. Members already technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station. The 30 days will start following entry into a Regular Component.

6.0 CONVERSION BONUS

6.1 Eligibility

The Secretary of the Military Department concerned may pay a conversion bonus to a member of the Armed Forces who executes a written agreement to convert to, and serve for, a period of not less than three years in, a designated military skill for which there is a shortage of trained and qualified personnel. The member must:

6.1.1. At the time the agreement is executed, be serving in a pay grade E-6 or below, with no more than 12 years of service as computed in accordance with ***37 U.S.C. § 205***.

6.1.2. Have completed all service obligations incurred for receipt of an enlistment bonus as prescribed in section 2.0, a retention bonus as prescribed in section 3.0, or CSRB as prescribed in section 4.0;

6.1.3. Meet all eligibility requirements prescribed in section 2.1;

6.1.4. Extend the existing enlistment contract to qualify for the bonus if he or she has less than 3 years of active duty or duty in an active status in the Selected Reserve.

6.1.5. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

6.1.5.1. Amount of the bonus;

6.1.5.2. Method of bonus payment - lump sum amount or periodic installments;

6.1.5.3. Period of obligated service; and

6.1.5.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned; and

6.1.6. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

6.2 Amount

The bonus payment will not exceed $10,000.

6.3 Method of Payment

6.3.1. The conversion bonus may be paid in a lump sum or periodic installments.

6.3.2. The Secretary of the Military Department concerned must not pay a member any portion of the bonus before completion of the conversion training.

7.0 BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

7.1 Eligibility

The Secretary of the gaining Military Department may pay a bonus to an enlisted member who agrees to transfer and serve in another Military Service, for a specified period in a designated military skill, career field, unit, grade, or to meet some other condition or conditions imposed by the Secretary of the gaining Military Department. The member must:

7.1.1. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

7.1.1.1. Amount of the bonus;

7.1.1.2. Method of bonus payment - lump sum amount or periodic installments;

7.1.1.3. Period of obligated service, which must be for a minimum 3-year period; and

7.1.1.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

7.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

7.1.2.1. A designated military skill,

7.1.2.2. Career field,

7.1.2.3. Unit,

7.1.2.4. Grade, or

7.1.2.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

7.1.3. Have satisfactorily completed any term of enlistment in a Military Service;

7.1.4. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

7.1.5. Prior to the transfer, fulfill the requirements established by the Secretary with jurisdiction over the Military Service to which the member is transferring;

7.1.6. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

7.1.7. Not be in receipt of separation pay in accordance with 10 U.S.C. Chapter 59; and

7.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department to which the member is transferring.

7.2 Amount and Method of Payment

The Secretary of the gaining Military Department may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary of that Military Department. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

8.0 BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

8.1 Eligibility

The Secretary of the Military Department concerned may pay a bonus to an enlisted member who agrees to transfer from the Regular Component to the Ready Reserve or vice versa of the same service. The member must:

8.1.1. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

8.1.1.1. Amount of the bonus;

8.1.1.2. Method of bonus payment - lump sum amount or periodic installments;

8.1.1.3. Period of obligated service; and

8.1.1.4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

8.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

8.1.2.1. A designated military skill,

8.1.2.2. Career field,

8.1.2.3. Unit,

8.1.2.4. Grade, or

8.1.2.5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

8.1.3. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

8.1.4. Have satisfactorily completed all terms of enlistment within their current component;

8.1.5. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

8.1.6. Agree to remain in the component for which the transfer bonus is offered for a minimum 2-year period;

8.1.7. Have fewer than 15 years of active service time; and

8.1.8. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department concerned.

8.2 Amount and Method of Payment

The Secretary of the Military Department concerned must establish the amount and method of payment for the bonus (lump sum or periodic installments). The bonus for transfer between components of a Military Service may not exceed $10,000 and is payable upon approval of the Secretary concerned.

*REFERENCES

CHAPTER 9 – ACTIVE-DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES

2.0 – ENLISTMENT BONUS

	37 U.S.C. § 331(a)(1)
2.1	DoD Instruction (DoDI) 1304.31, November 5, 2020, paragraph 3.1.b and 4.1.c
2.2	DoDI 1304.31, November 5, 2020, paragraph 4.1.e Office of the Assistant Secretary of Defense for Manpower and Reserve Affairs Memo, January 11, 2024
2.4	DoDI 1304.31, November 5, 2020, paragraph 3.1.e

3.0 – SRB

3.1	37 U.S.C. § 331(a)(3)
3.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(1)(b)
3.2.8.	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(3)
3.3	37 U.S.C. § 331(c)(1)(B) DoDI 1304.31, November 5, 2020, paragraph 4.4.d(4)(a).1
3.5	DoDI 1304.31, November 5, 2020, paragraph 4.5
3.7.1.	DoDI 1304.31, November 5, 2020, paragraph 4.1.h and 4.4.d(6)

4.0 – CSRB

4.1	37 U.S.C. § 355 DoDD 1304.21, January 31, 2005, paragraph E1.5.1
4.2	DoDD 1304.21, January 31, 2005, paragraph E1.5.3.1 37 U.S.C. § 355(e)
4.3	37 U.S.C. § 355(d)
4.3.2. Note	DoDD 1304.21, January 31, 2005, paragraph E1.5.3.2

5.0 – PRIOR SERVICE REENLISTMENT BONUS

5.1	37 U.S.C. § 331(a)(3)(B) DoDI 1304.31, November 5, 2020, paragraph 4.3
5.2	DoDI 1304.31, November 5, 2020, paragraph 4.3.c
5.3	DoDI 1304.31, November 5, 2020, paragraph 4.3.d

6.0 – CONVERSION BONUS

6.1	37 U.S.C. § 331(a)(3)(B) DoDI 1304.31, November 5, 2020, paragraph 4.4.e
6.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(2)
6.3	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(3)

7.0 – BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

7.1	37 U.S.C. § 331(a)(5) DoDI 1304.31, November 5, 2020, paragraph 4.5.b
7.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.b(5)

8.0 – BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

8.1	37 U.S.C. § 331(a)(4) DoDI 1304.31, November 5, 2020, paragraph 4.5.a
8.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.a(5)

VOLUME 7A, CHAPTER 10: "SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 10-1	Added Ukraine as an Imminent Danger Pay area in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated June 13, 2023.	Addition
Table 10-1	January 2025: Added the Bab-al-Mandeb Strait, Gulf of Aden and Red Sea in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024.	Addition
Table 10-1	May 2025: Added the Gaza Strip and Israel's Mediterranean Territorial Seas in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated May 7, 2025	Addition
References	Updated statutes and references.	Revision

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CHAPTER 10

SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1.0 GENERAL

1.1 Purpose

This chapter establishes DoD policy for payment of Hostile Fire Pay (HFP) and Imminent Danger Pay (IDP) and lists the areas where members are authorized to receive these entitlements.

1.2 Authoritative Guidance

The HFP and IDP policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 351 (***37 U.S.C. § 351***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT PROVISIONS

2.1 Policy

A member may be paid special pay for duty subject to hostile fire or imminent danger for any month when the member, while entitled to basic pay for active duty or compensation for inactive duty, also meets the qualifying criteria of this chapter. A member is not authorized to receive concurrent payments for hostile fire and imminent danger duty.

2.1.1. HFP. This entitlement is paid at the rate of $225 per month when, as certified by the appropriate commander, a member is subjected to hostile fire, explosion of hostile mines, or other hostile action (a hostile fire event) and who:

2.1.1.1. Performs duty in a hostile fire area;

2.1.1.2. Is exposed to a hostile fire event;

2.1.1.3. Is on duty during a month in an area in which a hostile event occurred that placed the member in grave danger of physical injury; or

2.1.1.4. Is killed, injured, or wounded by a hostile fire event.

2.1.2. IDP. This entitlement is paid on a daily prorated basis, not to exceed $225 per month, when a member is on official duty in a designated IDP area. IDP may be paid to a service member who is subject to the threat of physical harm or imminent danger based on civil insurrection, civil war, terrorism, or wartime conditions in a designated foreign area. See Table 10-1, or for the most current listings ***Imminent Danger Pay*** table on DFAS.MIL.

2.2 Payment

IDP is payable on a prorated daily basis not to exceed a monthly rate of $225. It is payable in addition to all other pays or allowances, except when receiving HFP, as stated in paragraph 2.1. The proration does not apply to the 31st of a month for Active and Reserve component members who are on active duty for 30 days or more. HFP will not be prorated. Members will receive the maximum monthly rate of special pay for the month in which the hostile fire or hostile fire mine explosion event occurred. Payment will be made for the full month, if a member is exposed to hostile fire or a hostile mine explosion on the 31st day of a month, and the member has not already received credit for the full monthly allowance. The following examples for payment on the 31st are provided:

Example 1: A member on active duty for more than 30 days in an IDP area for the period March 31 through April 29 will receive IDP only for the period April 1 through 29.

Example 2: A member on active duty for more than 30 days in an IDP area for the period March 31 through April 29, and who is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to HFP for the entire month of March and IDP for the period April 1 through 29.

Example 3: A member on active duty for less than 30 days in an IDP area for the period March 29 through April 20 will be entitled to IDP for the period March 29 through 31 and April 1 through 20 for a total of 23 days.

Example 4: A member on active duty for less than 30 days in an IDP area for the period March 29 through April 20, and who is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to the full monthly amount of HFP of $225 for the month of March, and daily IDP for the period April 1 through 20.

3.0 DETERMINATIONS OF FACT

3.1 Eligibility – HFP

The appropriate commander will certify that the member has met the requirements for entitlement to HFP for a given month. A death certificate or injury report may be substituted in place of the certification, if the document establishes the cause of the death or injury was due to hostile fire or a hostile fire event.

3.1.1. Certification of entitlement will be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel's commanding officer should certify payment eligibility for all members on board. If two or more vessels are involved, then the commanding officer of the unit that includes all of the vessels should certify eligibility.

3.1.2. Certification will include the name and appropriate payroll identification number of each member entitled to the HFP, a brief description of the incident, and when and where it occurred. The certification should be forwarded directly to the servicing financial support office, via the geographic Combatant Commander exercising operational control over the Service member(s) at the time of the hostile fire event.

3.2 Eligibility – IDP

3.2.1. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to IDP unless they land in the area.

3.2.2. A member who performs duty on a vessel performing operational duty while in an area designated for IDP is eligible for IDP payments.

3.2.3. A member is not considered to be on official duty in a designated IDP area, and therefore, is not eligible for IDP pay, if the member is in the area:

3.2.3.1. While on leave from a duty station outside the IDP area, even if the outside location is another IDP area;

3.2.3.2. While merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) through the IDP area as a consequence of traveling between two points, both outside the IDP area; or

3.2.3.3. Solely for personal convenience.

3.3 Administration

Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the government, unless there has been fraud or gross negligence. Such determinations, however, may be changed based on new evidence or for other good cause.

4.0 SPECIAL SITUATIONS

4.1 Member Captured or Missing

A member entitled to HFP and/or IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force will continue to be credited with HFP and/or IDP for each month while in such a status. See Chapter 34 for additional information.

4.2 Hospitalization

A member entitled to HFP and/or IDP who in the line of duty incurs a wound, injury or illness while serving in a combat operation or a combat zone; while serving in a hostile fire area; or while exposed to a hostile fire event (regardless of location), and who is hospitalized for the treatment of such a wound, injury, or illness, may continue to receive HFP and/or IDP. Members may be paid HFP and/or IDP for up to 12 months from the date of hospitalization under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

4.3 Absences

The following examples are provided for absences from the IDP area:

4.3.1. A member who takes leave in the IDP designated area that the member is assigned for duty remains entitled to the payment of IDP.

4.3.2. A member who takes leave in an IDP area that the member is not assigned for duty is not eligible for the payment of IDP. See subparagraph 3.1.6.1.

4.3.3. A member who takes leave in an area not designated as an IDP area is not eligible for the payment of IDP for the period of the absence.

4.3.4. A member assigned for duty in an IDP area who performs temporary duty in an area not designated as an IDP area is not eligible for the payment of IDP for the period of absence.

5.0 Duration of Authority

HFP or IDP may not be paid to any person after the date on the through date in Table 10-1. No payments will be made after the termination date unless the person's entitlement to the HFP or IDP commenced prior to that date.

*Table 10-1. IDP Areas
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

Designated Locations Country	Designated Locations Province (State), City or Region	Areas			Effective From	Through
		Air Space	Land	Water		
Afghanistan		X	X		Nov 1, 1988	
Algeria			X		Mar 7, 1995	
Azerbaijan			X		Jun 9, 1995	
*Bab-al-Mandeb Strait		X		X	Oct 19, 2023	
Burkina Faso			X		Feb 1, 2022	
Burma (Myanmar)	Rangoon		X		Jun 22, 2022	
Burundi			X		Nov 29, 1996	
Cameroon	Far North		X		Jun 7, 2017	
	North		X		Jun 7, 2017	
Chad			X		Aug 11, 2008	
Colombia			X		Jun 1, 1985	
Cote D'Ivoire			X		Feb 27, 2003	May 31, 2020
Cuba	(Note 5)				Dec 26, 2006	
Democratic Republic of the Congo			X		Nov 29, 1996	
Djibouti			X		Jul 31, 2002	
Egypt			X		Jan 29, 1997	
Eritrea			X		Jul 31, 2002	May 31, 2020
Ethiopia			X		Sep 13, 1999	
*Gaza Strip	Mediterranean Territorial Seas	X		X	Mar 16, 2023	
Greece	(Note 6)		X		Mar 27, 2007	Nov 30, 2017
*Gulf of Aden		X		X	Oct 19, 2023	
Haiti			X		Jan 8, 2020	
Indonesia (City)	Jakarta		X		Jun 1, 2014	May 31, 2020
Indonesia (Provinces)	Central Java		X		Jun 1, 2014	May 31, 2020
	East Kalimantan		X		Jun 1, 2014	May 31, 2020
	Central Sulawesi		X		Jun 1, 2014	
	Papua		X		Jun 1, 2014	
	Aceh		X		Jun 1, 2014	May 31, 2020

*Table 10-1. IDP Areas (Continued)
For the most current listings, see the IDP table on DFAS.MIL.
NOTES 1, 2, 3 and 4

Designated Locations Country	Designated Locations Province (State), City or Region	Areas			Effective From	Through
		Air Space	Land	Water		
Iran			X		Nov 4, 1979	
Iraq		X	X		Sep 17, 1990	
Israel			X		Jan 31, 2002	
	Mediterranean Territorial Seas	X		X	Mar 16, 2023	
Jordan			X		Jan 29, 1997	
Kenya			X		Jul 31, 2002	
Kosovo		X	X		Jun 22, 1992	
Lebanon			X		Oct 1, 1983	
Libya		X	X		Mar 19, 2011	
Malaysia	Sabah		X		Jun 1, 2014	
Mali			X		Jun 7, 2017	
Mediterranean Sea	(Note 7)			X	Mar 19, 2011	
Niger			X		Jun 7, 2017	
Pakistan			X		Nov 29, 1996	
Philippines	Mindanao		X		Oct 5, 2017	
Philippines	Sulu Archipelago		X		Oct 5, 2017	
*Red Sea		X		X	Oct 19, 2023	
Saudi Arabia			X		Sep 14, 2019	
Somalia		X	X		Sep 28, 1992	
Somalia Basin	(Note 8)			X	Dec 26, 2006	
South Sudan		X	X		Jul 9, 2011	
Sudan		X	X		Oct 4, 1993	
Syria			X		Jul 31, 2003	
Syria		X			Sep 21, 2014	
Tunisia		X	X		Mar 19, 2011	
Turkey	(Note 9)		X		Jan 29, 1997	
Turkey	(Note 10)	X			Mar 1, 1998	
*Ukraine		X	X		April 24, 2022	
Uganda			X		Jan 19, 2000	
Yemen			X		May 25, 1999	

*Table 10-1. IDP Areas (Continued)
NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HFP and/or IDP purposes, the term "internal waters" is defined as waters landward of the baseline, drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This table reflects all designated areas, which were active within the last six years.
5. Limited to Service members performing duties within the Joint Task Force Guantanamo Bay Detention Facilities.
6. Land area within a 20-kilometer radius from the center of Athens (38° 01' N, 23° 44' E).
7. Water area of the Mediterranean Sea extending from the North African Coast northward into the Mediterranean Sea, bounded on the east at: 26° 00' E longitude; extending north to: 34° 35' N latitude; and extending west to the East Coast of Tunisia.
8. Water area of the Somalia Basin with coordinates:
   -11°10'N-51°15'E;
   -06°00'N-48°30'E;
   -05°00'N-50°30'E;
   -11°30'N-53°34'E;
   -05°00'N-50°30'E;
   -01°00'N-47°00'E;
   -03°00'S-43°00'E;
   -01°00'S-41°00'E; and
   -06°00'N-48°30'E.
9. Excluding Izmir and the Turkish Straits (i.e., the Dardanelles; the Sea of Marmara; and the Bosporus Straits).
10. Airspace: south of 37°45'N; and east of 43°00'E.

*REFERENCES

CHAPTER 10 - SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

2.0 – ENTITLEMENT PROVISIONS

	37 U.S.C. § 351(a)(1) and (a)(3)
2.1	DoD Instruction (DoDI) 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.b(3)
2.1.1.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)1
2.1.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)2
2.1.1.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)3
2.1.1.4	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(a)4
2.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a.(1)(b)
2.2	37 U.S.C. § 351(c)(2)(C) Under Secretary of Defense (USD) Personnel and Readiness (P&R) Memo, January 31, 2012

3.0 – DETERMINATIONS OF FACT

3.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b
3.1.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b
3.1.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.2.b.(1) and (2)
3.2.1	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(1)(a)
3.2.2	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(1)(b)
3.2.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(2)

4.0 – SPECIAL SITUATIONS

4.1	37 U.S.C. § 552(a)(1)
4.2	37 U.S.C. § 372(a) DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.1.a(3)

4.3	DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(2)

5.0 – DURATION OF AUTHORITY

37 U.S.C. § 351(h)
DoDI 1340.09, January 26, 2018, Incorporating Change 1, February 2, 2024, paragraph 3.3.a(3)

Table 10-1

Afghanistan	DoD Office of General Counsel Memo, October 25, 1988 Office of the USD (OUSD) (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Algeria	Assistant Secretary of Defense (ASD) Force Management Policy (FMP) Memo, March 7, 1995 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Azerbaijan	ASD (FMP) Memo, June 9, 1995 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Bab al-Mandeb Strait	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024
Burkina Faso	ASD Manpower & Reserve Affairs (M&RA) Memo, March 29, 2023
Burma (Myanmar)	ASD (M&RA) Memo, May 31, 2023
Burundi	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cameroon	
Far North	USD (P&R) Memo, March 5, 2018
North	USD (P&R) Memo, March 5, 2018
Chad	OUSD (P&R) Memo, August 11, 2008 USD (P&R) Memo, December 31, 2013
Colombia	ASD Manpower Installations and Logistics Memo, May 8, 1985

	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cote D'Ivoire	USD (P&R) Memo, February 27, 2003 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Cuba	OUSD (P&R) Memo, February 15, 2007
Democratic Republic of the Congo	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Djibouti	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Egypt	ASD (FMP) Memo, January 29, 1997 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Eritrea	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Ethiopia	ASD (FMP) Memo, September 13, 1999 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Greece	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 ASD M&RA Memo, September 1, 2017
Gaza Strip	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 7, 2025
Gulf of Aden	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated December 18, 2024
Haiti	ASD M&RA Memo, December 16, 2020

Indonesia	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, April 21, 2020
Iran	Office of the ASD (OASD) (M&RA) Memo, January 23, 1981 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Iraq	Office of the Secretary of Defense Memo, September 17, 1990 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Israel	ASD (FMP) Memo, January 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 7, 2025
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Kenya	ASD (FMP) Memo, July 31, 2002 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Kosovo	ASD (FMP) Memo, June 22, 1992 OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, December 31, 2013
Lebanon	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Liberia	ASD (FMP) Memo, August 6, 1990 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Libya	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
Malaysia	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013

Mali	OUSD (P&R) Memo, February 19, 2014 USD (P&R) Memo, March 5, 2018
Mediterranean Sea	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
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Pakistan	ASD (FMP) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Philippines	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013 OASD (M&RA) Memo, December 31, 2015 ASD (M&RA) Memo, October 1, 2018
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South Sudan	OASD (M&RA) Memo, July 31, 2015
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Syria	ASD (FMP) Memo, July 31, 2003 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 OASD Readiness and Force Management (R&FM) Memo, December 8, 2014
Tunisia	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013

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VOLUME 7A, CHAPTER 11: "SPECIAL PAY – DIVING DUTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
2.3	Removed obsolete "Suspension" subparagraph and renumbered subsequent subparagraphs accordingly.	Deletion
2.5	Updated the "Rates Payable" paragraph in accordance with the DoD Instruction 1340.09, dated January 26, 2018, Change 1, February 2, 2024.	Revision
2.8	Updated the termination date for the "Duration of Authority" table on DFAS.MIL in accordance with Title 37, United States Code (U.S.C.), Section 351(h).	Revision
3.7	Updated the termination date for the "Duration of Authority" table on DFAS.MIL in accordance with the Title 37, U.S.C., Section 353(i).	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 11

SPECIAL PAY - DIVING DUTY

1.0 GENERAL

1.1 Purpose

This chapter provides the policy governing special pay entitlements applicable to diving duty for all of the Military Services.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DIVING DUTY HAZARDOUS DUTY INCENTIVE PAY (HDIP)

2.1 Entitlement

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in diving duty as part of their primary duty.

2.2 Requirements

Service members entitled to basic pay may be eligible for HDIP for diving duty for periods during which they are:

2.2.1. Assigned by competent orders to the duty of diving,

2.2.2. Required to maintain proficiency as a diver by frequent and regular dives, and

2.2.3. They are either:

2.2.3.1. Actually performing diving duty while serving in an assignment for which diving is a primary duty, or

2.2.3.2. Meeting the requirements to maintain proficiency as a diver by frequent and regular dives while serving in an assignment that includes diving other than as a primary duty.

2.3 Conditions

See Table 11-1 for conditions which further affect entitlement to diving duty pay. Additional conditions of service may be imposed by the Secretary concerned.

2.4 Qualifications for Diving Duty

2.4.1. Army

Except as noted in Tables 11-2 and 11-3, an Army member must be a rated diver in accordance with ***Army Regulation (AR) 611-75*** and be assigned to:

2.4.1.1. A Table of Organization and Equipment or Table of Distribution and Allowance position in Skill Classification/Military Occupational Specialty, Special Qualification Identifier, or Additional Skill Identifier (ASI) specified in AR 611-75; or

2.4.1.2. A position designated as diving duty by the Deputy Chief of Staff Personnel.

2.4.2. Navy and Marine Corps

Members must be designated divers, assigned to diving duty under competent orders, and maintain their qualifications for diving.

2.4.3. Air Force

Service members must:

2.4.3.1. Successfully complete an approved DoD course for underwater swimmers,

2.4.3.2. Be under orders for diving duty as authorized by their Major Command, and

2.4.3.3. Meet the other qualification standards prescribed by current Air Force Instructions.

*2.5 Rates Payable

Service members who meet the eligibility criteria, but who do not participate in a full calendar month of dive duty, will receive a prorated HDIP payment, unless in accordance with DoDI 1340.09, paragraph 2.1.k, the Service Secretary concerned has requested to specifically designate the performance of this duty during the month as entitling the Service member to the full monthly rate of HDIP regardless of the duration of qualifying service during the month and such request has been approved by ASD (M&RA).

2.5.1. Service members assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $240 per month.

2.5.2. Service regulations may not vary criteria or rates for payment of diving duty HDIP for officers and enlisted members.

2.6 Specific Rates Payable

See Tables 11-2 through 11-9. The most current rates are in the ***Diving Duty Pay Rates*** table on DFAS.MIL.

2.7 Restrictions on Payment

2.7.1. Although a Service member may perform more than three hazardous duties in a month, a Service member may not receive simultaneous payments for more than three HDIP duties in a month. Therefore, if a member receives diving duty incentive pay in a month, they may not receive more than two other HDIP payments from the hazardous duties listed in Chapter 22 and Chapter 24.

2.7.2. No member is entitled to receive special pay for performing diving duty after diving qualifications have lapsed. Upon requalification, no payments will be made for the period of the lapsed qualification.

*2.8 Duration of Authority

Unless authorized by Congress, no diving duty HDIP payment may be paid after the termination date on the ***Duration of Authority*** table.

3.0 MASTER DIVER SKILL INCENTIVE PAY (MDSIP)

3.1 Authority

Title 37, U.S.C. § 353 and the Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) Memorandum, Master Diver Skill Incentive Pay, dated January 26, 2018, provides the authority for the Secretaries of the Military Departments to offer MDSIP to Service members who:

3.1.1. Are qualified in a critical diving specialty, and

3.1.2. Maintains proficiency as a diver through frequent and regular dives.

3.2 Eligibility

The Secretaries of the Military Departments may pay MDSIP to qualified Service members serving in critical diving specialties designated by the Secretary concerned. Qualifying Service members must be proficient in performance of one of the following critical diving skill areas:

3.2.1. Supervision and training of members who are qualified in the full spectrum of diving apparatus and gas mixtures;

3.2.2. Diving, salvage, and ship underwater repair operations;

3.2.3. Surface and underwater demolition operations for salvage, ship husbandry, or underwater construction operations;

3.2.4. Operation, maintenance, and certification of deep dive systems and equipment; or

3.2.5. Operation of special operations underwater vehicles requiring the use of an underwater breathing apparatus.

3.3 Additional Guidelines

3.3.1. In addition to being qualified in one of the critical skill areas listed in paragraph 3.2, a Regular or Reserve Component Service member must meet the eligibility criteria for diving duty (HDIP) outlined in section 2.0, and any additional criteria prescribed by the Secretary concerned.

3.3.2. Service members qualified solely in the use of a self-contained underwater breathing apparatus are not authorized MDSIP.

3.3.3. Reserve Component members entitled to compensation pursuant to ***37 U.S.C. § 206*** are eligible for MDSIP at the discretion of the Secretary of the Military Department concerned. The amount authorized will be equal to 1/30th of the monthly MDSIP authorized by the Military Department concerned for each period of inactive duty training.

3.4 Payment Method and Amount

3.4.1. Rates. In accordance with paragraph 3.1, the Military Departments may pay monthly MDSIP to qualified Service members who meet the MDSIP eligibility requirements. The amount may not exceed:

3.4.1.1. $340 per month for enlisted members, or

3.4.1.2. $240 per month for officers.

3.4.2. Multiple Payments.

3.4.2.1. Under the provisions of 37 U.S.C. § 353, a Service member may not be paid more than one skill incentive pay in any month for the same period of service or skill.

3.4.2.2. A member may not be paid a skill incentive pay under 37 U.S.C. § 353, and hazardous duty pay under ***37 U.S.C. § 351***, for the same period of service in the same career field or skill for which the payment is made.

3.4.3. Proration. If a Service member does not satisfy the eligibility requirements for MDSIP for an entire month, the Secretary concerned will prorate the payment to reflect the duration of the member's actual qualifying service during the month.

3.4.4. Repayment. Repayment of any unearned portion or overpayment will be in accordance with the provisions of Chapter 2; Volume 16, Chapter 3; and ***37 U.S.C. § 373***.

3.5 Restrictions

3.5.1. Service members temporarily unable to perform diving duty due to a physical or medical condition, not the result of the member's own misconduct, may continue to receive MDSIP for up to 6 months. After 6 months, MDSIP will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for diving duty by a competent Medical Officer.

3.5.2. Service members permanently disqualified or otherwise determined to be no longer eligible to perform diving duty are not eligible for MDSIP in accordance with paragraph 3.1 or any additional criteria prescribed by the Military Departments concerned.

3.5.3. Service members are not authorized MDSIP for any period of unauthorized absences.

3.5.4. Service members who receive MDSIP and fail to satisfy the eligibility requirements for receipt of pay will be subject to having the pay terminated.

3.6 Written Agreement

The Secretary of the Military Department concerned will establish Service specific instructions for the administration of MDSIP in accordance with paragraph 3.1. The instructions may require a member to enter into a written agreement in order to qualify for MDSIP. The written agreement must specify the period for which the Service member will receive the skill incentive pay and the monthly rate of the pay.

*3.7 Duration of Authority

Unless authorized by Congress, no MDSIP payment may be entered into after the date on the Duration of Authority table.

Table 11-1. Diving Duty HDIP and MDSIP - Conditions of Entitlement

RULE	When a member entitled to diving duty pay	and	then diving duty pay
1	is removed from diving duty or the member's diving qualifications lapse		ceases on the date of removal or lapse.
2	is hospitalized as a result of a diving accident		may continue for a period of up to 6 months.
3	is hospitalized not as a result of a diving accident due to an injury or an illness that is not the result of the member's own misconduct		may continue for a period of up to 6 months.
4	is on leave in a pay status		accrues for the first 30 days
5	is on Temporary Additional Duty (TAD)/Temporary Duty (TDY) other than diving duty		accrues for the first 30 days
6	is on TAD/TDY for diving duty purposes		continues to accrue (note 1).
7	is in confinement awaiting trial by court-martial	is subsequently acquitted or charges are dismissed	accrues retroactively to date of confinement.
8	is in confinement awaiting trial by court-martial	is subsequently convicted	does not accrue from first day of confinement through the day before the date restored to a full duty status.
9	is in confinement under sentence of a court-martial		does not accrue from first day of confinement through the day before the date restored to a full duty status.
10	is reassigned Permanent Change of Station (PCS) and no TAD/TDY is required enroute to the new duty station	is ordered to and actually performs diving duty at the new duty station	continues to accrue (notes 1 and 2).
11	is reassigned PCS and no TAD/TDY is required enroute to the new duty station	is not ordered to diving duty at the new duty station	accrues through the date of detachment from the old duty station.
12	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders require diving duty at the TAD/TDY station and new duty station, and actually performs diving duty	continues to accrue (notes 1 and 2).

Table 11-1. Diving Duty Pay - Conditions of Entitlement (Continued)

RULE	When a member entitled to diving duty pay	and	then diving duty pay
13	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders require diving duty at the TAD/TDY station but not the new duty station	continues to accrue through the date of detachment from the TAD/TDY station (notes 1 and 2).
14	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders do not require diving duty at TAD/TDY station	accrues through the date of detachment from the old duty station.
15	is a member of a Reserve Component	is released from active duty	ceases not later than the date the member departs for home from the last duty station.
16	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are not specifically terminated	continues to accrue.
17	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are specifically terminated	ceases on the date stated in the orders.

NOTES:

1. If the member is removed from diving duty, or the member's qualifications lapse during this period, then the member's entitlement to diving duty pay terminates on the date removed from diving duty or the date qualifications lapse.
2. If a member is reassigned PCS and takes leave enroute, then diving duty pay will continue to accrue up to 30 days, if the member has otherwise met the requirements for diving duty pay.

Table 11-2. Diving Duty Pay Rates - Army Enlisted

RULE	If an Army enlisted member is (note 1)	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)	$110
2	Master Diver	$340
3	Diver First Class	$215
4	Salvage Diver	$175
5	Diver Second Class	$150
6	Combat Diver (note 3)	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-3. Diving Duty Pay Rates - Army Officers

RULE	If an Army officer is (note 1)	and has a special identifying code	then the officer may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$110
2	Marine Diving Officer	ASI 5V	$240
3	Combat Diver (note 3)		$215
4	Diving Medical Officer		$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in SOF units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-4. Diving Duty Pay Rates - Navy Enlisted

RULE	If a Navy enlisted member is (note 1)	with a Navy Enlisted Classification of	then the member is entitled to receive diving duty pay at the monthly rate of
	Dive HDIP		
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Master Diver	MMDV	$340
3	Master Underwater Construction Diver	B18A	$340
4	First Class Diver	M1DV	$315
5	Underwater Construction Technician Advanced (includes Saturation Hospital Corpsman (HM))	B16A	$215
6	Underwater Construction Technician Basic	B17A	$150
7	Second Class Diver	M2DV	$215
8	Self-Contained Underwater Breathing Apparatus (SCUBA) Diver	839A/840A	$150
9	Fleet Marine Force (FMF)	L02A	$215
10	Reconnaissance HM Independent Duty Corpsman (IDC) FMR Reconnaissance HM	L11A	$215
11	Deep Sea Medical Technician	L27A	$215
12	Deep Sea Technician (IDC)	L28A	$215
13	EOD Apprentice	M00A	$150
14	EOD Apprentice (Student Status) (note 2)	M01A	$150
15	Basic EOD Apprentice Technician	M02A	$215
16	Senior EOD Apprentice Technician	M03A	$215
17	Master EOD Technician	M04A	$215
18	Ordnance Clearance Diver	M06A	$215
19	Naval Special Warfare Enlisted Operator	O19A-029A	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
2. Eligibility commences on the date of first dive.

Table 11-5. Diving Duty Pay Rates - Navy Officers

RULE	If a Navy officer is	and has an additional qualification designator (AQD) or designator of	then the officer is entitled to diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 1)	various	$150
2	Diving Officer (SCUBA) (note 2)	various	$150
3	Diving Officer (note 3)	various	$240
4	EOD Officer (note 4)	114X, 119X, 648X, 748X	$240
5	Sea-Air–Land (SEAL) Officer (note 5)	113X, 715X	$240
6	Special Warfare Officer – Student (note 1)	118X	$150
7	Undersea Medical Officer (note 4)	6UD, 6UE, 6UF, 6UG, 6UM	$240
8	Diving Chief Warrant Officer (note 5)	720X	$240
9	Engineering Duty Officer, Civil Engineer Corps Officer	KL0	$240
10	Surface Warfare Officer	KL0, LOA	$240

NOTES:
1. Eligibility commences on the date of first dive.
2. Must have completed SCUBA course of instruction, Course Identification Number A 433-0023.
3. Eligibility commences in accordance with paragraph 2.1.
4. Except as otherwise noted, entitlement commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
5. Eligibility commences on assignment of the designator.

Table 11-6. Diving Duty Pay Rates - Marine Corps Enlisted

RULE	If a Marine Corps enlisted member is (note 1)	and has a special identifying code of	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	0324/0326/8024/ 8026	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-7. Diving Duty Pay Rates - Marine Corps Officers

RULE	If a Marine Corps officer is (note 1)	and has a special identifying code of	then the member may receive diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	8024/8026	$215

NOTES:
1. Except as otherwise noted, eligibility commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Eligibility commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-8. Diving Duty Pay Rates - Air Force Enlisted

RULE	If an Air Force enlisted member is	then the member may receive diving duty pay at the monthly rate of
1	SCUBA Diver	$110
2	Para rescue Diver	$150

Table 11-9. Diving Duty Pay Rates - Air Force Officers

RULE	If an Air Force Officer is	then the officer may receive diving duty pay at the monthly rate of
1	assigned to diving duty	$150

*REFERENCES

SPECIAL PAY - DIVING DUTY

2.0 – DIVING DUTY HDIP

	DoD Instruction (DoDI) 1340.09, paragraph 3.4.o, January 26, 2018, Change 1, February 2, 2024
	37 U.S.C. § 351
2.6	DoDI 1340.09, paragraph 3.4.o(4), January 26, 2018, Change 1, February 2, 2024
	37 U.S.C. § 351(g)
2.8	37 U.S.C. § 351(f)(2)
2.9	37 U.S.C. § 351(h)
	National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2024, Public Law (PL) 118-31, section 613(d)(6), December 22, 2023

3.0 – MASTER DIVER SKILL INCENTIVE PAY

	USD (P&R) Memorandum, January 26, 2018
	37 U.S.C. § 353
	37 U.S.C. § 351
3.4	USD (P&R) Memorandum, January 26, 2018
3.7	37 U.S.C. § 353(i)
	NDAA for FY 2023, PL 118-31, section 611 (d)(8), December 22, 2023

Table 11-1

	DoDI 1340.09, paragraph 3.4.a(3), January 26, 2018, Change 1, February 2, 2024
	USD (P&R) Memorandum, January 26, 2018

Table 11-3

Rule 4	Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 Memo, May 10, 2007
	DA ODCS G-1 Memo, May 24, 2007
	AR 611-75, October 11, 2024

Table 11-4

	MILPERSMAN 7220-090, CH-90, February 28, 2025

References (Continued)

Table 11-5

Department of the Navy, Bureau of Naval Personnel (BUPERS), 7220 Series BUPERS - 3/377, June 18, 2009

Naval Military Personnel Manual 1220-260 CH-64, August 2, 2018
MILPERSMAN 7220-090, CH-90, February 24, 2025

Table 11-7

Marines Administrative Message 449/18, August 22, 2018

VOLUME 7A, CHAPTER 12: "PURPORTED MARRIAGES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Revised the "Validation of Payments Based on Purported Marriages" section to include content regarding doubtful marriages that had been in Chapter 26, to align content for accuracy and clarity. Renumber the subsequent subparagraphs.	Revision
Table 12-1	Added "Table 12-1" to include content that had been in "Chapter 26, Table 26-11".	Addition

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CHAPTER 12

PURPORTED MARRIAGES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy for purported marriages and the related impact to military pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

*2.0 VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

2.1 Authority for Validation

A payment of an allowance based on a purported marriage that is made under ***37 U.S.C. § 423*** or prior laws, before the marriage is annulled or terminated is valid if:

2.1.1. A court of competent jurisdiction adjudges or decrees that the military member entered the marriage in good faith; or

2.1.2. In the absence of such judgment or decree, the Secretary of the Military Department concerned or a person designated by the Secretary of the Military Department concerned makes a finding of good faith.

2.2 Marriage Status Determination

Any case in which the validity of a Service member's marriage is questionable, is a case of a doubtful relationship. This paragraph outlines different types of relationships where validity is doubtful for housing allowance purposes. Submit requests for determination on validity of a marriage in doubtful cases or for validation of payments as specified in Table 12-1.

2.2.1. Remarriage Within Prohibited Period Following Divorce. Under the laws of some states, a marriage is not dissolved until a specified period has elapsed after a divorce decree is granted, and remarriage is prohibited within the specified period. In all states that grant an interlocutory decree before granting a final divorce decree, remarriage may not occur before the final decree is granted.

2.2.2. Marriage by Proxy. Forward claims of marriage by proxy to the DFAS Office of General Counsel.

2.2.3. Marriage by Telephone. A marriage by telephone is recognized only if a statute or court decision authorizes or recognizes telephone marriages in the jurisdiction where the marriage was performed.

2.2.4. Common Law Marriages. Under laws of certain states, persons who do not obtain a license to marry or go through certain other formalities may enter into a common law marriage. Common law marriages entered into in those states are valid if they are contracted in accordance with state law.

2.2.5. Foreign Nation Divorce. A foreign nation divorce may or may not be recognized as valid in the United States depending on several factors. These factors include place of residence of the parties involved, whether they appeared in person to obtain the divorce, and applicable state laws. Any claim involving the remarriage of a Service member following a foreign nation divorce and any claim by, or on behalf of, the spouse from whom the Service member has obtained a foreign nation divorce are cases of doubtful relationship. A claim based on a Service member's marriage to a person who has obtained a foreign nation divorce is also a doubtful case.

2.2.6. Void Marriage. If a Service member's marriage is void, for example, due to a preexisting marriage of the spouse, the Service member has no lawful spouse and is not authorized a housing allowance at the with-dependent rate due to the purported marriage. When marriage invalidity is discovered, no further housing allowance payments at the with-dependent rate may be made. See Chapter 26, Table 26-2 to determine when to stop housing allowance payments. The Service member may retain payments already received if they are validated, for DoD Services or Service written material for non-DoD Services. When validity of a marriage is questionable, submit the case to the office specified in Table 12-1 for a determination on the validity of the marriage and, if necessary, validation of payments already made.

2.2.7. Annulled Marriage. If a Service member's marriage is annulled by a court decree, no further housing allowance payments may be made. The Service member may retain payments received before the effective date of the decree. Retention of payment in some annulment cases based on legal factors must be validated, for DoD Services or Service written material for non - DoD Services. Submit all annulment cases to the office specified in Table 26-11 for review and, if necessary, validation of payments made.

2.3 Responsibility for Validation

Findings of good faith under subparagraph 2.1.2 are submitted to the offices listed in Table 12-1.

2.4 Payments Not Validated

Payments based on invalid marriages are erroneous payments or overpayments unless validated.

*Table 12-1. Determination of Marriage Validity

RULE	Service or Agency	Appropriate Channel
1	Army, and Department of the Air Force	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
2	Navy	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
3	Marine Corps	Commandant of the Marine Corps (MFP-1), 2008 Elliot Road, Quantico, VA 22134-5143.
4	Coast Guard	Commanding Officer (LGL), Coast Guard Pay and Personnel Center, Federal Building, 444 S.E. Quincy Street, Topeka, KS 66683-3591.
5	National Oceanic and Atmospheric Administration	Director, Commissioned Personnel Center, 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.
6	U.S. Public Health Service	Office of Commissioned Corps Support Services, Attention: Compensation Branch, 5600 Fishers Lane, Room 4-50, Rockville, MD 20857-0001.

REFERENCES

CHAPTER 12 – PURPORTED MARRIAGES

2.0 – VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

37 U.S.C. § 423

VOLUME 7A, CHAPTER 13: "ILLNESS OR INJURY PAYMENT PROGRAMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.0	Added clarifying language to the "Pay and Allowance Continuation Program" section.	Revision
3.0	Added clarifying language to the "Special Compensation for Assistance with Activities of Daily Living" section. Renumbered subsequent subparagraphs.	Revision

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CHAPTER 13

ILLNESS OR INJURY PAYMENT PROGRAMS

1.0 GENERAL

1.1 Purpose

This chapter describes the payment programs authorized for military personnel, who, while serving in the line of duty, are either injured, wounded, or became ill, or who have a permanent catastrophic injury or illness and require a caregiver.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

2.1 General

Effective May 15, 2008, the Secretary of Defense authorized the PAC Program for Service members of the Regular or Reserve Components (RC) pursuant to ***37 U.S.C. § 372***.

2.2 Eligibility

2.2.1. To be eligible for the PAC Program, Service members must have been wounded, ill, or injured in a combat zone, a hostile fire area, or while exposed to a hostile fire event, and hospitalized, as defined in subparagraph 2.3.2 for treatment of such wound, injury, or illness.

2.2.2. Paragraph 2.2.1 includes Service members who are assigned to a medical or patient unit based on orders that confirm the assignment and who are determined as not fully fit to perform full military duties.

2.3 Entitlement

2.3.1. Service members of the Regular or RC who incur a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, while serving in a hostile fire area, or while exposed to a hostile fire event (regardless of location), and are hospitalized for treatment of the wound, injury, or illness, will continue to receive the pay and allowances the member was receiving at the time of hospitalization. These pay and allowances include special and incentive pays, bonuses, and the daily incidental expense portion of the temporary duty allowance authorized for members deployed in a combat operation or combat zone.

2.3.2. Circumstances Involving Hospitalization:

2.3.2.1. A member who is evacuated for medical treatment will be considered "first hospitalized for treatment" at the time of the evacuation for the purposes of determining PAC eligibility.

2.3.2.2. After first hospitalization for treatment, a Service member may remain eligible for PAC during follow-on outpatient treatment and/or rehabilitation until triggering one of the three terminating reasons listed in paragraph 2.5.

2.3.2.3. The member may be authorized PAC beginning on the first day of the month following the date they were first hospitalized for treatment, and it may continue for up to 12 subsequent consecutive months.

2.3.3. For purposes of Hardship Duty Pay – Location (HDP-L), Service members serving on a temporary deployment, or attached duty of more than 30 days in a designated hardship duty location, and who are wounded, injured, or become ill within the first 30 days of serving in the designated area, will be considered eligible for HDP-L at the time the wound, injury or illness is incurred.

2.4 Commencement of Payment

Continuation of pay and allowances under the PAC Program begins on May 15, 2008, or the date of the member's eligibility, whichever occurs later. Begin PAC payment on the first month after hospitalization.

Example: If a member was medically evacuated from Iraq to Germany in July, August is the "first month" of PAC.

2.5 Termination of Entitlement

The pay and allowances for Service members that meet the PAC Program eligibility requirements will continue until the end of the first month beginning after the earliest of the following dates:

2.5.1. The date on which the Service member is returned for assignment to other than a medical or patient unit for duty (Note: The return to assignment is based on a determination that the member is fully fit to perform full military duties);

2.5.2. The date on which the Service member is discharged, separated, or retired (including temporary disability retirement) from the Uniformed Services; or

2.5.3. One year after the date on which the Service member is first hospitalized for the treatment of the wound, injury, or illness. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) may extend the termination date in 6-month increments under extraordinary circumstances.

*3.0 SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

3.1 General

The provisions of the SCAADL Program apply only to those Service members with qualifying injuries or illnesses incurred on or after August 31, 2011. The Secretary concerned may pay special compensation to eligible Service members of the Active or RC who have incurred or aggravated a permanent catastrophic illness or injury in the line of duty, and require a caregiver who provides non-medical care, support, and assistance to the member. The DoD Instruction ***(DoDI) 1341.12***, "Special Compensation for Assistance with Activities of Daily Living Program," dated October 31, 2019, contains detailed instructions and procedures for initiating the SCAADL entitlement.

3.2 Eligibility

3.2.1. To receive the SCAADL compensation, the Service member:

3.2.1.1. Injury has been determined to have been incurred/aggravated in the line of duty;

3.2.1.2. Must have a certification made, by a licensed DoD physician or a Veterans Affairs (VA)-licensed physician, that the member has a permanent catastrophic injury and needs assistance from another person to perform the personal functions required by everyday living;

3.2.1.3. Must have a certification made, by a DoD or a VA-licensed physician, that the member requires hospitalization, nursing home care, or other residential institutional care in the absence of such assistance;

3.2.1.4. Be an outpatient and have identified a designated primary caregiver. The designated primary caregiver:

3.2.1.4.1. May be a Service member assigned to a RC and not serving on active duty. If the Service member designates a member of a RC as their primary caregiver, an alternate caregiver must also be designated. Members of the Active Component and RC assigned to active duty will not serve as designated primary caregivers;

3.2.1.4.2. Must not be receiving the VA Program of Comprehensive Assistance Caregivers stipend, or VA Aid and Attendance compensation, in accordance with subparagraphs 3.3.1.2 and 3.3.1.3;

3.2.1.4.3. May still be eligible to receive the respite benefit if they are qualified in accordance with TRICARE Operations Manual ***(TOM) 6010.56-M***; and

3.2.1.4.4. Must be at least 18 years of age. The exception to this requirement is if the Service member's spouse is under 18 years of age, he or she may be the primary or alternate caregiver;

3.2.1.5. Be an outpatient and not receiving federally funded in-home services (other than respite care), including TRICARE, to assist with activities of daily living (ADL) or provide supervision to avoid harm to self or others.

3.2.2. Service member receiving other home health services in accordance with TOM 6010.56-M remain eligible to receive SCAADL compensation, except as described in paragraph 3.3.

3.3 Restrictions

3.3.1. SCAADL is not paid to a Service member:

3.3.1.1. If any other federal agency is providing outpatient or in-home services to assist the member with ADL or provide supervision to avoid the Service member from harming themselves or others;

3.3.1.2. Who is a former member (veteran) and receives special monthly compensation from the VA in accordance with ***38 U.S.C. § 1114(r)(2)***;

3.3.1.3. If the Service member's primary caregiver receives a monthly caregiver stipend from the VA's Comprehensive Assistance for Family Caregivers Program;

3.3.1.4. If the Service member qualifies for and accepts in-home assistance with ADL, supervisory, or protection needs paid with supplemental health care program funds and provided by a TRICARE-authorized home health agency;

3.3.1.5. If the Service member enters hospice care. In accordance with TRICARE ***Reimbursement Manual 6010.61-M***, TRICARE will cover hospice care for those members. However, Service members in hospice care for the management of medication still qualify for the SCAADL Program; or

3.3.1.6. On the last day of the month during which a 90-day period ends after the Service member begins separation or retirement, even though the member has not begun to receive compensation pursuant to 38 U.S.C. § 1114(r)(2) before the end of such period.

3.3.2. Service member will be removed from the SCAADL Program:

3.3.2.1. If the Service member is returned to duty through rehabilitation, or is found fit by a Service physical evaluation board, or otherwise returned to duty status as unfit, but retained on active duty. The Service member will be removed from the SCAADL program in accordance with the Military Department's regulations. Termination effective date will be the last day of the month the Service member is no longer eligible under this provision; or

3.3.2.2. Pursuant to ***37 U.S.C. § 373***, Service members no longer satisfying SCAADL eligibility requirements will repay any SCAADL allowances received after the member is returned to duty or removed from the SCAADL program, except when:

3.3.2.2.1. The Secretary of the Military Departments concerned determines that the imposition of the repayment with regard to a Service member would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interest of the United States;

3.3.2.2.2. The Service member dies or is retired or separated with a combat-related disability; or

3.3.2.2.3. The Service member receives sole survivorship discharge.

3.3.3. Service members or their designated representatives may appeal disapproval to receive SCAADL in accordance with respective Military Service appeal guidelines.

3.3.4. Qualifying payments to Service members, who receive SCAADL, in accordance with paragraph 2.3, will terminate as detailed in subparagraph 3.5.3.

3.3.5. Service members must complete a re-evaluation and recertification every 180-calendar days of eligibility for the SCAADL benefit.

3.3.6. Service members in receipt of SCAADL will recertify compensation upon a change in clinical status or geographical location.

3.3.7. All Service members hospitalized for 16 cumulative days or more of a month will be required to recertify upon release from the hospital.

3.4 Monthly Compensation

An online ***SCAADL Calculator*** is available to compute the approximate monthly SCAADL compensation. The military services will use the DoD ***(DD) Form 2948***, "Application for Special Compensation for Assistance with Activities of Daily Living (SCAADL) Eligibility," to document the Service member's eligibility for SCAADL. The following guidelines apply:

3.4.1. Monthly compensation is computed based on the Bureau of Labor Statistics (BLS) wage rate for a home health aide, using the 75th percentile of the hourly wage rate in the Service member's geographic area of residence. The BLS wage rates are updated annually and published effective January of each year. The amount of monthly compensation is calculated using the zip code of the geographic location where the Service member currently resides and the Service member's dependence level.

3.4.2. A three-tier system recognizing the variation in complexity of care required by the Service member and provided by the caregiver determines the monthly compensation. The

member's Primary Care Manager (PCM) will assess the Service member's dependency level and assign a point value corresponding to the number of hours of care the member requires each week.

3.4.2.1. High Tier. It is presumed that a Service member who scores 21 or higher will require at least 40 hours per week of caregiver assistance.

3.4.2.2. Medium Tier. It is presumed that a Service member who scores 13-20 will require at least 25 hours per week of caregiver assistance.

3.4.2.3. Low Tier. It is presumed that a Service member who scores 1-12 will require at least 10 hours per week of caregiver assistance.

3.4.3. Service members or their designated representatives may appeal a PCM's determination of dependency level to their Service headquarters. The dependency level may also change if the Service member's condition changes and a reevaluation of the member's level of dependency is conducted.

3.5 Payment Period

The following guidelines apply to the period that the SCAADL entitlement may be paid:

3.5.1. Service members become eligible for the SCAADL entitlement on the date a licensed DoD or VA physician certifies that the member meets the eligibility criteria. If the certification is not on the first of the month, and the entitlement is continuous for more than 1 month, the first month will be prorated based on a 30-day month computation. The 31st day of the first month will be excluded.

3.5.2. Service members entitled to SCAADL for a continuous period of less than 1 month will receive payment for the actual number of days at the rate of 1/30th of the monthly amount. The 31st day of a calendar month may not be excluded from this computation.

3.5.3. SCAADL entitlement stops on:

3.5.3.1. The last day of the month in which a 90-day period ends after the date the Service member separates or retires. (For example, March 15 (separation date) plus 90 days equals June 13 (last day of entitlement is June 30));

3.5.3.2. The last day of the month during which a Service member dies (See Note);

3.5.3.3. The last day of the month a physician determines that a Service member no longer meets the eligibility requirements for SCAADL; or

3.5.3.4. The last day of the month preceding the month during which the Service member begins receiving aid and attendance from the VA under 38 U.S.C. § 1114(r)(2), or the Service member's primary caregiver begins receiving a monthly caregiver stipend from the VA under ***38 U.S.C. § 1720G***.

Note: This last SCAADL payment should be paid to the beneficiary in the unpaid pay and allowances described in Chapter 36, section 3.0.

REFERENCES

ILLNESS OR INJURY PAYMENT PROGRAMS

2.0 - PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

37 U.S.C. § 372
Office of the USD (P&R) Memo, July 16, 2009
National Defense Authorization Act for Fiscal Year, 2020
Public Law 116-92, section 601, December 20, 2019

3.0 - SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

37 U.S.C. § 439
37 U.S.C. § 373
DoDI 1341.12, October 31, 2019

VOLUME 7A, CHAPTER 14: "INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 14

INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the incentive for qualified members extending duty at designated locations overseas.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SPECIAL PAY OR BONUS

2.1 Eligibility

Members of the Armed Forces may be entitled to a special pay or bonus if they:

2.1.1. Are entitled to basic pay;

2.1.2. Have a specialty that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement;

2.1.3. Have completed a tour of duty (as defined in accordance with regulations prescribed by the Secretary concerned) at a location outside the Continental United States (OCONUS) that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement; and

2.1.4. At the end of the tour of duty, execute an agreement to extend that tour for a period of not less than 1 year.

2.2 Amount

When the Secretary of the Military Department concerned accepts the member's agreement to extend the tour of duty, the member becomes entitled, subject to the restrictions identified in paragraph 2.5, to receive one of the following benefits:

2.2.1. Special pay in monthly installments in an amount prescribed by the Secretary, but not to exceed $80 per month; or

2.2.2. An annual bonus in an amount prescribed by the Secretary, but not to exceed $2,000 per year. The Secretary may pay a bonus in either a lump sum or monthly installments.

2.3 Selection

Not later than the date the Secretary of the Military Department concerned accepts the agreement described in subparagraph 2.1.4 providing for the extension of a member's tour of duty, the Secretary of the Military Department concerned will notify the member regarding whether the member will receive special pay or bonus. The payment rate for the special pay or bonus will be fixed at the time of the agreement and may not be changed during the period of the extended tour of duty.

2.4 Repayment

A member who, having entered into a written agreement to extend a tour of duty described in subparagraph 2.1.4, and who receives a bonus payment but does not complete the obligated service in accordance with the agreement will be subject to the repayment provisions of Chapter 2.

2.5 Restriction

A member, who elects to receive one of the benefits specified in section 3.0 as part of the extension of a tour of duty is not entitled to the special pay or bonus authorized in this section for the period of extension of duty for which the benefit is provided.

3.0 SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

3.1 Eligibility

A member who meets the eligibility requirements defined in paragraph 2.1 may in lieu of receiving the special pay or bonus, elect to receive one of the entitlements described in paragraph 3.2.

3.2 Entitlement

A member may elect, in lieu of a special pay or bonus, either:

3.2.1. A period of SR&R absence for not more than 30 days; or

3.2.2. A period of SR&R absence for not more than 15 days for members whose qualifying tour of duty is 12 months or less, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port; or

3.2.3. A period of SR&R absence for not more than 20 days for members whose qualifying tour of duty is longer than 12 months, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port.

NOTE: The provisions of SR&R are not effective unless the Secretary concerned determines that the application will not adversely affect combat or unit readiness.

3.3 Travel Time

Travel time from the CONUS port, or alternate destination, to the SR&R absence point, and return is included in the 15-day or 20-day SR&R absence. This period will begin the day after the member arrives at the aerial port of debarkation and continue until the day before the member returns to the designated port. The non-chargeable leave period will continue until the day before the date of return to the designated port. Travel time to or from the CONUS port, or alternate destination, and overseas location is non-chargeable and not included in the 15-day or 20-day SR&R.

3.4 Limitations

The 15-day or 20-day SR&R absence and round-trip transportation option may not be combined with any temporary duty or transportation entitlement that would result in the cost of the round-trip portion of the option exceeding the round-trip cost from the member's tour of duty station to the nearest CONUS port.

4.0 SERVICE REGULATIONS

The following paragraphs provide hyperlinks for service entitlements, policies, and procedures for the previous prescribed incentives:

4.1 Army

Army Regulation 614-30, Chapter 6, section 6-3

4.2 Navy

Naval Military Personnel Manual 1306-300

4.3 Air Force and Space Force

Air Force Instruction 36-2110, Chapter 6

4.4 Marine Corps

Marine Corps Order 1300.8, Chapter 6, section 13

*REFERENCES

CHAPTER 14 - INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

2.0 – SPECIAL PAY OR BONUS

37 U.S.C., section 352
DoD Instruction (DoDI) 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023
DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
DoDI 1315.18, October 28, 2015, Incorporating Change 3, June 24, 2019

3.0 – SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

10 U.S.C. § 705
DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

4.0 – SERVICE REGULATIONS

National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, section 952, December 20, 2019

VOLUME 7A, CHAPTER 15: "SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.5	Removed obsolete Limitation and Restrictions information from subparagraphs 2.5.2 and 2.5.5 and renumbered subsequent subparagraphs accordingly.	Deletion
3.4	Inserted Department of the Army Select Recruiter Tour Extension Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.9	Inserted Department of the Army National Training Center AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.10	Inserted Department of the Army Nominative Assignment Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.12	Inserted Department of the Army Recruiting Duty Volunteer Program AIP and renumbered the subsequent paragraphs accordingly.	Addition
3.13.2	Updated payment information to include amounts from Table 15-1.	Addition
3.14	Updated the Army Security Force Assistance Brigade AIP.	Revision
3.15.2	Updated the payment information for U.S. Army Special Operations Command AIP.	Revision
5.1	Inserted U.S. Air Force AIP for 306 Fighter Squadron, Atlantic City, NJ and renumbered the subsequent paragraphs accordingly.	Addition
5.3	Inserted U.S. Air Force AIP for the 491st Attack Squadron Hancock Filed Air National Guard Base, NY and 492nd Attack Squadron March Air Reserve Base, CA.	Addition
5.12	Updated the U.S. Air Force and Space Force Turkey AIP.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
7.0	Removed obsolete AIP for Involuntary Extensions and renumbered subsequent section accordingly.	Deletion
7.4.1.3	Updated the Mobilization-to-Dwell Ratio for Reserve Component members to 1:4.	Revision
Table 15-1	Removed and incorporated amounts into subparagraph 3.13.2.5.	Deletion
References	Updated statutes and references.	Revision

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CHAPTER 15

SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

1.0 GENERAL

1.1 Purpose

This chapter prescribes guidance applicable to the payment of AIP.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with (IAW) the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DoD AIP CRITERIA

2.1 Entitlement

The DoD may give AIP to eligible Active/Regular and Reserve Component (RC) Service members IAW ***37 U.S.C. § 352***, the ***DoD Instruction (DoDI) 1340.26***, "Assignment and Special Duty Pays," and regulations published by the Secretary of the Military Department concerned. The ability of the Secretary of the Military Department concerned to enter into a new agreement with a Service member for AIP is subject to the extension of such authority under 37 U.S.C. § 352.

2.2 Eligibility

The Secretary of the Military Department concerned may pay AIP to a member of an Active/Regular or RC who is entitled to basic pay under ***37 U.S.C. § 204***, or compensation under ***37 U.S.C. § 206***. The Secretaries of Military Departments will establish eligibility criteria based on Service-specific needs. Personnel shortages and the ability of a unit to meet mission requirements should be given primary consideration.

2.3 Written Agreement

2.3.1. Discretionary for Monthly Payments. The Secretary concerned may require a Service member to enter into a written agreement with the Secretary in order to qualify for the AIP payment on a monthly basis. If used, the agreement will specify the period for which the AIP will be paid and the monthly rate of the AIP.

2.3.2. Non-discretionary for Installment or Lump Sum Payments. The Secretary concerned will require a Service member to enter into a written agreement with the Secretary in order to qualify for installment or lump sum payments of AIP. The written agreement will specify

the period for which the Service member will receive AIP, the amount of each periodic installment or lump sum, and the repayment policy cited in ***37 USC § 373***.

2.4 Payment

AIP, paid under this section, is in addition to any other pay or allowance to which the Service member is entitled, except where otherwise stated in DoDI 1340.26 and 37 U.S.C.

*2.5 Limitations and Restrictions

The following limitations and restrictions, which affect the entitlement to AIP, apply to all programs listed in this chapter.

2.5.1. The Secretary of the Military Department concerned may increase, decrease, or abolish AIP for any assignment, location, or unit at any time and will establish restrictions and limitations to the pay through Military Service regulations. Payment of AIP in combination with other special duty pays may not exceed an average monthly amount of $3,500 unless authorized by the Assistant Secretary of Defense (ASD) for Manpower and Reserve Affairs (M&RA).

2.5.2. A member is not entitled to AIP during a period of terminal leave which ends upon discharge or release of the member from Active-Duty (AD).

2.5.3. Service members are not authorized to receive more than one AIP simultaneously for the same period of service. If a Service member is eligible for more than one AIP, the higher dollar value AIP will be paid.

2.5.4. The Secretary of the Military Department concerned will establish payment levels to be either monthly payments, installments, or a lump sum amount not to exceed a maximum monthly average of $1,500.

2.6 Special Provisions

The service of a member in a designated assignment will be considered continuous in any period of temporary absence during which the member is performing temporary duty pursuant to orders or on authorized leave other than transition leave.

3.0 ARMY AIP PROGRAMS

The Headquarters, Department of the Army (HQDA), Office of the Deputy Chief of Staff (ODCS) G-1 authorizes AIP programs. All HQDA authorized programs have a termination date. No new agreements may be entered into without DA reauthorization of the programs. The programs listed in paragraphs 3.1 through 3.15 are DA programs and fall under these guidelines. See applicable memorandums contained in the references for restrictions specific to a particular Army AIP described in paragraphs 3.1 through 3.15.

3.1 14th Missile Defense Battery (MDB)

3.1.1. Eligibility. Soldiers must:

3.1.1.1. Be permanently assigned to the 14th MDB at Kyogamisaki, Japan; and

3.1.1.2. Sign a written agreement acknowledging the limitations and restrictions as a condition to receive AIP. The agreement will specify the period for which the AIP will be paid and the amount of the monthly rate.

3.1.2. Payment

The maximum monthly rate payable to Soldiers serving in an approved assignment will not exceed $1,500.

3.1.3. Termination

3.1.3.1. The 14th MDB will terminate once the Life Support Area is established, or Soldiers are being subsisted (Government meals are provided) by or on behalf of the Government.

3.1.3.2. Unless reauthorized by Congress, AIP may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.2 Army Cyber (ARCYBER) Command

3.2.1. Eligibility. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be fully trained and certified in a U.S. Cyber Command or ARCYBER work role. Soldiers must:

3.2.1.1. Have completed the appropriate training and have been awarded the appropriate certifications located inside the Cyber Mission Force (CMF) or those directly executing strategic to tactical level cyber missions required outside of the CMF; and

3.2.1.2. Enter into a written agreement to serve 1 to 3 years in an ARCYBER approved billet. The written agreement will specify the period for which the AIP will be paid and the amount of the monthly rate of the AIP.

3.2.2. Payment. The maximum monthly rate payable to any Soldier serving as a:

3.2.2.1. Basic under the ARCYBER AIP program will start at $200 and will not exceed $1,000;

3.2.2.2. Senior under the ARCYBER AIP program will start at $300 and will not exceed $1,250; and

3.2.2.3. Master under the ARCYBER AIP program will start at $500 and will not exceed $1,500.

3.2.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.3 Computer Network Operations (CNO)

3.3.1. Eligibility

3.3.1.1. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be fully certified in an U.S. Army Intelligence and Security Command (INSCOM) work role, assigned to a designated billet in support of the National Security Agency.

3.3.1.2. Soldiers must enter into a written agreement in order to qualify for CNO AIP. The written agreement will specify the period for which the AIP will be paid and the amount of the monthly rate of the CNO AIP.

3.3.1.3. Soldiers must not be permanently non-deployable per DoDI 1332.45. For this memorandum, "deployment" is defined as the movement of personnel into and out of an operational area or in support of operations. Deployment encompasses all activities from origin or home station through destination, specifically including inter-theater, and intra-theater movement legs, staging and holding areas.

3.3.2. Payment. The monthly rate payable to any Soldier serving as a:

3.3.2.1. Basic under this CNO AIP program will start at $200.00 and will not exceed $1,000.00;

3.3.2.2. Senior under this CNO AIP program will start at $300.00 and will not exceed $1,250.00; and

3.3.2.3. Master under this CNO AIP program will start at $500.00 and will not exceed $1,500.00.

3.3.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.4 Department of the Army Select Recruiter (DASR) Tour Extension Program

3.4.1. Eligibility. All Soldiers must meet all the eligibility requirements below.

3.4.1.1. Must be permanently assigned to the U.S. Army Training and Doctrine Command as an on-production DASR assigned to the U.S. Army Recruiting Command (USAREC).

3.4.1.2. Must be serving on an initial 36-month tour as a DASR that is scheduled to end between October 26, 2023, and December 31, 2024.

3.4.1.3. Must be recommended for and selected for extension by their battalion and brigade chain-of-command.

3.4.1.4. Must be a high performing recruiting non-commissioned officer producing 11 or more contracts in Fiscal Year 23 and recommended for and selected for extension by their battalion and brigade chain-of-command.

3.4.1.5. Soldiers must be in good standing and not flagged for adverse action under ***AR 600-8-2***, "Suspension of Favorable Personnel Actions (Flag)," and must meet Army standards for retention (to include Army fitness and body composition program minimum standards) at the time of payment. Soldiers who are later cleared of any misconduct will be paid all AIP payments to which they might otherwise be entitled but were not paid while flagged for adverse action.

3.4.1.6. Must not have requested or been approved to convert to Military Occupational Specialty (MOS) 79R. Requests to convert to MOS 79R may be submitted upon completion of the extension period unless the Soldier voluntarily requests to terminate AIP entitlement under this program.

3.4.2. Payment

3.4.2.1. A Soldier who is extended under this program will be paid $1,500.00 per month.

3.4.2.2. AIP is only payable for the period of the extension. Extension and payments will begin on the first day of the month following the Soldier's original tour ending date.

3.4.2.3. Soldiers are not authorized to receive more than 12 monthly payments under this AIP program or previous DASR Tour Extension programs.

3.4.2.4. Payments will terminate on the day prior to an authorized leave period that ends with the discharge or release of the Soldier from active-duty, a permanent change of station outside of USAREC.

3.4.2.5. Payments will be suspended when the Recruiter fails to contract at least one Soldier during the recruiting month. Payments will resume after the Recruiter contracts an

applicant into the Army. Written agreements will be terminated when the Recruiter fails to write a contract for 3 months during the extension period.

3.4.2.6. In the event of misconduct, payments will terminate on the day the Soldier loses qualification to perform the duty to which they are receiving AIP.

3.4.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.5 Detachment Alpha (DET-A) at the Joint Defense Facility Pine Gap (JDFPG), Alice Springs, Australia

3.5.1. Eligibility. Soldiers permanently assigned to DET-A JDFPG who are authorized AIP must be:

3.5.1.1. Serving on AD;

3.5.1.2. In the grade of O-6 or below;

3.5.1.3. Permanently assigned to DET-A, JDFPG;

3.5.1.4. Within the first 90 days of arrival to the duty station; and

3.5.1.5. Must agree to serve the prescribed tour length (more than 24 months).

3.5.2. Payment. The monthly rates payable to any Soldier serving under this AIP program will be as follows:

3.5.2.1. Soldiers with MOS 42A and current Top-Secret clearance: $200 monthly;

3.5.2.2. Soldiers with MOS 35N/35S and no Additional Skill Identifier (ASI): $200 monthly;

3.5.2.3. Soldiers with MOS 35S with ASI Z8: $250 monthly;

3.5.2.4. Soldiers with MOS 35S with ASI M7: $275 monthly;

3.5.2.5. Soldiers with MOS 35S with ASI K2: $300 monthly;

3.5.2.6. Soldiers with MOS 352S: $200 monthly; and

3.5.2.7. Soldiers with MOS 35G: $200 monthly.

3.5.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.6 Drill Sergeant (DS)

3.6.1. Eligibility. All Soldiers must be:

3.6.1.1. Permanently assigned to the Training and Doctrine Command as DS in a Basic Combat Training, One Station Unit Training; Advance Individual Training, or Drill Sergeant Academy.

3.6.1.2. In their current position for a minimum of 6 months, but not more than 12 months under this program; and

3.6.1.3. Be recommended for and selected for extension by their battalion and brigade chain-of-command.

3.6.2. Payment

3.6.2.1. The maximum monthly rate payable to a DS will be $500.

3.6.2.2. AIP is only payable for the period of the extension. Payments begin on the first day of the month following the Soldier's original tour ending date.

3.6.2.3. Soldiers are not authorized to receive more than 12 monthly payments under this program.

3.6.2.4. AIP payments will terminate on the day prior to an authorized leave period that ends with the Soldier's discharge or release from AD.

3.6.2.5. In the event of misconduct, AIP payments will terminate on the day the Soldier loses qualification to perform the duty to which he or she is receiving AIP.

3.6.3. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the extension period. Soldiers who fail to complete the extension period will not receive any unpaid AIP amounts.

3.6.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.7 Joint Special Operations Command (JSOC) Special Mission Unit (SMU)

3.7.1. Eligibility

3.7.1.1. Soldiers, including RC, must be permanently assigned to a JSOC SMU Operator billet.

3.7.1.2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.7.1.3. Soldiers must have less than 35 years of active federal service in order to qualify for continued payment.

3.7.1.4. Soldiers must sign a written agreement to serve 1 to 3 years in a JSOC SMU Operator assignment. The written agreement will specify the period for which the AIP will be paid and the amount of AIP payment.

3.7.2. Payment

3.7.2.1. SMU Operators with less than 25 years of active federal service may apply for the following:

3.7.2.1.1. SMU Operators with less than 3 years of service in a SMU Operator billet may be paid $750 per month; or

3.7.2.1.2. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $1,000 per month.

3.7.2.2. SMU Operators with 25 years or more of active federal service may apply for the following:

3.7.2.2.1. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $500 per month. Agreements will terminate at 28 years of active federal service; or

3.7.2.2.2. SMU Operators serving in a specified Key Leadership/Development position may be paid $1,000 per month. Agreements will terminate at 35 years of active federal service.

3.7.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.8 Korea AIP (KAIP)

3.8.1. Eligibility. Soldiers:

3.8.1.1. Must be permanently assigned to Republic of Korea in the grades of O-3 and below.

3.8.1.2. Must not be serving in command select list positions.

3.8.1.3. Must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.8.1.4. Assigned to Korea for more than 40 months at the end of their current tour are not eligible to apply.

3.8.1.5. Serving on their initial assignment after graduating from initial entry training or newly appointed officers are not authorized to apply. Soldiers must be in a documented and authorized position by MOS and skill level and must remain in that position for the duration of the extension in order to qualify for KAIP.

3.8.2. Payment

3.8.2.1. The maximum monthly rate payable is $500. Payment will be made in a lump sum, payable upon approval of the AIP agreement extending the Soldier's assignment.

3.8.2.2. Soldiers are limited to a maximum 24-month extension under this AIP program. Payment for an extension beyond 24 months or a subsequent extension when combined with a previous extension(s) that exceeds 24 months is not authorized.

3.8.2.3. The commander determines the payment rate based on the needs of the Army and may be different for Soldiers serving in the same location but will not exceed the monthly rate of $500.

3.8.2.4. Lump sum payments will not exceed the maximum monthly rate authorized by the Commander at the time the Soldier enters into the written agreement multiplied by the number of continuous months in the period for which the AIP is authorized. Lump sum payments will be paid on the first date of the extension of the Soldier's assignment.

3.8.3. Written Agreements

3.8.3.1. Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

3.8.3.2. New AIP written agreements must adhere to this policy. Any approved AIP agreement in existence prior to October 2, 2023, will remain valid under its terms until the effective termination date of the agreement.

3.8.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.9 National Training Center (NTC)

3.9.1. Eligibility

Soldiers permanently assigned to the NTC and Fort Irwin may request AIP provided they meet the following eligibility criteria.

3.9.1.1. Must be serving on active-duty.

3.9.1.2. Must be in the grade of O-6 or below.

3.9.1.3. Must be permanently assigned to the NTC and Fort Irwin as their first choice in the Assignment Interactive Module (AIM) and Assignment Satisfaction Key - Enlisted Module (ASK-EM) marketplaces to include those under U.S. Army Forces Command, Medical Department Activity, Dental Activity, and Army Materiel Command from a previous duty station other than Fort Irwin.

3.9.1.4. Must be within the first 90 days of arrival to the duty station.

3.9.1.5. Must be in good standing and not under the UCMJ process (to include Article 15 or courts-martial proceedings), investigations, and must meet Army standards for retention (to include Army Combat Fitness Test and Army Body Composition Program) at the time of approval and must remain in good standing throughout the AIP tour; and

3.9.1.6. Must not be permanently non-deployable per DoDI 1332.45. “Deployment” is defined as the movement of personnel into and out of an operational area or in support of operations. Deployment encompasses all activities from origin or home station through destination, specifically including inter-theater, and intra-theater movement legs, staging and holding areas.

3.9.2. Payment

Payment will be in the lump sum amount of $4,800, to be paid upon in-processing at Fort Irwin for any Officer or Non-Commissioned Officer that preferences NTC and Fort Irwin as their first choice of duty assignment in the AIM or ASK-EM marketplace.

3.9.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.10 Nominative Assignment Program AIP

3.10.1. Eligibility

Soldiers must be approved for Commander, INSCOM designated military intelligence nominative assignment workforce (enlisted personnel, warrant officers, and commissioned officers) performing strategic-level duties in service of Army, DoD, or Intelligence Community efforts.

3.10.2. Payment

The following levels for this AIP program are based upon years of assigned in the nominative workforce.

3.10.2.1. Level 1 (3 years or less) - $900 per month.

3.10.2.2. Level 2 (3 years or more but less than 6 years) - $1,200 per month.

3.10.2.3. Level 3 (6 years or more) - $1,500 per month.

3.10.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.11 Operational Deployments (OD)

3.11.1. Eligibility

AD Soldiers who physically deploy and perform duties as part of a rotational force away from their permanent duty stations to U.S. Army Europe (USAREUR) and U.S. Army Pacific (USARPAC) areas of responsibility may be entitled to AIP-OD, subject to the criteria outlined in subparagraphs 3.11.1 through 3.11.7.

3.11.2. Payment

3.11.2.1. AIP-OD will be paid in monthly installments (lump sums are not authorized).

3.11.2.2. AIP-OD will be prorated for Soldiers who do not satisfy the eligibility requirement for an entire month to reflect the duration of the Soldier's actual qualifying service during the month. For Soldiers eligible to receive AIP-OD, proration will not apply to the 31st day of a month with more than 30 days.

3.11.2.3. Atlantic Resolve, Joint Multi-National Training Group Ukraine, and other qualifying deployments for a Soldier who is serving on Operation Force Rotations (OFR) in a field duty status are authorized $195 per month. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.

3.11.2.4. Korea Rotational Force Soldiers serving on OFR in a field duty status are authorized $195 per month.

3.11.2.5. Soldiers serving on OFR in a regular temporary duty status are not authorized AIP-OD.

3.11.3. Absences

3.11.3.1. AIP-OD for USAREUR and USARPAC will continue when a Soldier is on authorized leave, other than leave authorized for a period ending upon the Soldier's discharge or release from AD.

3.11.3.2. When a Soldier entitled to AIP-OD is absent without leave (AWOL), AIP-OD payments will stop on the first day of AWOL through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

3.11.4. Hospitalization

3.11.4.1. A Soldier who is deployed and requires hospitalization away from the permanent duty station is still considered operationally deployed and remains entitled to AIP-OD.

3.11.4.2. A Soldier who is deployed and requires hospitalization at the permanent duty station is not eligible for payment of AIP-OD for the period of hospitalization, unless otherwise qualified to receive the pay under 37 U.S.C. § 372.

3.11.4.3. If a line of duty investigation determines that the Soldier's injuries are due to his or her own misconduct, AIP-OD payments will stop on the first day of hospitalization through the day before the date the Soldier is restored to full duty, provided the Soldier remained otherwise eligible for AIP-OD.

3.11.4.4. If the member is wounded/injured/ill from a combat zone, combat operation, hostile file pay area, or as a result of hostile fire, reference Chapter 13.

3.11.5. Confinement

3.11.5.1. When a Soldier entitled to AIP is confined awaiting trial by court-martial, AIP-OD payments stop on the first day of confinement through the day before the date the Soldier is restored to full duty, provided the Soldier remained eligible for AIP-OD.

3.11.5.2. When a Soldier confined awaiting trial by court-martial is acquitted, or has charges dismissed, the Soldier will be entitled to AIP-OD retroactive to the first day of confinement, provided the Soldier remained eligible for AIP-OD.

3.11.6. Captured or Missing Status

A Soldier entitled to AIP-OD immediately before entering a status of missing, missing-in-action, interned in a foreign country, or captured by a hostile force will continue to be credited with AIP-OD for each month while in such a status.

3.11.7. Termination

The AIP-OD program is subject to congressional annual reauthorization of 37 USC § 352; therefore, no orders will be issued to start an AIP-OD payment after the termination date on the Duration of Authority table.

*3.12 Recruiting Duty Volunteer Program AIP

3.12.1. Eligibility. All Soldiers must meet all the eligibility requirements below.

3.12.1.1. Must volunteer for recruiting duty by completing a volunteer recruiter packet and submitting though Recruit the Recruiter program.

3.12.1.2. Must be fully eligible for and selected for recruiting duty.

3.12.1.3. Must ship to the Army Recruiter Course (ARC) before February 2024 and successfully graduate from the ARC.

3.12.1.4. Must successfully complete the Advanced Training Program (ATP) IAW ***USAREC Regulation 350-1***, Training and Leader Development, within the first 120 days of assignment to a recruiting station.

3.12.1.5. Must receive a satisfactory ATP quality score from the New Recruiter NCO Board IAW USAREC Regulation 350-1, Training and Leader Development.

3.12.1.6. Soldiers must be in good standing and not flagged for adverse action under AR 600-8-2 and must meet Army standards for retention (to include Army fitness and body composition program minimum standards) at the time of payment.

3.12.2. Payment

A Soldier who meets all the eligibility criteria listed in subparagraph 3.12.1 will be paid a one-time lump sum payment of $5,000.

3.12.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.13 Remote and Austere Conditions AIP (RAC-AIP)

3.13.1. Eligibility. All AD and RC Soldiers who are assigned to an approved RAC-AIP assignment may request RAC-AIP provided the Soldier meets the following eligibility criteria:

3.13.1.1. Must be in the grade of O-6 or below;

3.13.1.2. Must be permanently assigned;

3.13.1.3. Must be within the first 90 days of arrival to the assignment;

3.13.1.4. Must agree to serve the prescribed tour;

3.13.1.5. Must have not previously received RAC-AIP during the current tour or a previous tour within the last six years (Soldiers who extend their tour or agree to serve a consecutive overseas tour in a subsequent RAC-AIP assignment are not eligible);

3.13.1.6. Must enter into a written agreement in order to qualify for RAC-AIP. The written agreement will include an acknowledgement of the additional personal costs associated with the conditions of the remote and austere assignment, the specific terms and conditions for maintaining eligibility for RAC-AIP, the period for which the RAC-AIP will be paid, and the amount of the RAC-AIP.

NOTE: Members may file an exception to policy (ETP) for any of the eligibility requirements stated in subparagraph 3.13.1. The approval authority for the ETP is the Deputy Chief of Staff, G-1 and/or his/her designee.

* 3.13.2. Payment

3.13.2.1. RAC-AIP will be paid in a lump sum payment; monthly payments are not authorized. RAC-AIP is taxable.

3.13.2.2. The maximum lump sum payment will vary based on each assignment. The Army G-1 will approve RAC-AIP payment levels based on the additional costs one is reasonably expected to incur to prepare themselves, their family members, and their personal property for a remote and austere assignment outside the 48 contiguous United States.

3.13.2.3. RAC-AIP is authorized in addition to any other AIP program for which the Soldier may be eligible; however, in no case may a Soldier's AIP payments exceed the $18,000 annual AIP payment limit as set forth by the Under Secretary of Defense for Personnel and Readiness in DoDI 1340.26.

3.13.2.4. RAC-AIP will not be paid retroactively. The approval authority will base the RAC-AIP payment rate on the Soldier's eligibility at the time of approval.

* 3.13.2.5. Amounts are:

3.13.2.5.1. Level 1:

3.13.2.5.1.1. Without command sponsorship dependents, $500;

3.13.2.5.1.2. With command sponsorship dependents, $1,000;

3.13.2.5.2. Level 2:

3.13.2.5.2.1. Without command sponsorship dependents, $1,000;

3.13.2.5.2.2. With command sponsorship dependents, $2,000;

3.13.2.5.3. Level 3:

3.13.2.5.3.1. Without command sponsorship dependents, $1,500;

3.13.2.5.3.2. With command sponsorship dependents, $3,000;

3.13.2.5.4. Level 4:

3.13.2.5.4.1. Without command sponsorship dependents, $2,000;

3.13.2.5.4.2. With command sponsorship dependents, $4,000;

3.13.2.5.5. Level 5:

3.13.2.5.5.1. Without command sponsorship dependents, $2,500;

3.13.2.5.5.2. With command sponsorship dependents, $5,000;

3.13.3. Repayment

3.13.3.1. If the Soldier's commander determines that there is adverse information (as defined in Army Regulation 15-6) regarding the Soldier, the Soldier must repay their AIP for the prorated period that they were not in good standing.

3.13.3.2. Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of RAC-AIP, if the Soldier fails to complete the extension period.

3.13.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

*3.14 Security Force Assistance Brigade (SFAB)

3.14.1. Eligibility

3.14.1.1. Enlisted Soldiers who are fully trained and certified, are authorized AIP for assignments at their permanent duty stations.

3.14.1.2. Soldiers must enter into a written agreement to serve a minimum of 24 months in an SFAB approved billet. The written agreement will specify the period for which the AIP will be paid and the amount of AIP payment.

3.14.2. Payment

The maximum payment under this program is $5,000 for a minimum 24-month assignment to an SFAB.

3.14.3. Repayment

Soldiers, with the exception of sole survivor discharges and those who die or are retired or separated with a combat-related disability, will repay an amount equal to the unearned portion of AIP if the Soldier fails to complete the AIP period. Soldiers who fail to complete the AIP period will not receive any unpaid AIP amounts.

3.14.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

3.15 U.S. Army Special Operations Command (USASOC)

On September 18, 2020, the DA ODCS G-1 reauthorized USASOC AIP.

3.15.1. Eligibility

3.15.1.1. Soldiers must be permanently assigned to an authorized Major Force Protection-11 billet in the grade of E-5 and above.

3.15.1.2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3.15.1.3. Soldier must have less than 35 years of active federal service in order to qualify for continued payment.

* 3.15.2. Payment

3.15.2.1. The maximum monthly rate payable to a Soldier assigned to USASOC under this AIP program is $1,250.00 and the maximum monthly rate payable to a Soldier assigned to a Special Mission Unit (SMU) is $1,500. Payment under this program may be made in lump sum or monthly payments.

3.15.2.2. Payment rates are determined by the commander based on the needs of the Army and may be different for Soldiers in similar positions at the same location but will not exceed the amount authorized in 3.15.2.1.

3.15.2.3. Lump sum payments will not exceed the maximum monthly rate authorized by the commander at the time the Soldier enters into the written agreement, multiplied by the number of continuous months in the period for which the AIP will be paid, pursuant to the agreement. Lump sum payment will be paid on the approval of the AIP agreement.

3.15.3. Written Agreements

Approval authorities will require a Soldier to enter into a written agreement in order to qualify for AIP. The agreement will specify the period for which the AIP will be paid and the amount of the lump sum AIP payment.

3.15.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

4.0 NAVY AIP PROGRAMS

Consult the MyNavy HR website for a list of ***US Navy AIP***s.

5.0 AIR FORCE AND SPACE FORCE AIP PROGRAMS

*5.1 306 Fighter Squadron (FS), Atlantic City, NJ

5.1.1. Eligibility

Effective December 22, 2023, all members assigned to the 306 FS Atlantic City, NJ will receive AIP.

5.1.2. Payment

The monthly rate is $400.

5.1.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.2 315 FS, 367 FS, and 378 FS

5.2.1. Eligibility

The Secretary of the Air Force (SAF) authorized AIP for the members assigned to 315 FS Burlington, VT, 367 FS Homestead, FL, and 378 FS Madison, WI.

5.2.2. Payment. The monthly rates are as follows:

5.2.2.1. 315 FS Burlington, VT is $400;

5.2.2.2. 367 FS Homestead, FL is $500; and

5.2.2.3. 378 FS Madison, WI is $400.

5.2.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

*5.3 491st and 492nd Attack Squadrons (ATKS)

5.3.1. The SAF authorized AIP for the regular Air Force officers and enlisted airmen assigned to the 491st ATKS Air National Guard Base Hancock Field, NY and 492nd ATKS March Air Reserve Base, CA, effective January 18, 2024.

5.3.2. The monthly rate is $500.

5.3.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.4 724th Special Tactics Group Incentive Program

5.4.1. Eligibility

Enlisted SMU members are eligible for this program.

5.4.2. Payment. Effective July 1, 2021

5.4.2.1. $750 per month for SMU Operators who have graduated and have a cumulative assignment time of less than 12 months;

5.4.2.2. $1,000 per month for SMU Operators who have a cumulative assignment time of 12-72 months;

5.4.2.3. $750 per month for SMU Operators who have a cumulative assignment time of 73-96 months;

5.4.2.4. $500 per month for SMU Operators who have a cumulative assignment time of 97-108 months; and

5.4.2.5. $0 per month for SMU Operators who have a cumulative assignment time of 109 months or more.

5.4.3. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the 724th Special Tactics Group Incentive program if it is no longer required.

5.4.4. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.5 Air Force Special Operations Command (AFSOC), BP0VFX3H, Program

The SAF established an AIP program for enlisted and officers when assigned to the AFSOC unit designated by the Personnel Accounting Symbol (PAS) code BP0VFX3H. The SAF authorized the program for a period of 5 years subject to annual congressional approval of the pay authority, 37 U.S.C § 352. No AIP will be initially awarded (initial eligibility start date) after this date unless the program is officially extended/authorized beyond the date on the Duration of Authority table by an appropriate approving authority.

5.5.1. Eligibility Requirements

5.5.1.1. Officers and enlisted members must be assigned to operator positions within the PAS code BP0VFX3H.

5.5.1.2. Members must have successfully completed the unit's required operator training and certification.

5.5.2. Payment. Eligible personnel will be paid:

5.5.2.1. $750 per month for personnel who have a post-training cumulative unit assignment time of less than 36 months; or

5.5.2.2. $500 per month for personnel who have a post-training cumulative unit assignment time of 36 months or more.

5.5.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.6 Alice Springs, Australia

5.6.1. Eligibility

Air Force Officers and enlisted Airmen assigned to Alice Springs, Australia are eligible to receive AIP.

5.6.2. Payment

The monthly rate is $500.

5.6.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.7 Cavalier Space Force Station, ND

5.7.1. Eligibility

Regular Air Force Officers and enlisted Airmen, and Guardians assigned to the 10th Space Warning Squadron at Cavalier Space Force Station, ND are eligible to receive AIP.

5.7.2. Payment

The monthly rate is $700.

5.7.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.8 Extended Training Service Specialists (ETSS)

5.8.1. IAW DoDI 1340.26, and subject to annual congressional authorization and the availability of appropriated funds, Airmen assigned to identified hard-to-fill billets in the ETSS program support to Foreign Military Sales activities are eligible to receive AIP.

5.8.2. Airmen filling these billets will receive AIP at a rate of $1,500 per month, subject to the AIP rate ceiling established by the Deputy ASD for Military Personnel Policy.

5.8.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.9 Intercontinental Ballistic Missile Field Operations Program

The SAF established an AIP program for officers assigned to Minot Air Force Base (AFB), Malmstrom AFB, or F.E. Warren AFB.

5.9.1. Eligibility Requirements

5.9.1.1. Missile and Nuclear Operations (13N), Missile Maintenance (21M), and Security Forces (31P) officers who are qualified to perform nuclear position duties are eligible.

5.9.1.2. Officers who are assigned to qualifying positions at Minot AFB, Malmstrom AFB, or F.E. Warren AFB and regularly perform duties in missile fields at these locations are eligible.

5.9.1.3. Officers whose “regular performance of duties” requires dispatch on orders to a missile field for a minimum number of hours within a 90-day calendar quarter (example: 210 hours out of a 90-day period) are eligible. This pay is not intended for those who go to the missile field sporadically.

5.9.2. Payment

Officers meeting the requirements will receive $300 per month. The unit commander will sign the AIP roster certifying the officer has met all the requirements.

5.9.3. Termination

Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.10 Kingsley Field, Klamath Falls, Oregon

5.10.1. Regular Air Force and Active Guard Reserve (AGR) Airmen permanently assigned to the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon will be eligible to receive AIP under 37 U.S.C. § 352. Air Force and AGR Airmen assigned to the 173rd Fighter Wing in a student status are not eligible for AIP.

5.10.2. Members who meet the eligibility provisions outlined in 5.8.1., will be authorized $400 AIP per month.

5.10.3. AIP must be terminated immediately if the member is AWOL, placed in confinement, or removed from field duties by the commander for cause. For officers, the termination is effective the day prior to promotion to the grade of Major. The effective date of termination is the last day the Airman met the requirements before removal.

5.10.4. AIP must terminate upon Permanent Change of Station to a location other than the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon or upon starting permissive leave in conjunction with terminal leave status.

5.10.5. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.11 KAIP

5.11.1. All officers and enlisted personnel are eligible to receive KAIP under 37 USC § 352. Members will continue to receive AIP payments until the end-date specified in their agreements or their departure from Korea.

5.11.1.1. Airmen who are:

5.11.1.1.1. Selected for a 12-month unaccompanied tour in the Republic of Korea, and who execute a written agreement to serve either an additional 12- or 24-month unaccompanied tour, will receive $300.00 per month regardless of rank or Air Force Specialty Code (AFSC); or

5.11.1.1.2. Offered and have accepted a Command Sponsorship Program billet in the Republic of Korea and execute a written agreement to serve the 36-month accompanied tour, will receive $300.00 per month regardless of rank or AFSC.

5.11.1.2. The SAF reauthorized the continuance of KAIP through the termination date on the Duration of Authority table.

5.11.1.3. The AIP will be stopped upon termination of the contract or curtailment of the agreed tour of duty for any reason, either voluntary or involuntary. The entitlement to AIP will be terminated if the member is AWOL or enters confinement.

5.11.1.4. Airmen who elect AIP for Korea will not be eligible for Home Basing, Follow-on Assignment, or concurrent Overseas Tour Extension Incentive Program or In-Place Consecutive Overseas Tour.

5.11.2. The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) memorandum establishes three categories of assignments applicable for AIP payments. All categories require a written agreement by the member. The categories are:

5.11.2.1. Members who volunteer for a 36-month initial assignment to Pyeongtaek, Osan, Daegu, Chinhae, or Seoul may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

5.11.2.2. Members who volunteer for a 24-month initial assignment to Uijongbu or Dongducheon may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

5.11.2.3. Members who accept an initial tour to Korea in any location and later elect to extend their assignment length for 12 or 24 months may be paid $300 per month, to be paid on a monthly basis, upon commencement of the tour with an extension agreement, or entering the extension, whichever is earlier.

5.11.3. Restrictions. At any time during the authorized period, the SAF (M&RA) may terminate the KAIP program if it is no longer required.

5.11.4. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

*5.12 Turkey

5.12.1. Active-duty Airmen and Guardians assigned to Turkey serving an unaccompanied tour of 12-months who agree to serve a total of 24-months in Turkey, may elect, and will receive Turkey (TAIP) at a rate of $1,000.00 per month.

5.12.2. Members who meet the eligibility provisions outlined in 5.11.1 will receive TAIP at a rate of $1,000 per month effective on:

5.12.2.1. The effective date of payment for Airmen and Guardians electing TAIP at their losing base will equal:

5.12.2.1.1. Their Date Arrived Station; or

5.12.2.1.2. December 29, 2022, whichever is later.

5.12.2.2. The effective date of payment for Airmen and Guardians electing TAIP after arriving in Turkey will equal the date:

5.12.2.2.1. They sign the TAIP agreement; or

5.12.2.2.2. December 29, 2022, whichever is later.

5.12.3. Unless reauthorized by Congress, AIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless the AIP agreement was entered into prior to the date on the table.

6.0 MARINE CORPS AIP PROGRAMS

Consult with Headquarters Marine Corps Manpower and Reserve Affairs for a list of ***USMC AIP***s.

*7.0 AIP IN LIEU OF POST-DEPLOYMENT MOBILIZATION RESPITE ABSENCE (PDMRA) PROGRAM

The Secretary of Defense directed on January 19, 2007, that a program be established to recognize members who mobilize or deploy more frequently than established rotation policy goals. The PDMRA program was established to allow a member to earn days of administrative absence, not chargeable to the member's accrued leave account, dependent on the length of time the member deployed beyond the rotation policy goals. Effective May 24, 2007, the program also allowed members to receive monetary compensation in lieu of administrative absence days in certain situations. The authority to pay monetary compensation terminated October 1, 2014. Paragraphs 7.1 – 7.6 are included for historical information only.

7.1 USD (P&R) Memorandum, May 24, 2007

The USD (P&R) authorized the Secretary concerned to offer the option of payment of AIP in lieu of taking administrative absence under the PDMRA program in certain situations. RC members (as described in subparagraph 7.1.1) may elect to receive AIP for PDMRA days earned instead of taking the administrative absence. The programs are not effective until the Services publish their implementation instructions.

7.1.1. Eligible Members. RC members who are also federal, state, or local government civilian employees and precluded by law from being paid by two entities for simultaneously serving in an RC status and in their civilian government jobs may elect the payment of AIP instead of taking administrative absence.

7.1.2. Requirement. The member must elect to receive the AIP instead of the PDMRA administrative absence days before the PDMRA days are earned.

7.1.3. Payment. Members electing to be paid the AIP will receive $200 for each PDMRA day earned. Members are not authorized to be paid for any PDMRA days earned before an election is made.

7.1.4. Restrictions

7.1.4.1. Payment of the AIP will not exceed the monthly limit of $1,500.

7.1.4.2. The PDMRA payment benefit is not eligible for combat zone tax exclusion (CZTE).

7.1.5. Service Instructions. Effective dates for the implementation are:

7.1.5.1. Marine Corps: July 27, 2007;

7.1.5.2. Navy: August 2, 2007;

7.1.5.3. Army: August 7, 2007; and

7.1.5.4. Air Force: October 1, 2007.

7.2 Authority

Public Law 111-84, section 604, dated October 28, 2009, authorized the Secretary of Defense to prescribe regulations allowing the Secretary concerned to provide current and former members with payment for administrative absence days earned under the PDMRA program during the period January 19, 2007, through the date the Service implemented their respective PDMRA program. The USD (P&R) issued guidance on February 1, 2010, authorizing the Secretary concerned to issue implementing guidance. The authority expired on October 28, 2010.

7.2.1. Eligible Members

7.2.1.1. Former members who were discharged or released from the Armed Forces under honorable conditions are eligible.

7.2.1.2. Current Active Component (AC) and RC members, who qualified for PDMRA days during the period described in paragraph 7.2, are eligible.

7.2.2. Payment

7.2.2.1. Former members may receive $200 for each PDMRA day earned.

7.2.2.2. Current members, who earned PDMRA days during the period of January 19, 2007, through the date the member's service implemented the PDMRA benefits as stated in subparagraph 7.1.5., may receive either one day of administrative absence for each

PDMRA day earned or payment of $200 per day during that time frame as directed by the Secretary concerned.

7.2.2.3. Payment may be paid in a lump sum or installments, at the election of the Secretary concerned.

7.2.3. Restrictions

7.2.3.1. Payment of the AIP will not exceed the monthly limit of $1,500.

7.2.3.2. The PDMRA payment benefit is not eligible for CZTE.

7.3 Qualifying Deployments and Mobilizations on or After January 19, 2007

The following is the program guidance for qualifying deployment and mobilizations on or after January 19, 2007, but before October 1, 2011.

7.3.1. Frequency Thresholds

7.3.1.1. AC members deployed in excess of 12 months during the most recent 36-month period qualify for PDMRA.

7.3.1.2. RC members mobilized in excess of 12 months during the most recent 72-month period qualify for PDMRA.

7.3.2. Creditable Time

7.3.2.1. Creditable time for AC members includes the day of the member's arrival at the deployed location through departure of BoG.

7.3.2.2. Creditable time for RC members includes mobilizations under ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12302***, or ***10 U.S.C. § 12304***. Mobilization for this purpose includes the day the member is mobilized through the date the mobilization is terminated.

7.3.2.3. The Secretary concerned may include other deployments or mobilizations in conjunction with an expanded program for the Service concerned.

7.3.2.4. For AC members, computation of creditable time commences 36 months prior to the member's deployment and continues during the deployment.

7.3.2.5. For RC members, computation of creditable time commences 72 months prior to the member's mobilization and continues during the deployment.

7.3.2.6. The Secretary concerned will establish policy on the crediting of time when court-martial or other adverse administrative actions have been initiated.

7.3.2.7. PDMRA days are authorized for each month or portion of a month that a member is deployed (AC) or mobilized (RC) beyond the frequency thresholds at subparagraph 7.3.1. The number of PDMRA days awarded to AC and RC members are:

7.3.2.7.1. One day of administrative absence per month in excess of 12 months during the qualifying period;

7.3.2.7.2. Two days of administrative absence per month in excess of 18 months during the qualifying period; or

7.3.2.7.3. Four days of administrative absence per month in excess of 24 months during the qualifying period.

7.3.2.8. The Secretary concerned may develop supplementary tables, including other non-monetary recognition programs, delivering comparable or greater benefits to members meeting the frequency thresholds at subparagraph 7.3.1.

7.3.2.9. RC members must be on AD during the days they take their earned PDMRA days.

7.3.3. Payment

7.3.3.1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay on the same days they are serving on AD. Affected members may elect to receive AIP at $200 for each day of absence that otherwise would have been authorized, not to exceed $1,500 monthly, in lieu of being awarded administrative absence days.

7.3.3.2. There is no option to cash in administrative absence days already earned. The AIP election must be made by the affected RC member prior to the days being earned.

7.4 Qualifying Deployments and Mobilizations on or After October 1, 2011

The following is program guidance for qualifying deployments and mobilizations on or after October 1, 2011, including that portion of an ongoing deployment or mobilization that occurs on or after October 1, 2011.

7.4.1. Deployment and Mobilization Frequency Requirements and/or Thresholds

7.4.1.1. AC members, who on the first day of their current deployment, had deployed in excess of 12 months out of the previous 36 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days.

7.4.1.2. RC members, who on the first day of their current qualifying mobilization, had been mobilized pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 in excess of 12 months out of the previous 72 months, and who meet the other eligibility criteria contained in this section,

qualify for PDMRA days. The 12-month qualifying period may include service pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned.

* 7.4.1.3. The Secretary concerned may utilize the deployment-to-dwell ratio of 1:2 for AC members or mobilization-to-dwell ratio of 1:4 for RC members as the qualifying threshold for providing PDMRA benefits, as opposed to the requirements contained in subparagraphs 7.3.1 and 7.3.2.

7.4.2. Two Days PDMRA Accrual Conditions

7.4.2.1. AC Service members accrue 2 administrative absence days per month when the deployment threshold established in subparagraph 7.4.1 is exceeded, and the AC member is:

7.4.2.1.1. Deployed to Iraq or Afghanistan; or

7.4.2.1.2. Deployed to a CZTE area when the area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

7.4.2.2. RC Service members accrue 2 administrative absence days per month when the mobilization threshold established in subparagraph 7.4.1 is exceeded, and the RC member is serving:

7.4.2.2.1. In Iraq or Afghanistan pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304;

7.4.2.2.2. In Iraq or Afghanistan pursuant to 10 U.S.C § 12301(d) when designated by the Secretary concerned; or

7.4.2.2.3. In a CZTE area under the authority of 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 when the CZTE area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

7.4.3. One Day PDMRA Accrual Conditions

7.4.3.1. AC members accrue 1 administrative absence day per month when the deployment threshold established in subparagraph 7.4.1 is exceeded for deployments to a qualifying CZTE area when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

7.4.3.2. RC members accrue 1 administrative absence day per month when the mobilization threshold established in subparagraph 7.4.1 is exceeded, and the RC member is serving:

7.4.3.2.1. Outside of the United States pursuant to 10 U.S.C. § 12301(a), 10 U.S.C. § 12302, or 10 U.S.C. § 12304;

7.4.3.2.2. Outside of the United States pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned; or

7.4.3.2.3. In a CZTE area pursuant to 10 U.S.C. § 12301(d) when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

7.4.4. PDMRA Accrual Conditions

7.4.4.1. Service members, at a minimum, must meet PDMRA eligibility criteria contained in paragraphs 7.3 and 7.4 for 30 consecutive days in order to begin accruing PDMRA days.

7.4.4.1.1. PDMRA accrual for AC members includes the day that the member arrives at the deployed location through the day that the member redeploys.

7.4.4.1.2. PDMRA accrual for RC members includes the day that the member is ordered to duty pursuant to 10 U.S.C. §§ 12301(a), 12302, or 12304 through the date that the member's service is terminated under that same authority.

7.4.4.2. When designated as qualifying for PDMRA by the Secretary concerned pursuant to subparagraphs 7.4.2.2.2, 7.4.2.2.3, 7.4.3.2.1, or 7.4.3.2.2 include the day that the member enters service pursuant to 10 U.S.C. § 12301(d) through the date that the member's service is terminated under that same authority.

7.4.5. Extensions of Mobilization Orders to Utilize Accrued PDMRA Days. The Secretary concerned may extend the mobilization orders of RC Service members, within statutory limitations, to allow these members to utilize PDMRA days accrued during the mobilization. RC members do not accrue PDMRA days during the time that mobilization orders are extended for the purpose of utilizing PDMRA days.

7.4.6. Election of Payment for PDMRA Days

7.4.6.1. Under current law, RC members who are also federal, state, or local government civilian employees are not permitted to receive their civilian pay while on AD utilizing accrued PDMRA days.

7.4.6.2. To resolve this pay restriction, the Secretary concerned may offer such RC members a special PDMRA payment, which permits such members to elect to receive AIP in lieu of being awarded PDMRA administrative absence days.

7.4.6.3. If this option is offered, the AIP election must be made by the RC Service member prior to earning PDMRA days. The AIP would be valued at a rate of $200 for each day of administrative absence that otherwise would have been authorized under the PDMRA program, not to exceed the $1,500 monthly maximum limit of AIP. This option may not be used to cash in administrative absence days already earned.

7.4.7. Crediting PDMRA Time. The Secretary concerned will establish policy on crediting PDMRA time when court-martial or other adverse administrative actions have been initiated.

7.4.8. RC Use of Administrative Absence Days. RC members must be serving pursuant to 10 U.S.C. §§ 12301(a), 12301(d), 12302, or 12304 in order to utilize the administrative absence days accrued under the PDMRA program.

7.5 Public Law 112-120, Dated May 25, 2012

7.5.1. Public Law 112-120 clarified the entitlement to PDMRA days for RC members. The law allows for the Secretary of Defense to determine that provisions of entitlement outlined in ***DoDI 1327.06***, "Leave and Liberty Policy and Procedures" will not apply to RC members whose qualified mobilization commenced before October 1, 2011, and continued on and after that date until the date the mobilization terminated.

7.5.2. The USD (P&R) issued implementation guidance for Public Law 112-120 on July 11, 2012. The guidance stipulated that:

7.5.2.1. Each Secretary concerned will publish implementing guidance and establish an application process to allow qualifying current and former RC members to apply for benefits authorized by Public Law 112-120.

7.5.2.2. Benefits are only authorized for RC members who deployed Outside the Continental United States and whose qualified mobilization commenced before October 1, 2011.

7.5.2.3. Each Secretary concerned will provide qualifying applicants with a PDMRA day, or a payment of $200 for each PDMRA day that the individual would have qualified for had the October 1, 2011, guidance changes not applied to the individual.

7.5.2.4. Each Service's application for benefits will require qualifying RC members to elect to receive either a PDMRA day or payment of $200 for each qualifying PDMRA day. The application will caution members who are no longer mobilized in a status where they can use the PDMRA days and elect PDMRA days in lieu of payment that:

7.5.2.4.1. The PDMRA days will be banked and cannot be used until the next qualifying period of service; and

7.5.2.4.2. Banked PDMRA days will be lost if the member is separated from the military prior to using the PDMRA days. Banked PDMRA days cannot be subsequently sold.

7.5.2.5. Qualifying former RC members will only receive $200 per day for each PDMRA day.

7.5.2.6. Former RC members who were discharged or released from the Armed Forces under other than honorable conditions are not eligible for benefits.

7.5.2.7. Each Secretary concerned may elect to pay qualifying individuals a lump sum payment or installments.

7.5.2.8. The authority to provided benefits under Public Law 112-120 expires on October 1, 2014. This expiration does not affect PDMRA days earned prior to but used or paid for after October 1, 2014. The member must have elected the payment option before October 1, 2014.

7.6 Public Law 112-239, Dated January 2, 2013

7.6.1. Public Law 112-239 allows for the payment of $200 per day to individuals who were eligible to participate as a member of the Armed Forces in the PDMRA program, but who did not participate in 1 or more days in the program due to Government error. Those individuals must apply for payment of PDMRA days with an application for the correction of their military records pursuant to ***10 U.S.C. § 1552***, or other process as prescribed by the Secretary concerned.

7.6.2. A claim for a deceased individual, who would have been authorized to apply for the payment of $200 in subparagraph 8.6.1, may be submitted by the deceased individual's legal representative. Payment for a deceased member will be made pursuant to 10 U.S.C. § 1552 (c)(2), or other process as determined by the Secretary concerned.

*REFERENCES

CHAPTER 15 – SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

2.0 –DoD AIP CRITERIA

37 U.S.C. § 352
DoDI 1332.45, July 30, 2018, Change 1 April 27, 2021
DoDI 1340.26, September 25, 2017, Change 1
January 11, 2019

3.0 – ARMY AIP PROGRAMS

3.1	DA, ODCS, G-1 Memo, September 18, 2020
3.2	DA, ODCS, G-1 Memo, September 28, 2022
3.3	DA, OAS M&RA Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.4	DA, ODCS, G-1 Memo, October 26, 2023
3.5	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.6	DA, ODCS, G-1 Memo, September 23, 2020
	DA, ODCS, G-1 Memo, January 12, 2024
3.7	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.8	DA, ODCS, G-1 Memo, October 11, 2022
	DA, ODCS, G-1 Memo, October 31, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.9	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.10	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.11	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, September 28, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
	DA, ODCS, G-1 Memo, October 2, 2023
3.12	DA, OAS M&RA Memo, October 31, 2023
3.13	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023
3.14	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 5, 2023
3.15	DA, ODCS, G-1 Memo, September 30, 2022
	DA, ODCS, G-1 Memo, October 2, 2023

5.0 – AIR FORCE AIP PROGRAMS

5.1	Department of the Air Force Office of the Assistant Secretary (DAF OAS) December 22, 2023
5.2.	DAF OAS Memo, December 20, 2023(378 FS) DAF OAS Memo, December 21, 2023(315 FS and 367 FS) DAF OAS Memo, December 21, 2021
5.3	DAF OAS Memo, January 18, 2024
5.4	DAF OAS Memo, October 23, 2020 DAF OAS Memo, December 22, 2014
5.5	DAF OAS Memo, December 23, 2019 DAF Headquarters Air Force Personnel Center Memo, October 31, 2014
5.6	DAF OAS Memo, December 21, 2021
5.7	DAF OAS Memo, December 21, 2021 DAF OAS Memo, December 27, 2023
5.8	DAF OAS Memo, August 23, 2023 DAF OAS Memo, December 3, 2020
5.9	DAF OAS Memo, December 4, 2020 SAF Memo March 15, 2018
5.10	DAF OAS Memo, January 27, 2022 SAF Memo, July 27, 2017
5.11	DAF OAS Memo, October 23, 2023 DAF OAS Memo, August 31, 2020
5.12	DAF OAS Memo, March 30, 2023 DAF OAS Memo, October 23, 2023 DAF OAS Memo December 18, 2020

7.0 –AIP IN LIEU OF POST-DEPLOYMENT/MOBILIZATION RESPITE ABSENCE (PDMRA)

	USD (P&R) Memo, April 18, 2007
7.1	USD (P&R) Memo, May 24, 2007 DoDI 1340.26, September 25, 2017, Change 1 January 11, 2019
7.2	USD (P&R) Memo, February 1, 2010
7.3	DoDI 1327.06, June 16, 2009, Change 5, August 26, 2023
7.3.3.	37 U.S.C. § 352
7.4	DoDI 1327.06, June 16, 2009, Change 5, August 26, 2023, Enclosure 4, paragraph 3.a(3) USD (P&R) Memo, August 16, 2021
7.5	Public Law 112-120, May 25, 2012 USD (P&R) Memo, July 11, 2012
7.6	Public Law 112-239, section 605, January 2, 2013 10 U.S.C. § 1552

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 16: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 17: "SPECIAL PAY – HARDSHIP DUTY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 17-1	Updated Burkina Faso rates in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, March 19, 2023.	Revision
	Updated Rangoon, Burma rates in accordance with the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, May 31, 2023.	Revision
	Updated Ukraine rates in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, July 13, 2023.	Revision
	August 2025: Updated table to include the Hardship Duty Pay – Locations in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, August 15, 2025.	Revision
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 17

SPECIAL PAY – HARDSHIP DUTY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for payment of Hardship Duty Pay (HDP) and lists the areas where members are authorized to receive these entitlements.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 352 (***37 U.S.C. § 352***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 HDP

2.1 HDP – Location (HDP – L)

2.1.1. Purpose. HDP – L is designed to recognize service at locations where living conditions are substantially below those normally found within the continental United States and to provide equity across DoD for Service members assigned to these locations. Locations are contained in Table 17-1, and are listed on the ***Hardship Duty Pay - Locations*** table on DFAS.MIL.

2.1.2. Eligibility. All Service members permanently assigned or serving in a temporary additional duty/temporary duty (TAD/TDY), deployed, or attached status for over 30 consecutive days in a designated area, will receive HDP – L. Service members on permanent reassignment to the area are eligible for HDP – L from the day of arrival at the new station. The conditions for HDP – L are set forth in Table 17-2. The Assistant Secretary of Defense – Manpower and Reserve Affairs (ASD (M&RA)) will promulgate any additional eligibility criteria by issuing a policy decision memorandum.

2.1.3. Locations and Amounts. The ASD (M&RA) will promulgate locations and specific amounts for HDP – L at the rates shown in Table 17-1.

2.1.4. Restrictions. Service members performing duty temporarily in a designated area are not eligible for HDP – L during the first 30 days of consecutive duty in the area. On the 31st day, HDP – L is payable to the member retroactive to the date the member reported for duty at the location. The ASD (M&RA) will promulgate any additional restrictions for HDP – L.

2.1.5. Termination. HDP – L entitlement ends on:

2.1.5.1. The day the member departs the station as a result of Permanent Change of Station (PCS) reassignment; or

2.1.5.2. The last day of the effective period as stated in Table 17-1; or

2.1.5.3. The day specified in Table 17-1 for specific situations.

2.2 HDP – Mission (HDP – M)

2.2.1. Purpose. HDP – M is designed to recognize permanent or temporary assignment of Service members when conditions are deemed particularly arduous or require Service members to perform duties outside of normal military operations.

2.2.2. Eligibility. Eligibility criteria will be established by the ASD (M&RA) for Service members permanently or temporarily assigned to a designated mission. A member assigned to, on TAD/TDY with, or otherwise under the operational control of the Defense Prisoner of War/Missing Personnel Office, the Joint Task Force-Full Accounting, or the Central Identification Lab-Hawaii, may qualify for HDP – M based on performance of a hardship mission. Eligible members are entitled to receive HDP – M for each month in which they perform investigative or remains recovery duty in a remote, isolated area (including, but not limited to, areas in Laos, Cambodia, Vietnam, North Korea, Albania, Bulgaria, Bosnia-Herzegovina, Croatia, Egypt, Italy, Romania, Servia, Slovenia, and Yugoslavia) in the recovery of U.S. Service member remains.

2.2.3. Maximum Amount. HDP – M is payable to all members at the rate of $150 per month. HDP – M is payable at the full monthly rate, without prorating or reduction, for each month, during any part of which, the member performs a specified mission.

2.3 HDP – Tempo (HDP – T)

2.3.1. Purpose. HDP – T is designed to recognize extended or excessive amounts of time outside of a Service member's permanent duty station (PDS).

2.3.2. Eligibility. Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs but will consider retention, quality of life, family separation, and other factors that contribute to a Service member's dissatisfaction when spending extended or excessive amounts of time away from the Service member's PDS.

2.3.3. Amount. Secretaries of the Military Departments concerned will establish monthly rates, but the maximum amount of HDP – T per month will not exceed $500.

2.3.4. Restrictions. The Secretary of the Military Departments concerned will prorate the monthly amount of HDP – T for a member who does not satisfy the eligibility requirements for an entire month.

NOTE: For periods of absence, consult with Service regulations to determine eligibility.

2.4 HDP – Restriction of Movement (HDP – ROM)

2.4.1. Purpose. HDP – ROM is designed for Service members ordered by their command to restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19.

2.4.2. Eligibility. Effective March 13, 2020, Service members ordered by their command:

2.4.2.1. To restriction of movement for self-monitoring due to exposure or suspected exposure to COVID-19; or

2.4.2.2. To restriction of movement for self-monitoring due to travel to, from or through a Center for Disease Control and Prevention Level 3 Travel Health Notice country;

2.4.2.3. That are directed to do so at a facility that is neither provided by the U.S. Government nor is their personal residence at the member's PDS; and

2.4.2.4. Are required to pay for the cost of their lodging without full or partial reimbursement.

2.4.3. Amount. HDP – ROM will be paid at the rate of $100 per day not to exceed $1,500 per month.

3.0 RESTRICTIONS ON PAYMENT

3.1 General Restrictions

When a member is in receipt of Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP), then the maximum amount of HDP – L is $100. The total entitlement of HDP – L plus HFP or IDP in any 1 month may not exceed $325.

3.2 Concurrent Payments

The combination of HDP – M, HDP – L, and HDP – T entitlements and other assignment and special duty pays may not exceed an average monthly amount of $3,500 unless otherwise authorized by ASD (M&RA).

NOTE: As of the March 13, 2020, memorandum from ASD (M&RA), HDP – ROM may be paid in addition to all other HDPs and assignment and special duty pays such that the total combined HDP and assignment and special duty pays may not exceed the average monthly amount of $5,000 as prescribed in 37 USC § 352(b)(2).

*Table 17-1. Hardship Duty Pay - Location
For the most current locations, see Hardship Duty Pay – Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Afghanistan	Note 3	$100	Nov 1, 2001	
Albania		$150	Apr 1, 2002	
Algeria	Note 3	$100	Sep 1, 2007	
American Samoa		$50	Jun 15, 2005	
Angola		$150	Sept 1, 2007	
Antarctic Region Posts	below 60° S latitude	$150	Jan 1, 2001	
Antigua AS		$50	Apr 18, 2002	
Arctic Circle Posts	above 66°33’ N latitude	$150	Jan 1, 2001	
Argentina	Buenos Aires	$50	Oct 1, 2017	
	Other	$0	Oct 1, 2017	
*Armenia		$100	Jan 1, 2026	
		$150	Jan 1, 2001	Dec 31, 2025
Aruba		$50	Jan 1, 2022	
Ascension AAF		$150	Apr 18, 2002	
Australia	Alice Springs	$50	Jan 1, 2001	
	Other	$0	Jan 1, 2001	
Azerbaijan Note 3	Note 3	$100	Oct 31, 2007	
Bahamas		$50	Oct 1, 2017	
Bahrain		$100	Oct 1, 2017	
Bangladesh		$150	Jan 1, 2001	
Barbados		$50	Oct 1, 2017	
*Belarus		$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
*Belize		$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Benin		$150	Jan 1, 2001	
*Bermuda		$50	Sep 1, 2025	
*Bolivia	Cochabamba	$0	Mar 1, 2022	
	La Paz	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	Santa Cruz	$0	Mar 1, 2022	
	Other	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Bosnia-Herzegovina	Banja Luka	$150	Jan 1, 2022	
	Other	$100	Jan 1, 2018	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Botswana	Selebi-Phikwe	$50	Sep 1, 2025	
	Other	$100	Sep 1, 2025	
		$50	Apr 1, 2012	Aug 31, 2025
*Brazil	Campinas	$0	Jan 1, 2022	
	Fortaleza	$0	Mar 1, 2022	
	Recife, Pernambuco	$150	Sep 1, 2025	
		$100	Jan 1, 2002	Aug 31, 2025
	Other	$50	Jan 1, 2022	
Brunei		$100	Jan 1, 2022	
Bulgaria		$50	Jun 1, 2012	
Burkina Faso	Note 3	$100	Mar 29, 2023	
Burma	Rangoon (Note 3)	$100	May 31, 2023	
	Other	$150	Jan 1, 2001	
Burundi (Note 3)		$100	May 10, 2005	
Cambodia		$150	Oct 11, 2001	
*Cameroon (Note 3)	Far North Regions	$100	Jun 7, 2017	
	North Region	$100	Jun 7, 2017	
	*Other (Note 4)	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
Canada	Northwest Territory	$150	Jan 1, 2001	
	Other	$0	Jan 1, 2001	
Cape Verde		$150	Jan 1, 2001	
Central African Republic		$150	Jan 1, 2001	
Chad	Note 3	$100	Aug 11, 2008	
Chagos Archipelago		$50	Jan 1, 2001	
Chile		$50	Jan 1, 2022	
*China	Beijing	$150	Jan 1, 2022	
	Guangzhou	$150	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
	Hong Kong	$50	Jan 1, 2022	
	Kunming	$0	Jan 1, 2018	
	Shanghai	$100	Sep 1, 2025	
		$50	Jan 1, 2018	Aug 31, 2025
	Other	$150	Feb 1, 2004	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Colombia	Note 3	$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
Cook Island	Rarotonga	$50	Jan 1, 2001	
	Other	$100	Jan 1, 2001	
Costa Rica	San Jose	$0	Dec 1, 2007	
	Other	$50	Jan 1, 2001	
Cote D'Ivoire		$150	Jun 1, 2020	
Cuba	Guantanamo Bay (Other)	$50	Mar 1, 2022	
	Joint Task Force Guantanamo Bay	$150	Oct 4, 2006	
	Joint Task Force Guantanamo Bay, (Detention Detail)(Note 3 & 5)	$100	Dec 26, 2006	
	Havana	$150	Jan 1, 2001	
	Other	$50	Jan 1, 2001	
Curacao		$50	Jan 1, 2022	
Democratic Republic of the Congo	Note 3	$100	June 7, 2005	
Djibouti	Note 3	$100	Aug 1, 2002	
Dominican Republic		$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
East Timor		$150	Jun 1, 2014	
*Ecuador	Guayaquil	$150	Sep 1, 2025	
	Quito	$100	Sep 1, 2025	
	Other	$100	Oct 1, 2017	
Egypt	Note 3	$100	Apr 1, 2012	
El Salvador		$100	Jun 1, 2012	
Equatorial Guinea		$150	Sep 1, 2007	
Eritrea		$150	Jun 1, 2020	
*Estonia		$50	Sep 1, 2025	
		$0	Mar 1, 2022	Aug 31, 2025
Eswatini		$100	Jan 1, 2022	
Ethiopia	Note 3	$100	Jan 18, 2002	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Fiji		$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
Gabon		$150	Oct 1, 2017	
Gambia		$150	Jan 1, 2001	
*Georgia		$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
Ghana		$150	Jan 1, 2001	
Greece	Other	$0	Jan 1, 2001	
Greenland		$150	Jan 1, 2001	
Grenada		$50	Jan 1, 2001	
Guatemala	Guatemala City	$100	Apr 1, 2012	
	Other	$150	Apr 1, 2012	
Guinea		$150	Jan 1, 2001	
*Guinea Bissau	Bissau	$0	Jan 1, 2026	
	Other	$150	Jan 1, 2001	
Guyana		$150	Jan 1, 2001	
Haiti	Note 3	$100	Jan 8, 2020	
Honduras		$150	Oct 1, 2017	
Hong Kong		$50	Jan 1, 2022	
Hungary	Budapest	$0	Jan 1, 2001	
	Other	$50	Jan 1, 2001	
Iceland	Keflavik-Grindavik	$50	Jan 1, 2022	
	Other	$50	Oct 1, 2017	
India		$150	Feb 1, 2004	
*Indonesia	Central Sulawesi (Note 3)	$100	Oct 1, 2017	
	Papua (Note 3)	$100	Oct 1, 2017	
	Other (Note 4)	$150	Oct 1, 2017	
*Israel (Note 3)	Jerusalem	$100	Jan 1, 2022	
	West Bank	$100	Jan 1, 2022	
	Other	$50	Oct 1, 2017	
Jamaica	Kingston	$150	Oct 1, 2017	
	Other	$0	Jan 1, 2001	
Jordan	Note 3	$100	Jun 28, 2016	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Kazakhstan	Almaty	$150	Sep 1, 2025	
		$100	Jan 1, 2018	Aug 31, 2025
	Other	$100	Mar 1, 2022	
		$150	Jan 1, 2018	Feb 28, 2022
Kenya	Note 3	$100	May 23, 2002	
*Kiribati, Republic of	Kiritimati (Christmas Island)	$0	Mar 1, 2022	
	Other	$0	Feb 8, 2011	
Korea, Democratic Republic of	North Korea	$150	Jan 1, 2001	
*Korea Republic of (South Korea)	Area 1(Note 6)	$150	Jan 1, 2001	
	Busan	$0	Feb 28, 2022	
	Camp Carroll	$50	Sep 1, 2025	
	Changwon	$0	Feb 28, 2022	
	Chinhae	$0	Feb 28, 2022	
	Gwang Ju AB	$50	Sep 1, 2025	
	K-16	$0	Feb 28, 2022	
	Kimhae	$0	Feb 28, 2022	
	Kimpo Airfield	$0	Feb 28, 2022	
	Kunsan	$50	Sep 1, 2025	
	Kwangju	$50	Sep 1, 2025	
	Osan AB	$0	Feb 28, 2022	
	Pohang	$50	Mar 1, 2022	
	Pyongtaek	$0	Feb 28, 2022	
	Seoul	$0	Feb 28, 2022	
	Suwon	$0	Feb 28, 2022	
	Taegu	$0	Feb 28, 2022	
	Waegwan	$50	Sep 1, 2025	
	Other (Note 7)	$50	Jan 1, 2001	
Kosovo	Note 3	$100	Sep 1, 2007	
*Kuwait		$100	Sep 1, 2025	
		$50	Jun 1, 2012	Aug 31, 2025
Kyrgyzstan		$150	Jun 1, 2014	
Laos		$150	Jan 1, 2001	
*Latvia		$0	Mar 1, 2022	
Lebanon	Note 3	$100	Dec 1, 2004	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Lesotho		$150	Jan 1, 2022	
Liberia		$150	Jan 1, 2022	
Libya	Note 3	$100	Apr 26, 2011	
Lithuania		$50	Apr 1, 2012	
Madagascar		$150	Jan 1, 2001	
Malawi		$150	Dec 1, 2004	
*Malaysia	Sabah (Note 3)	$50	Jan 1, 2026	
	Other (Note 4)	$50	Jan 1, 2026	
		$100	Jan 1, 2022	Dec 31, 2025
*Maldives	Male	$150	Sep 1, 2025	
	Other	$0	Sep 1, 2025	
Mali	Note 3	$100	Jun 7, 2017	
Malta		$50	Sep 1, 2007	
Marshall Islands	Majuro	$150	Apr 1, 2012	
	Other	$50	Jan 1, 2001	
Mauritania		$150	Jan 1, 2001	
*Mauritius		$50	Sep 1, 2025	
		$0	Mar 1, 2022	Aug 31, 2025
*Mexico	Ciudad Juarez	$150	Oct 1, 2017	
	Cuernavaca	$0	Feb 28, 2022	
	Guadalajara	$100	Oct 1, 2017	
	Hermosillo	$100	Apr 1, 2012	
	Matamoros	$150	Oct 1, 2017	
	Mazatlan	$100	Sep 1, 2025	
		$50	Apr 1, 2012	Aug 31, 2025
	Merida	$50	Mar 1, 2022	
	Metapa	$100	Sep 1, 2025	
		$50	Mar 1, 2022	Aug 31, 2025
	Mexico City D.F.	$100	Feb 1, 2004	
	Monterrey	$50	Mar 1, 2022	
	Nogales	$150	Jan 1, 2022	
	Nuevo Laredo	$150	Oct 1, 2017	
	Tijuana	$150	Jan 1, 2022	
	Veracruz	$0	Mar 1, 2022	
	Other	$100	Sep 1, 2025	
		$50	Jan 1, 2001	Aug 31, 2025

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Micronesia, Federated States of		$150	Dec 1, 2004	
Moldova		$100	Jan 1, 2018	
Mongolia		$150	Jan 1, 2001	
*Montenegro	Podgorica	$50	Jan 1, 2026	
		$100	Jan 1, 2018	Dec 31, 2025
	Other	$50	Jun 1, 2012	
Morocco	Casablanca	$100	Jan 1, 2022	
	Rabat	$50	Oct 1, 2017	
	Other	$0	Apr 1, 2012	
Mozambique		$150	Jan 1, 2001	
Namibia		$50	Sep 1, 2007	
Nepal		$150	Jan 1, 2001	
Nicaragua		$150	Oct 1, 2017	
Niger	Note 3	$100	Jun 7, 2017	
Nigeria		$150	Jan 1, 2001	
*North Macedonia		$100	Sep 1, 2025	
*Norway	Tromso	$50	Sep 1, 2025	
	Other	$0	Sep 1, 2025	
Oman	Muscat	$50	Oct 1, 2017	
	Other	$100	Jan 1, 2018	
Pakistan (Note 3)		$100	Nov 1, 2001	
*Palau		$150	Sep 1, 2025	
		$50	Jan 1, 2001	Aug 31, 2025
Panama		$50	Oct 1, 2017	
Papua New Guinea		$150	Jan 1, 2001	
Paraguay		$50	Jan 1, 2001	
Peru		$100	Jun 1, 2012	
Philippines	Davao City	$0	Jan 1, 2018	
	Island of Mindanao (Note 3)	$100	Jan 1, 2022	
	Sulu Archipelago (Note 3)	$100	Jan 1, 2022	
	Other	$100	Jan 1, 2018	
*Portugal	Ponta Delgada	$50	Jan 1, 2022	
	Other	$0	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
*Qatar	Al Udeid AB	$50	Apr 1, 2002	
	Camp As Syliyah	$50	Apr 1, 2002	
	Camp Snoopy	$50	Jan 1, 2022	Dec 31, 2025
	Doha	$50	Oct 1, 2017	
	Other	$100	Oct 1, 2017	
Republic of Cabo Verde		$150	Jan 1, 2001	
Republic of the Congo		$150	Apr 1, 2012	
Romania		$50	Jun 1, 2012	
*Russia	Moscow	$150	Sep 1 , 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	St. Petersburg	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
	Other	$150	Oct 1, 2017	
Rwanda		$100	Jan 1, 2018	
Samoa		$150	Apr 1, 2012	
Sao Tome and Principe		$150	Jan 1, 2001	
Saudi Arabia	Note 3	$100	Sep 14, 2019	
Senegal		$150	Apr 1, 2012	
Serbia	Belgrade	$100	Jan 1, 2022	
	Other	$150	Jan 1, 2022	
*Seychelles		$150	Sep 1, 2025	
Sierra Leone		$150	Nov 1, 2007	
*Singapore		$0	Sep 1, 2025	
Slovakia		$0	Mar 1, 2022	
*Slovenia		$0	Sep 1, 2025	
Solomon Islands		$150	Jan 1, 2022	
Somalia	Note 3	$100	Apr 1, 2012	
*South Africa	Johannesburg	$150	Sep 1, 2025	
	Pretoria	$100	Sep 1, 2025	
	Other	$100	Sep 1, 2025	
		$50	Sep 1, 2007	Aug 31, 2025
South Sudan	Note 3	$100	Apr 1, 2012	
Sri Lanka		$100	Jan 1, 2018	
St. Lucia		$50	Jan 1, 2022	
Sudan	Note 3	$100	Apr 1, 2012	
Suriname		$150	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Syria	Note 3	$100	July 31, 2003	
Taiwan	Kaohsiung	$0	Mar 1, 2022	
	Taipei	$0	Jan 1, 2018	
	Other	$50	Jan 1, 2018	
Tajikistan		$150	Jun 1, 2014	
Tanzania		$150	Feb 1, 2004	
*Thailand	Bangkok	$50	Jan 1, 2001	
	Chiang Mai	$100	Jan 1, 2022	
	Songkhla	$150	Jan 1, 2022	Dec 31, 2025
	Other	$100	Jan 1, 2018	
Togo		$150	Jan 1, 2001	
*Tonga		$150	Sep 1, 2025	
Trinidad and Tobago		$150	Jan 1, 2022	
Tunisia	Note 3	$100	Oct 1, 2017	
*Turkey (Note 3)	Afyon	$50	Mar 1, 2022	
	Adana-Incirlik	$100	Jan 1, 2022	
	Ankara	$50	Jan 1, 2022	
	Batman	$50	Mar 1, 2022	
	Corlu	$50	Mar 1, 2022	
	Diyarbakir	$50	Mar 1, 2022	
	Eskisehir	$50	May 23, 2002	
	Gaziantep	$100	Aug 5, 2003	
	Iskendrun	$50	Mar 1, 2022	
	Izmir-Cigli (Note 4)	$50	Jan 1, 2022	
	Konya	$50	Mar 1, 2022	
	Kurecik (Kepez)	$50	Mar 1, 2022	
	Mardin	$50	Mar 1, 2022	
	Mersin	$50	Mar 1, 2022	
	Nusaybin	$50	Mar 1, 2022	
	Oguzeli	$50	Mar 1, 2022	
	Pirinclik	$50	Mar 1, 2022	
	Sabiha Gokcen	$50	Mar 1, 2022	
	Sanliurfa	$50	Mar 1, 2022	
	Tasucu	$50	Mar 1, 2022	
	Other	$50	Jan 1, 2022	

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

Designated Locations		Monthly Rates	Effective Date	
Country	Province (State), City or Region		From	Through
Turkmenistan		$150	Jan 1, 2001	
Uganda	Note 3	$100	Jun 23, 2004	
Ukraine	Note 3	$100	July 13, 2023	
United Arab Emirates	Abu Dhabi	$50	Oct 1, 2017	
	Dubai	$50	Oct 1, 2017	
	Other	$50	Mar 1, 2022	
United States of America	Annette Island, AK	$150	Jul 11, 2002	
	Clear, AK	$150	Jul 28, 2008	
	Cordova, AK	$150	Feb 23, 2006	
	Eareckson AS, AK	$150	Jul 1, 2002	
	Fort Greely, AK	$150	Oct 1, 2002	
	Unalaska, AK	$150	Nov 1, 2001	
	Other, AK	$0	Nov 1, 2001	
Uruguay	Montevideo	$50	Jan 1, 2022	
	Other	$0	Jan 1, 2001	
Uzbekistan		$150	Jun 1, 2004	
*Vanuatu	Port Vila	$150	Sep 1, 2025	
		$100	Sep 1, 2007	Aug 31, 2025
	Other	$0	Sep 1, 2007	
Venezuela		$150	Nov 28, 2008	
Vietnam		$150	Jan 1, 2001	
Wake Island		$50	Nov 22, 2017	
Western Sahara		$150	Jan 1, 2022	
Yemen	Note 3	$100	Feb 1, 2004	
*Zambia	Lusaka	$150	Sep 1, 2025	
		$50	Mar 1, 2022	Feb 28, 2022
	Other	$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025
*Zimbabwe		$150	Sep 1, 2025	
		$100	Mar 1, 2022	Aug 31, 2025

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

NOTES:

1. All members on qualifying duty at places within the listed country, state, or region are entitled to HDP – L. Only land areas are designated for hardship duty, except for any installations located on an ice shelf inside the Antarctic or Arctic Circle Regions are also included in the designation for that area.
2. The special pay is currently payable when ending date is not shown in "Through" column.
3. The HDP – L monthly entitlement decreases to a maximum payment of $100 when Service members are authorized a concurrent payment of $225 for HFP or IDP. See paragraph 3.1.
4. IDP has been removed or is not authorized.
5. When required to perform duties within the detention facility.
6. Includes:

Alamo ASA (Det L);
Bayonet Training Area;
Bull's Eye #1 & #2;
Camp Bonifas;
Camp Casey;
Camp Castle;
Camp Edwards;
Camp Essayons;
Camp Falling Water;
Camp Garry Owen North;
Camp Giant;
Camp Greaves;
Camp Hovey;
Camp Howze;
Camp Jackson;
Camp Kwang Sa-Ri
Camp Kyle;
Camp Mobile;
Camp Nimble;
Camp Page;
Camp Red Cloud;
Camp Sears;
Camp Stanley;
Camp Stanton (H-112);
Charlie Block;
Chunchon
Concord;
Demilitarized Zone (DMZ) South Half;
Freedom Bridge;
Gimbols Gun Training Area;

Table 17-1. Hardship Duty Pay – Location (Continued)
For the most current locations, see Hardship Duty Pay - Location table on DFAS.MIL.
Notes 1 and 2

NOTES (Continued):
Hwaakson Evn ATC;
Joint Security Area Swiss-Swede Camp;
Kamaksan ASA (Det M), H220 Heliport,
La Guardia;
Liberty Bell;
Munsan;
Papyonsan ATC;
Shinbuk Relay (Hill 754);
Tongduchon;
Uijongbu;
Warrior Base;
Watkins Range;
Yongpyong (Indian Head TC).

7. Korea, South "other" rate includes Ammo Depot #9 and Camp Yongin.

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement

RULE	When a member	and	and	then hardship duty location pay
1	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		reports PCS to the area	starts on day of arrival for duty (note 1).
2	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		leaves the area permanently	continues through day of departure (note 2).
3	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is discharged and immediately re-enlists at the same duty station	continues to accrue.
4	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is on authorized leave and remains within the area	continues to accrue.
5	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is also entitled to payment of HFP/IDP during the same month	is limited to a maximum entitlement of $100 for that month.
6	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is accompanied	leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the temporary assignment until return to the PDS (note 3).
7	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is unaccompanied	leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the first 30 days at the temporary assignment and at the temporary area rate until return to the PDS (note 3).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

RULE	When a member	and	and	then hardship duty location pay
8	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is accompanied	leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues to accrue.
9	is assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area	official status is unaccompanied	leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues for first 30 days.
10	is not assigned to permanent duty in a location listed in Table 17-1 as a hardship duty area		is on operational flight duty, TAD/TDY, or hospitalized in one or more HDP – L areas for a continuous period of more than 30 days (including date of arrival and date of departure)	accrues at the applicable area rate retroactive from the date of arrival (notes 1 and 4). Entitlement is limited to $100 when HFP or IDP is payable during the same month.
11	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area temporarily to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	accrues at the higher area rate during the first 30 days at the follow-on assignment and then continues at the follow-on area rate until return to the original temporary area or through day of departure, if not returning (notes 3 and 4).
12	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TAD/TDY, or for hospitalization in one or more HDP – L areas	continues for first 30 days.

RULE	When a member	and	and	then hardship duty location pay
13	is entitled to hardship duty location pay for temporary assignment in an area listed in Table 17-1		leaves the area permanently	continues through day of departure (note 2).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

RULE	When a member	and	and	then hardship duty location pay
14	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement awaiting trial by court-martial and is acquitted or has charges dismissed	accrues retroactive to first day of confinement.
15	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement awaiting trial by court-martial and is convicted	does not accrue from first day of confinement through the day before the date restored to full duty (note 5).
16	is otherwise entitled to hardship duty location pay for assignment in an area listed in Table 17-1 as a hardship duty area		is in confinement as result of court-martial sentence	does not accrue from first day of confinement through the day before the date restored to full duty (note 5).

Table 17-2. Hardship Duty Pay - Location Pay - Conditions of Entitlement (Continued)

NOTES:

1. If already in a location designated a hardship duty area, the day of designation starts pay for those on permanent duty. Absences from an HDP-L area of less than 24 hours do not break continuity. A member, on operational flight duty, TAD/TDY, or hospitalized in an area on the date it becomes designated for HDP – L, may count the number of consecutive days already served in that area immediately preceding the date of designation. Additionally, the member may count the number of consecutive days served in a different designated area or areas, if the member served in such area(s) immediately preceding arrival in the newly designated area. In any case, entitlement to payment for HDP – L cannot accrue for any area prior to the date it is designated.
2. Rule 3 applies when a medical evacuee has been reassigned on PCS from the designated area for medical treatment.
3. Any enroute TAD/TDY, travel time, or leave will accrue HDP-L at the PDS/prevailing area rate. HDP terminates if more than 30 days pass before a member (other than a member with accompanied status at an HDP – L PDS) reports for duty in another designated area.
4. If time from more than one designated area is combined to meet the 30-day qualifying criteria, pay the rate for the area at which the greatest time was earned during the first 30 days. After the first 30 days pay the applicable rate for the area in which duty is served, prorated if necessary.
5. Non-judicial punishment does not result in loss of HDP.

*REFERENCES

CHAPTER 17 - SPECIAL PAY - HARDSHIP DUTY

2.0 ENTITLEMENT

	37 U.S.C. § 352(a)(2)
2.1.1. through 2.1.4	DoD Instruction (DoDI) 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.4.a through d
	ASD (M&RA) Memo, September 26, 2017
2.2.1. through 2.2.3.	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.5.a through c
	ASD (M&RA) Memo, September 26, 2017
2.3.	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019, paragraph 4.6.a through c
	Department of the Army Office of the Assistant Secretary (M&RA) Memo, April 13, 2022
	Assistant Secretary of the Navy (M&RA) Memo, September 26, 2023
2.4	ASD (M&RA) Memo, March 13, 2020

3.0 RESTRICTIONS ON PAYMENT

3.1	ASD (M&RA) Memo, September 26, 2017
3.2	37 U.S.C. § 352(b)(2)
	DoDI 1340.26, September 25, 2017, Change 1, Effective January 11, 2019
	ASD (M&RA) Memo, March 13, 2020

Table 17-1 – HARDSHIP DUTY PAY - LOCATION

Afghanistan	ASD (FMP) Memo, October 31, 2001
Albania	ASD (FMP) Memo, March 13, 2002
Algeria	Office of the Under Secretary of Defense (USD) Personnel and Readiness (OUSD (P&R)) Memo, August 29, 2007
American Samoa	OUSD (P&R) Memo, June 15, 2005
Angola	OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, August 29, 2007
Antarctic Region	ASD (FMP) Memo, December 21, 2000

Antigua Air Station	ASD (FMP) Memo, April 18, 2002
Arctic Circle Region	ASD (FMP) Memo, December 21, 2000
Argentina	ASD (M&RA) Memo, September 26, 2017
Armenia	ASD (FMP) Memo, December 21, 2000
Aruba	ASD (M&RA) Memo, December 10, 2021
Ascension AAF	ASD (FMP) Memo, April 18, 2002
Australia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 11, 2002 USD (P&R) Memo, March 7, 2012
Azerbaijan	OUSD (P&R) Memo, October 31, 2007
Azores, Portugal	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD P&R Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017
Bahamas	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Bahrain	USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Bangladesh	ASD (FMP) Memo, December 21, 2000
Barbados	ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Belarus	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Belize	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Benin	ASD (FMP) Memo, December 21, 2000

Bolivia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Bosnia-Herzegovina	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Botswana	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
Brazil	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Brunei	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Bulgaria	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Burkina Faso	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, March 29, 2023
Burma	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, December 28, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, May 31, 2023
Burundi	OUSD (P&R) Memo, May 10, 2005 ASD (M&RA) Memo, December 10, 2021
Cambodia	ASD (FMP) Memo, October 11, 2001 ASD (FMP) Memo, October 14, 2001

Cameroon	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 USD (P&R) Memo, March 5, 2018 ASD (M&RA) Memo, December 10, 2021
Canada	ASD (FMP) Memo, December 21, 2000
Central African Republic	ASD (FMP) Memo, December 21, 2000
Chad	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 11, 2008
Chagos Archipelago	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, December 10, 2021
Chile	ASD (M&RA) Memo, December 10, 2021
China	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, April 10, 2003 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Colombia	USD (P&R) Memo, November 30, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Cook Islands	ASD (FMP) Memo, December 21, 2000
Costa Rica	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007
Cote d'Ivoire	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, March 21, 2003 ASD (M&RA) Memo, April 21, 2020
Cuba	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, October 4, 2006 ASD (M&RA) Memo, December 10, 2021
Curacao	ASD (M&RA) Memo, December 10, 2021

Democratic Republic of the Congo	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, June 7, 2005 USD (P&R) Memo, March 7, 2012
Djibouti	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 31, 2002
Dominican Republic	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
East Timor	ASD (FMP) Memo, October 11, 2001 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Ecuador	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (FMP) Memo, December 21, 2000
Egypt	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
El Salvador	ASD (FMP) Memo, May 30, 2001 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Equatorial Guinea	OUSD (P&R) Memo, August 29, 2007
Eritrea	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, July 31, 2002 ASD (M&RA) Memo, April 21, 2020 ASD (M&RA) Memo, December 10, 2021
Estonia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Eswatini (formerly Swaziland)	ASD (M&RA) Memo, December 10, 2021
Ethiopia	ASD (FMP) Memo, January 18, 2002

Fiji	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Gabon	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Gambia	ASD (FMP) Memo, December 21, 2000
Georgia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, March 27, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Ghana	ASD (FMP) Memo, December 21, 2000
Greece	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Greenland	ASD (FMP) Memo, December 21, 2000
Grenada	ASD (FMP) Memo, December 21, 2000
Guatemala	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Guinea	ASD (FMP) Memo, December 21, 2000
Guinea Bissau	ASD (FMP) Memo, December 21, 2000
Guyana	ASD (FMP) Memo, December 21, 2000
Haiti	USD P&R Memo, November 30, 2001 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, December 16, 2020
Honduras	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 28, 2008 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017

Hungary	ASD (FMP) Memo, December 21, 2000
Iceland	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
India	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 USD (P&R) Memo, March 7, 2012
Indonesia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, October 31, 2001 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, April 21, 2020 ASD (M&RA) Memo, December 10, 2021
Iraq	OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, August 23, 2010
Israel	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021 Office of the Assistant Secretary of Defense (OASD) (M&RA), Memo, February 22, 2022
Jamaica	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Jordan	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, June 30, 2003 ASD (M&RA) Memo, June 28, 2016
Kazakhstan	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021

Kenya	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (FMP) Memo, May 23, 2002
Kiribati, Republic of	OUSD (P&R) Memo, February 8, 2011 ASD (M&RA) Memo, December 10, 2021
Korea, Democratic Republic of (North Korea)	ASD (FMP) Memo, December 21, 2000
Korea, Republic of (South Korea)	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 15, 2003 OUSD (P&R) Memo, October 23, 2003 OUSD (P&R) Memo, September 29, 2004 ASD (M&RA) Memo, December 10, 2021
Kosovo	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009
Kuwait	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, March 31, 2003 USD (P&R) Memo, March 7, 2012
Kyrgyzstan	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Laos	ASD (FMP) Memo, December 21, 2000
Latvia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Lebanon	OUSD (P&R) Memo, November 17, 2004
Lesotho	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Liberia	OUSD (P&R) Memo, August 25, 2003 USD (P&R) Memo, March 7, 2012 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, December 10, 2021
Libya	OUSD (P&R) Memo, April 26, 2011

Lithuania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Macedonia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, March 7, 2012
Madagascar	ASD (FMP) Memo, December 21, 2000
Malawi	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004
Malaysia	ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, December 10, 2021
Mali	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, February 19, 2014 USD (P&R) Memo, March 5, 2018
Malta	OUSD (P&R) Memo, August 29, 2007
Marshall Islands	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012
Mauritania	ASD (FMP) Memo, December 21, 2000
Mauritius	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Mexico	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Micronesia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004
Moldova	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Mongolia	ASD (FMP) Memo, December 21, 2000

Montenegro	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, March 7, 2012 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Morocco	USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Mozambique	ASD (FMP) Memo, December 21, 2000
Namibia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007
Nepal	ASD (FMP) Memo, December 21, 2000
Nicaragua	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017
Niger	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 5, 2018
Nigeria	ASD (FMP) Memo, December 21, 2000
Oman	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, January 18, 2002 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017
Pakistan	ASD (FMP) Memo, October 31, 2001
Palau	ASD (FMP) Memo, December 21, 2000
Panama	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017
Papua New Guinea	ASD (FMP) Memo, December 21, 2000
Paraguay	ASD (FMP) Memo, December 21, 2000

Peru	ASD (FMP) Memo, December 19, 2001 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, April 21, 2004 USD (P&R) Memo, March 7, 2012
Philippines	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Portugal	ASD (M&RA) Memo, December 10, 2021
Qatar	ASD (FMP) Memo, March 28, 2002 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Republic of the Cape Verde	ASD (FMP) Memo, December 21, 2000
Republic of the Congo	ASD (FMP) Memo, December 21, 2000 USD (P&R) Memo, March 7, 2012
Romania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Russia	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Rwanda	OUSD (P&R) Memo, March 30, 2005 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017
Samoa (formerly Western Samoa)	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 USD (P&R) Memo, March 7, 2012
Sao Tome and Principe	ASD (FMP) Memo, December 21, 2000

Saudi Arabia	OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, June 4, 2020
Senegal	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012
Serbia	OUSD (P&R) Memo, March 10, 2006 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, December 31, 2013 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Sierra Leone	OUSD (P&R) Memo, June 23, 2004 OUSD (P&R) Memo, March 27, 2007
Slovakia	OUSD (P&R) Memo, November 17, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Solomon Islands	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, December 10, 2021
Somalia	USD (P&R) Memo, March 7, 2012
South Africa	OUSD (P&R) Memo, August 29, 2007
South Sudan	Office of the ASD (M&RA) Memo, July 31, 2015
Sri Lanka	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 ASD (M&RA) Memo, September 26, 2017
St. Lucia	ASD (M&RA) Memo, December 10, 2021
Sudan	USD (P&R) Memo, March 7, 2012
Suriname	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021

Syria	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, July 31, 2003
Taiwan	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Tajikistan	ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Tanzania	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004
Thailand	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Togo	ASD (FMP) Memo, December 21, 2000
Trinidad and Tobago	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, November 28, 2008 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021
Tunisia	ASD (FMP) Memo, December 21, 2000 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
Turkey	ASD (FMP) Memo, May 23, 2002 OUSD (P&R) Memo, August 5, 2003 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021 OASD (M&RA) Memo, February 22, 2022
Turkmenistan	ASD (FMP) Memo, December 21, 2000
Uganda	OUSD (P&R) Memo, June 23, 2004

Ukraine	ASD (FMP) Memo, December 21, 2000 OASD (M&RA) Memo, July 13, 2023
United Arab Emirates	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, September 26, 2017 ASD (M&RA) Memo, December 10, 2021
United States of America	
Alaska	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 ASD (FMP) Memo, July 1, 2002 ASD (FMP) Memo, July 11, 2002 ASD (FMP) Memo, September 26, 2002 OUSD (P&R) Memo, February 23, 2006 OUSD (P&R) Memo, July 28, 2008 USD (P&R) Memo, March 7, 2012
Uruguay	ASD (M&RA) Memo, December 10, 2021
Uzbekistan	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
Vanuatu	OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, December 10, 2021
Venezuela	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 28, 2008
Vietnam	ASD (FMP) Memo, December 21, 2000
Wake Island	OASD (M&RA) Memo, November 22, 2017
Western Sahara	ASD (FMP) Memo, November 27, 2001
Yemen	ASD (FMP) Memo, January 18, 2002 OUSD (P&R) Memo, January 28, 2004
Zambia	ASD (FMP) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 USD (P&R) Memo, March 7, 2012 ASD (M&RA) Memo, December 10, 2021

Zimbabwe	ASD (FMP) Memo, December 21, 2000 ASD (FMP) Memo, October 14, 2001 OUSD (P&R) Memo, July 30, 2003 OUSD (P&R) Memo, August 29, 2007 ASD (M&RA) Memo, December 10, 2021

Table 17-2 – HARDSHIP DUTY PAY - LOCATION – CONDITIONS OF ENTITLEMENT

Rule 5	OUSD (P&R) Memo, February 15, 2007
Rule 10	OUSD (P&R) Memo, February 15, 2007
Notes 1 & 3	OUSD (P&R) Memo, March 31, 2003

VOLUME 7A, CHAPTER 18: "SPECIAL PAY – CAREER SEA PAY (CSP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
3.3	Added the "Duration of Authority" subparagraph in accordance with the National Defense Authorization Act (NDAA) for Fiscal Year 2024, Public Law 118-31, section 613, dated December 22, 2023. Also updated the termination date on the Duration of Authority table on DFAS.mil.	Addition
References	Updated statutes and supporting references.	References

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CHAPTER 18

SPECIAL PAY – CAREER SEA PAY (CSP)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to CSP and CSP-Premium (CSP-P).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlement

A member who is entitled to basic pay is entitled to CSP and CSP-P while serving on sea duty under regulations prescribed by the Office of the Secretary of Defense, Secretary of the Military Department concerned, and the provisions of this chapter.

2.2 Definitions

2.2.1. CSP. CSP is special pay for recognition of the greater than normal rigors of assignment to sea duty.

2.2.2. CSP-P. CSP-P is special pay that is in addition to CSP and is paid for unusually long periods of continuous sea duty. A member entitled to CSP who has served 36 consecutive months of sea duty is also entitled to CSP-P for the 37th consecutive month and each subsequent consecutive month of sea duty served.

2.2.3. Sea Duty. Sea duty, for the purpose of entitlement to CSP and CSP-P, is duty performed by a member under orders:

2.2.3.1. While permanently assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders). Periods when the member is on temporary duty (TDY), on leave, hospitalized, or otherwise temporarily absent under orders, not to exceed the first 30 consecutive days of each occurrence, are also counted;

2.2.3.2. While temporarily assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving on a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders);

2.2.3.3. While permanently or temporarily assigned for duty to a ship or ship-based staff and serving on a ship with a primary mission that is accomplished in port, but only during that period while the ship is away from its homeport. A ship is considered to be away from its homeport whenever it is at sea or is in a port that is more than 50 miles from its homeport; or

2.2.3.4. While serving as a member of the off-crew of a two-crewed vessel.

2.2.4. Cumulative Sea Duty (CSD). CSD is the total time a member has been assigned to qualifying sea duty during their service career, regardless of pay grade. Additionally, it will include all time during which a member is assigned to a ship or ship-based staff and actually served on a ship with a primary mission that is accomplished in port, regardless of whether the ship is at sea or away from homeport.

2.2.5. Ship. Ship, for the purpose of entitlement to CSP and CSP-P, means a self-propelled vessel in an active status, in commission, or in-service.

3.0 CONDITIONS OF ENTITLEMENT

3.1 General Conditions

The general conditions of entitlement to CSP are listed in Table 18-1. Additionally, entitlement to and the rate of CSP is dependent upon the branch of service, pay grade, and total CSD applicable to the member. All members in pay grades E-1 through O-6 are eligible for payment of CSP, except commissioned officers of the Army and Air Force with 3 or less years of CSD and enlisted members of the Air Force in pay grades below E-4.

3.2 CSP-P Conditions

The conditions of entitlement to CSP-P require the member to first be entitled to CSP. The CSP-P is in addition to CSP; however, for certain pay grades, it has been included in the CSP rate tables and is not payable as a separate item. When payable as a separate item, CSP-P accrues from the first day following the completion of the 36th month of consecutive sea duty and will be prorated if beginning on other than the first day of a calendar month.

> Example: A member beginning a period of sea duty on January 15, 2011 would accrue CSP-P beginning January 15, 2014. The CSP-P is payable for the 37th and each subsequent consecutive month of sea duty regardless of the member's pay grade when the sea duty began, provided the member is concurrently entitled to CSP.

3.2.1. The following members of the Navy and Marine Corps may become entitled to CSP-P as a separate item of pay:

3.2.1.1. All officers in pay grades O-1 through O-6;

3.2.1.2. All warrant officers;

3.2.1.3. All enlisted members in pay grades E-1 through E-4; and

3.2.1.4. All enlisted members in pay grades E-5 through E-9 with not over 8 years of CSD.

3.2.2. The following members of the Army may become entitled to CSP-P as a separate item of pay:

3.2.2.1. All officers in pay grades O-1 through O-6; and

3.2.2.2. All enlisted members in pay grades E-1 through E-3.

3.2.3. The following members of the Air Force may become entitled to CSP-P as a separate item of pay:

3.2.3.1. All officers in pay grades O-1 through O-6;

3.2.3.2. All enlisted members in pay grade E-4; and

3.2.3.3. All enlisted members in pay grades E-5 through E-9 with not over 5 years of CSD.

3.2.4. Members not addressed in subparagraphs 3.2.1, 3.2.2, and 3.2.3, have CSP-P already included in their applicable CSP rate table or are otherwise not eligible to receive a separate CSP-P payment.

*3.3 Duration of Authority

Unless authorized by Congress, no CSP or CSP-P payment may be paid after the termination date on the ***Duration of Authority*** table.

4.0 RATES PAYABLE

4.1 CSP

The Secretary concerned will prescribe the monthly rates for special pay applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $750.

4.1.1. The monthly rates of CSP for members of the Army are in Table 18-2.

4.1.2. The monthly rates of CSP and CSP-P (for E-5 through E-9 with over 8 years of CSD) for members of the Navy and Marine Corps are listed in Table 18-3.

4.1.3. The monthly rates of CSP for members of the Air Force are listed in Table 18-4.

4.2 CSP-P

The Secretary concerned will prescribe the monthly rate for CSP-P applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $350.

5.0 RESTRICTIONS

5.1 En route and Transport Restrictions

Do not credit time for sea duty and do not pay CSP or CSP-P to members en route to or from ships outside the Continental United States or onboard a ship for transportation, regardless of the length of the period. This restriction applies to the periods prior to a member reporting for permanent duty and after being permanently detached from duty onboard a ship.

5.2 Midshipmen and Cadet Members

Do not credit time for sea duty and do not pay CSP or CSP-P to midshipmen, aviation cadets, or academy cadets.

5.3 Navy and Marine Corps Members

Do not pay CSP-P to Navy and Marine Corps members entitled to CSP in Table 18-3 for duty if in pay grades E-5 through E-9 with over 8 years of CSD.

5.4 Army Members

Do not pay CSP-P to Army members entitled to CSP in Table 18-2 for duty:

5.4.1. Between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9; or

5.4.2. On or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

5.5 Air Force Members

Do not pay CSP-P to Air Force members entitled to CSP in Table 18-4 for duty if in pay grades E-5 through E-9 with over 5 years of CSD.

Table 18-1. CSP – Conditions of Entitlement

RULE	When an eligible member	is serving on a ship whose primary mission is accomplished		and	then CSP
		underway	in port		
1	reports for permanent duty defined as sea duty and	X			starts on reporting date.
2	reports for permanent duty defined as sea duty and		X	member is onboard when ship departs from homeport	accrues from departure date.
3	reports for permanent duty defined as sea duty and		X	member reports onboard while ship is away from homeport	accrues from reporting date.
4	is detached from permanent duty defined as sea duty and	X	X		terminates on detachment date, provided member is otherwise entitled on that date.
5	is discharged while on sea duty and	X	X	immediately reenlists onboard	continues to accrue, provided member is otherwise entitled.
6	on sea duty is entitled to CSP and		X	ship returns to homeport	accrues through the date the ship returns to homeport.
7	on sea duty	X		is on TDY, temporary additional duty (TAD), temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status.
8	on sea duty		X	is on TDY, TAD, temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status, provided member is otherwise entitled and ship remains away from its homeport (note 2).
9	on sea duty is on authorized leave and	X	X		accrues for the first 30 days of leave if otherwise entitled. There is no accrual during terminal leave.
10	is based on or stationed ashore and	X		the type of duty is TAD or TDY	accrues from reporting date through detachment date (note 3).

Table 18-1. CSP – Conditions of Entitlement (Continued)

RULE	When an eligible member	is serving on a ship whose primary mission is accomplished		and	then CSP
		underway	in port		
11	is based on or stationed ashore and		X		accrues as indicated in rules 2 and 3, as applicable, and terminates when the ship returns to homeport or detachment date if ship remains away from homeport.
12	is suspended or otherwise removed from duty or confined awaiting trial by court-martial and	X	X	is acquitted or charges are dismissed	accrues retroactively from first day of confinement, suspension, or removal from duty, provided member is otherwise entitled.
13	is suspended or otherwise removed from duty or confined awaiting trial by court-martial and	X	X	is convicted	does not accrue beginning first day of confinement, suspension, or removal from duty through day prior to date of return to duty (note 4).
14	is confined as a result of court-martial and	X	X		does not accrue beginning first day of confinement through day prior to date of release from confinement (note 4).
15	is permanently or temporarily assigned to duty on a ship which is undergoing alterations or repairs and	X	X (note 5)	ship remains in an active status (in commission or in-service) (note 6)	continues to accrue.
16	is permanently or temporarily assigned to duty on a ship undergoing inactivation processing and	X	X		stops when the ship reverts to inactive status.
17	is assigned to a Fleet Marine Force unit based on or stationed ashore and	X		the type of duty is TAD or TDY	accrues from the embarkation date through the debarkation date (note 3).

Table 18-1. CSP – Conditions of Entitlement (Continued)

NOTES:

1. "Temporarily based ashore" refers to a ship-based aviation unit or ship-based staff that has landed ashore with intent to return to a ship.
2. Entitlement terminates when the ship returns to the homeport.
3. Further TAD/TDY ashore from ship will not interrupt CSP entitlement for the first 30 days member is in such status, provided member is otherwise entitled and returns to the ship.
4. Where sentence is changed to restriction to ship and member performs duty, CSP is resumed. Nonjudicial punishment does not result in loss of CSP.
5. Entitlement accrues only when the ship is away from the homeport.
6. Chief of Naval Operations Instruction (OPNAVINST) 4700.8L series defines ship status assignments for U.S. Naval ships.

Table 18-2. Monthly CSP Rates – Army
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
W-5	210	210	210	310	338	506	534	534	534
W-4	210	210	210	310	338	506	534	534	534
W-3	210	210	210	310	338	478	492	499	506
W-2	210	210	210	310	338	464	471	471	478
W-1	182	189	196	310	338	345	380	450	478
E-9	130	130	156	328	347	425	425	458	477
E-8	130	130	156	328	347	425	425	458	477
E-7	130	130	156	328	347	425	425	458	477
E-6	130	130	156	295	321	380	393	425	425
E-5	65	78	156	295	321	380	393	425	425
E-4	65	78	156	295	308	308	308	308	308
E-3	50	60	120	150	160	170	190	190	190
E-2	50	60	120	150	160	170	170	170	170
E-1	50	60	120	150	160	160	160	160	160

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-2. Monthly CSP Rates – Army (Continued)
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
W-5	534	590	625	660	660	730	730	730	730
W-4	534	590	625	660	660	730	730	730	730
W-3	534	590	625	660	660	695	695	695	695
W-2	534	576	576	625	625	625	625	625	625
W-1	520	555	555	555	555	555	555	555	555
E-9	490	490	503	516	555	588	620	646	646
E-8	490	490	503	516	555	588	620	646	646
E-7	490	490	503	516	555	588	620	620	620
E-6	445	445	445	464	484	503	523	555	555
E-5	425	425	425	425	425	425	425	425	425
E-4	308	308	308	308	308	308	308	308	308
E-3	190	190	190	190	190	190	190	190	190
E-2	170	170	170	170	170	170	170	170	170
E-1	160	160	160	160	160	160	160	160	160

NOTES:
1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6	100	100	100	394	400	400	419	450	463
O-5	100	100	100	394	394	394	394	400	431
O-4	100	100	100	325	331	350	356	375	388
O-3	100	100	100	263	281	325	331	344	356
O-2	100	100	100	263	281	325	331	344	356
O-1	100	100	100	263	281	325	331	344	356
W-5	210	210	210	263	300	506	544	544	544
W-4	210	210	210	263	300	506	544	544	544
W-3	210	210	210	263	300	475	494	500	506
W-2	210	210	210	263	300	456	463	463	475
W-1	180	190	195	263	300	306	350	438	475
E-9	135	135	160	381	400	438	438	469	688
E-8	135	135	160	381	400	438	438	469	688
E-7	135	135	160	381	400	438	438	469	688
E-6	135	135	160	350	375	394	406	438	638
E-5	70	80	160	350	375	394	406	438	638
E-4	70	80	160	350	363	363	363	363	488
E-3	50	60	100	125	125	125	125	125	125
E-2	50	60	75	94	94	94	94	94	94
E-1	50	50	50	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps (Continued)
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	494	506	525	544	544	569	594	625	669
O-5	438	456	463	463	463	500	525	550	594
O-4	388	394	394	419	419	475	494	506	525
O-3	375	394	394	419	419	456	475	494	506
O-2	375	394	394	419	419	438	456	475	494
O-1	375	394	394	419	419	438	456	475	494
W-5	544	613	656	700	700	750	750	750	750
W-4	544	613	656	700	700	750	750	750	750
W-3	544	613	656	700	700	744	744	750	750
W-2	544	594	594	656	656	700	700	700	700
W-1	525	569	569	594	594	631	656	656	656
E-9	700	700	713	725	750	750	750	750	750
E-8	700	700	713	725	750	750	750	750	750
E-7	700	700	713	725	750	750	750	750	750
E-6	656	656	656	675	694	713	731	750	750
E-5	638	638	638	638	638	638	638	638	638
E-4	488	488	488	488	488	488	488	488	488
E-3	125	125	125	125	125	125	125	125	125
E-2	94	94	94	94	94	94	94	94	94
E-1	63	63	63	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

Table 18-4. Monthly CSP Rates – Air Force
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
E-9	100	100	120	175	190	350	350	375	390
E-8	100	100	120	175	190	350	350	375	390
E-7	100	100	120	175	190	350	350	375	390
E-6	100	100	120	150	170	315	325	350	350
E-5	50	60	120	150	170	315	325	350	350
E-4	50	60	120	150	160	160	160	160	160

Table 18-4. Monthly CSP Rates – Air Force (Continued)
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
E-9	400	400	410	420	450	475	520	520	520
E-8	400	400	410	420	450	475	500	520	520
E-7	400	400	410	420	450	475	500	500	500
E-6	365	365	365	380	395	410	425	450	450
E-5	350	350	350	350	350	350	350	350	350
E-4	160	160	160	160	160	160	160	160	160

NOTE: Do not pay CSP-P to Air Force members in pay grades E-5 through E-9 with over 5 years of CSD.

*REFERENCES

CHAPTER 18 – SPECIAL PAY – CAREER SEA PAY (CSP)

2.0 – PROVISIONS

2.1	Title 37, United States Code, section 352 DoD Instruction (DoDI) 1340.26, September 25, 2017, Change 1, Effective, January 11, 2019

3.0 – CONDITIONS OF ENTITLEMENT

3.3	National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2024, Public Law 118-31, section 613, December 22, 2023

4.0 – RATES PAYABLE

4.2	DoDI 1340.26, paragraph 4.9.c, September 25, 2017, Change 1, Effective, January 11, 2019

5.0 – RESTRICTIONS

5.1	DoDI 1340.26, paragraph 4.9.d, September 25, 2017, Change 1, Effective, January 11, 2019
Table 18-1	Office of the Chief of Naval Operations Instruction 4700.8L, June 15, 2021
Table 18-2	Assistant Secretary of the Army Manpower and Reserve Affairs (M&RA) Memo, September 20, 2002
Table 18-3	OPNAVINST 7220.14, December 24, 2005 Secretary of the Navy Memo, March 4, 2014 Assistant Secretary of the Navy (M&RA) Memo, April 11, 2014
Table 18-4	Public Law 100-180, section 621, December 4, 1987

VOLUME 7A, CHAPTER 19: "FOREIGN LANGUAGE PROFICIENCY BONUS (FLPB)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Revised the "FLPB Entitlement" section to include implementation of "Table 1 FLPB Monthly Payment Calculated by Critical Skill Modality Proficiency (Table 1)" to comply with DoD Instruction (DoDI) 1340.27, dated August 17, 2022.	Revision
2.4	Replaced the "FLPB Installment Rates" table with "Table 1" table on DFAS.MIL in accordance with the DoDI 1340.27, dated August 17, 2022.	Revision
3.5	Updated the termination date for the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act for Fiscal Year 2022, Public Law 118-31, dated January 3, 2023.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 19

FOREIGN LANGUAGE PROFICIENCY BONUS (FLPB)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to FLPB for members of an Active Component (AC) or Reserve Component (RC) of the Military Services (less the Coast Guard).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 FLPB ENTITLEMENT

2.1 Eligibility for Payment

The Secretary of the Military Department concerned will pay FLPB, in accordance with ***Title 37, U.S.C., section 353(b)***, to a Service member who is:

2.1.1. Entitled to basic pay pursuant to ***37 U.S.C. § 204***;

2.1.2. A member of the National Guard who is not a Reserve of the Army or the Air Force, who is participating in full-time training, training duty with pay, or other full-time duty, provided by law, including participation in exercises or the performance of duty under ***10 U.S.C § 10302***, ***10 U.S.C. § 10305***, ***10 U.S.C. § 10502***, ***10 U.S.C. § 12402***, or ***32 U.S.C. § 503***, ***32 U.S.C. § 504***, ***32 U.S.C. § 505***, ***32 U.S.C. § 506***; or

2.1.3. Entitled to compensation pursuant to ***37 U.S.C. § 206*** (See Chapter 58, paragraphs 2.1 and 4.2 for Service-specific instructions and other criteria (other than drill pay) that satisfies qualifying compensation in accordance with 37 U.S.C. § 206); or

2.1.4. Determined to have and is maintaining certified foreign language or dialect proficiency in accordance with ***37 U.S.C. § 353(b)(1)(B)*** in a skill the Secretary of the Military Department designates as critical.

2.1.5. A critical language skill is:

2.1.5.1. Required by any Service language–related career field or military specialty, designated by a Secretary of the Military Department, where the Service member's primary duties require an Interagency Language Roundtable (ILR) skill level 2+ or higher level (ILR skill level 2 and higher for special operations forces (SOF) personnel, but only if the Service has those SOF language requirements) of proficiency in a foreign language that directly supports the national defense strategy or Service-specific language-related missions.

2.1.5.2. A foreign language on the DoD or Service Strategic Language List or any foreign language for which the Secretary of the Military Department has language-designated requirements.

2.1.6. The member must execute a written agreement with the Secretary concerned that includes:

2.1.6.1. The amount of FLPB awarded;

2.1.6.2. The period for which the FLPB will be paid;

2.1.6.3. The initial certification or recertification necessary for the FLPB payment; and

2.1.6.4. The repayment provision discussing repayment of the unearned portion of any remaining FLPB if the member does not satisfy the eligibility and certification requirements for the length of the written agreement.

2.2 RC Eligibility

2.2.1. In order to receive FLPB a member of an RC must:

2.2.1.1. Meet the eligibility and proficiency requirements outlined in paragraphs 2.1, 2.3, 2.6, and 2.7; and

2.2.1.2. Fulfill the minimum annual service requirements for retirement eligibility, as defined in ***10 U.S.C. § 12732***, unless waived by the Secretary of the Military Department concerned.

2.2.2. An RC member must earn a minimum of 50 retirement points, regardless of the RC source, in each full anniversary year to have that year count as creditable towards verification of the total years of qualifying service for non-regular retired pay and payment of FLPB.

2.2.2.1. A partial qualifying year is any period of less than 12 full months during which the RC member earns a prorated share of the required 50 retirement points and earns an identical prorated share (or smaller percentage of full FLPB annual payment) of FLPB.

2.2.2.2. An RC member who performs a partial qualifying year of less than 12 full months and earns less than 50 retirement points in a year will have their FLPB prorated at a value of 2 percent for each retirement point less than 50 points.

2.2.3. The total of FLPB paid to an RC member who is in good standing and has not been adjudicated as an unsatisfactory performer in the previous 12 months, must equal the annual FLPB paid to an AC member with the same certified language proficiency.

2.2.3.1. For RC members, the requirement to attain 50 retirement points is waived for FLPB calculation if the Service member separates before 12 months in the anniversary year. The RC member will be paid the standard FLPB monthly allotment for months in good standing, with the last month of service prorated if separation occurs before the last day of the month. A separating RC member who serves the entire 12 months of the anniversary year must earn 50 points to collect the last month of FLPB prior to separation.

2.2.3.2. RC members in a separation year, who are no longer in good standing will have their FLPB terminated in the month in which they are determined to be no longer "in good standing."

2.2.4. Members of the Ready Reserve who are transferred to the Standby Reserve, in accordance with DoDIs ***1200.07*** and ***1304.31***, will have their bonus suspended during this period and will not be entitled to any future bonus payments while in the Standby Reserve. This suspension period may not exceed 1 year. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. If a member is transferred back to the Ready Reserve with the same skill for which they had previously contracted, they may be reinstated in the bonus program.

2.2.4.1. To qualify, Service members must extend their term of service, or service obligation, to serve the original bonus agreement period.

2.2.4.2. Subsequent payment entitlement will resume on the adjusted anniversary date of satisfactory and creditable Reserve service. The date must be adjusted for the period spent in the Standby Reserve.

2.2.4.3. Failure to report after a suspension period or not meeting reinstatement criteria in accordance with the bonus agreement will result in bonus termination and repayment of any unearned bonus money. See paragraph 3.3 for additional information.

2.3 Certification

2.3.1. Approved DoD Certification Method Associated with FLPBs

The Secretary of the Military Department must use the DoD-approved Defense Language Proficiency (DLP) System of tests in accordance with ***DoDI 5160.71*** to certify their Service members proficient in foreign language or dialect proficiency for FLPB payment.

2.3.2. Annual Certification Expiration Date Calculation of Foreign Language or Dialect Proficiency

2.3.3. In accordance with ***37 U.S.C. § 353(d)(2)***, the certification of a Service member's foreign language or dialect proficiency must expire 1-year from the first day of the first month beginning on or after the certification date, unless they are recertified or excepted.

2.3.3.1. For example, if a Service member certifies proficient for a FLPB payment on January 2, 2021, their recertification date is calculated to be February 1, 2022. First, the 1-year calculation is applied to reach January 2, 2022. The first day of the first month beginning on or after January 2, 2022, is February 1, 2022.

2.3.3.2. In the event that FLPB eligibility requires two or more modalities, the test date of the last modality received should be used to calculate the start payment date and the recertification (stop payment) date for FLPB. All testing should be completed within a consecutive 30-day period. For example, a Service member scores an L2+ on January 2, 2022, and an S2 on January 31, 2022. The effective FLPB start date would be January 31, 2022.

2.3.4. In accordance with ***37 U.S.C. § 353(d)(1)***, Service members receiving FLPB must recertify annually in the foreign language or dialect for which they are receiving a FLPB. (See exceptions and a waiver in paragraphs 2.6 through 2.8). The Secretary of the Military Department concerned may retest Service members in accordance with DoDI 5160.71, paragraph 2.6.h. (See DoDI 5160.71 for other Secretary of the Military Department concerned retest qualifying events).

*2.4 FLPB Pay Table

2.4.1. Table 1 incorporates must-pay and may-pay FLPB policies for the Secretary of the Military Department concerned to calculate and pay one monthly payment of FLPB based on the Service member's critical skill of possessing certified proficiency at and above ILR skill level 2+ (or 2 for SOF), by modality skill. (See ***Table 1***.) Specifically, Table 1 is grouped by ILR skill level proficiencies (from 1 to 4 or higher) and modalities (L, R, and S). Table 1 allows the Secretary of Military Department to calculate a single FLPB monthly payment, not to exceed $1,000, for any possible ILR skill level proficiency (except ILR skill 0 and 0+) and any single modality or combination of modalities (except for the writing modality) associated with critical skill requirements.

2.4.2. The Secretary of the Military Department must pay FLPB to their Service members serving in language professional career fields that require Service members to have certified foreign language proficiency at and above ILR skill level L2+, R2+, or S2 to perform their primary language related duties. Applicable DoD or Service instructions establish required FLPB-related modalities associated with these career fields.

2.4.2.1. Must-pay language professional career fields or military specialties include Service:

2.4.2.1.1. Cryptologic Language Analysts (CLAs).

2.4.2.1.2. Foreign area officers (FAOs).

2.4.2.1.3. Defense Threat Reduction Agency interpreters and translators.

2.4.2.1.4. Other select Service language professional career fields or military specialties designated by the Secretary of the Military Department concerned.

2.4.2.2. Additionally, the Secretary of the Military Department concerned must pay:

2.4.2.2.1. Service SOF personnel at and above ILR skill level 2 (but only if the Service has documented SOF language requirements at ILR skill level 2 and above). The applicable Service FLPB instruction establishes required FLPB payable modalities associated with SOF personnel.

2.4.2.2.2. All Service members who are ILR skill level S2 proficient or above in their primary language and have speaking as a required modality associated with their primary language-related duties.

2.4.3. For all other Service members with a certified foreign language proficiency below ILR skill level L2+, R2+, or S2 who are not designated as a must pay FLPB recipient, the Secretary of the Military Department may or may not pay FLPB.

2.4.3.1. If paid at ILR skill levels 1 or 1+ in any modality or at ILR skill level 2 in listening or reading, the Secretary of the Military Department may choose to pay only one of the monthly modality FLPB dollar amounts depicted in Table 1. For example, an L1+ modality and proficiency combination may either be calculated at one of the three payment amounts depicted for L1+ ($0, $50 or $80).

2.4.3.2. The Secretary of the Military Department has discretion to pay or not pay FLPB to their Service members who have additional or multiple certified foreign language or dialect proficiencies.

2.4.3.3. FLPB payment calculation for a certified S2 or higher score, to any Service member whose required modalities do not include speaking, is at the Secretary of the Military Department's discretion.

2.4.4. Pay table calculation and must pay, may pay or may not pay examples:

2.4.4.1. The Secretary of the Military Department has discretion to calculate a monthly FLPB payment for one, two or three skill modalities associated with the Service member's certified language proficiency in those modalities (L, R, and/or S) that the Service Secretary determines are critical to performing their language-related duties. In Table 1, ILR skill levels with a single dollar amount depicted are "must pay" and 2 or 3 dollar amounts depicted are "may or may not pay" FLPB policies for the Secretary of the Military Department.

2.4.4.2. A CLA scores L2+/R3 on a DLP Test (DLPT). The Secretary of the Military Department "must pay" FLPB for L2+($200) and R3+($300). Testing and payment of FLPB for S1-S5 is at the discretion of the Secretary of the Military Department.

2.4.4.3. Another CLA scores L2/R2 on a DLPT. The Secretary of the Military Department "may or may not pay" FLPB for L2 (at $0, $50 or $100) and R2 (at $0, $50 or $100) in accordance with Service FLPB policy. Testing and payment of FLPB for S1-S5 is at the discretion of the Secretary of the Military Department.

2.4.4.4. Similarly, a FAO scores L2/R2 on a DLPT and an S2+ on an oral proficiency interview (OPI). The Secretary of the Military Department "may or may not pay" FLPB for L2 (at $0, $50 or $100) and R2 (at $0, $50 or $100) in accordance with Service FLPB policy. In accordance with DoDI 1315.20, FAOs must take an OPI every 2 years. The S2 is "must pay" at $100.

2.4.4.5. A linguist scores L1/R1+ on a Very Low Range DLPT and an L1+/S1+ on a 2SOPI. Because of Note 2 in Table 1, the linguist's scores are now L1+ (inferred listening from the 2SOPI)/R1+/S1+. The linguist requires L and S proficiency as part of their military duties, so the Secretary of the Military Department "may or may not pay" FLPB for L1+ (at $0, $50 or $80) and S1+ (at $0, $50 or $80). FLPB payment for the R1+ (at $0, $50 or $80) is at the discretion of the Secretary of the Military Department.

2.4.4.6. Another linguist scores an L2/S2 on a 2SOPI. S2 is a "must pay" FLPB calculation requirement, so FLPB for the S2 is $100. The L2 is a "may or may not pay" at $0, $50, or $80.

2.4.4.7. A FAO scores L2/R2 on a DLPT and an S3 on an OPI. The FAOs scores are now L2/R2/S3. For the L2 and R2, the Secretary of the Military Department "may pay" $0, $50 or $100 for each L2 and R2 modality. In this example, the Secretary of the Military Department options to pay FLPB at $100 for both the L2 and R2 (or $200). Additionally, the S3 is "must pay" at $300, so this FAO's total FLPB is $500 per month.

2.4.5. Additional payment considerations:

2.4.5.1. For Service members who have a combination of must-pay and may-pay ILR skill proficiencies and modalities (e.g., L2+ (must pay) and R2 (may pay)), the Secretary of the Military Department must pay for the L2+ but may pay or not pay for the R2. If the R2 is not calculated in the monthly payment by the Secretary concerned, the Service member would only receive a monthly FLPB payment for the L2+ alone.

2.4.5.2. Pursuant to *37 U.S.C. § 353(c)(2)*, the Secretary of the Military Department concerned may not vary the criteria or rates for FLPB paid for officers and enlisted members.

Note: Upon publication of the chapter, the Military Department must cease use of FLPB pay table rates associated with cancelled DoDI 1340.27, dated May 21, 2013, and commence use of Table 1 for setting FLPB amounts upon certification or recertification by a Service member. Monthly FLPB rates set prior to or during the transition remain in effect until reset following recertification.

2.5 Maximum Amounts and Payment Methods

2.5.1. The FLPB may not exceed $12,000 per 1-year certification period. The Secretary of the Military Department concerned may pay a bonus in monthly installments (not to exceed an aggregate of $1,000 per month) or a lump sum during the certification period.

2.6 Waiver of Certification of Proficiency Recertification Interrupted by a Contingency Operation

2.6.1. The Secretary of the Military Department concerned may waive the annual certification requirements and pay a FLPB to a Service member who:

2.6.1.1. Is assigned to duty in connection with contingency operation.

2.6.1.2. Is unable to schedule or complete the certification test because of that assignment.

2.6.1.3. Except for the lack of such certification, satisfies the eligibility requirements cited in paragraphs 2.1 and 2.2.

2.6.2. The Secretary of the Military Department concerned may treat the date the Service member was assigned to duty in connection with the contingency operation as equivalent to a recertification date.

2.6.3. In the case of a Service member whose certification expires during such a contingency operation, the Secretary of the Military Department must authorize the Service member a 180-day period after returning as a mandatory grace period to recertify for an FLPB.

2.6.4. If a Service member fails to obtain the required certification by the end of the 180-day period, then the Secretary of Military Department concerned may require the Service member to repay all or a portion of the FLPB received in accordance with paragraph 3.3.

2.6.5. Service members who receive a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, in a hostile fire area, or while exposed to a hostile fire event and is hospitalized may continue to receive an FLPB in accordance with *37 U.S.C. § 372*.

2.7 Exceptions to Recertification of Foreign Language or Dialect Proficiency Regarding Attendance at a Significant Language Training Event (SLTE)

In the case of Service members whose certification expires while they are attending an SLTE, their next 1-year certification period begins when they successfully retest after they complete the SLTE as follows:

2.7.1. The Service member's FLPB continues until they can complete the recertification requirements of paragraph 2.4.2. Further FLPB entitlement is based on the modality proficiency test scores resulting from that event.

2.7.2. If a Service member has an additional (e.g., second language) foreign language recertification date that will expire during the Service member's primary SLTE, the Secretary of the Military Department concerned may either:

2.7.2.1. Require the Service member to recertify in that additional foreign language before the primary SLTE begins; or

2.7.2.2. Extend the certification periods for each language not associated with the SLTE to a recertification date up to 45 calendar days after the SLTE graduation date.

2.7.3. To the maximum extent possible, the SLTE should be uninterrupted to give the Service member the greatest opportunity for SLTE success.

2.8 Annual DLPT Recertification of ILR Skill Level 3 – Proficient Personnel in All Required Modalities Exception

This ILR skill level 3 (and higher) exception applies to all the modalities to which the Service member is being paid FLPB, otherwise the exception does not apply.

2.8.1. If applicable, at the end of the Service member's 1-year annual recertification date, the Secretary of the Military Department concerned must recertify the Service member proficiency levels pursuant to Section 353(d)(1) of Title 37, U.S.C., which cites that FLPB payment proficiency is subject to annual recertification by the Secretary of the Military Department concerned. For individuals who are initially certified by a DLPT or OPI as proficient at levels L3, R3 or S3 or higher, the Secretaries of the Military Departments may extend certification for up to 24 months.

2.8.2. The Secretaries of the Military Departments must require recertification when necessary and establish a process to document and track a Service member's extended certification period.

2.9 Waiver of Certificate and Certification Duration

In accordance with ***37 U.S.C. § 353(d)(3)***, the Secretary concerned may waive the annual certification in paragraph 2.3 and the duration of certification requirements in paragraphs 2.6 and

2.7, if the Service FLPB regulation addresses the specific circumstances under which the Service Secretary may waive either or both of these certification requirements.

3.0 CONDITIONS OF ENTITLEMENT

3.1 Requirements

A member must qualify under any additional eligibility requirements prescribed by the Secretaries concerned, and is subject to Service specific certification requirements and amount of payment restrictions as outlined in these "pay-by-modality" DoD and Service references:

3.1.1. DoD: DoDI 1340.27, Military Foreign Language Skill Proficiency Bonuses and DoDI 5160.71, DoD Language Testing Program;

3.1.2. Army: ***Army Regulation 11-6***;

3.1.3. Navy: ***Chief of Naval Operations Instruction 7220.7H***;

3.1.4. Air Force and U.S. Space Force: ***Department of Air Force Manual 36-2664***, Attachment 10, and ***Air Force Instruction 36-4005***; or

3.1.5. Marine Corps: ***Marine Administrative Message 496/23***.

NOTE: Pay authorizing officials must access the current DoD SLL and the Component's unique foreign language bonus pay authorizations, additional eligibility rules, and certification requirements in order to ensure the correct FLPB payment is authorized.

3.2 Tax

FLPB is an item of pay subject to federal withholding tax. It is not subject to the Federal Insurance Contributions Act tax.

3.3 Repayment

A member who receives FLPB but does not satisfy eligibility and certification requirements specified in section 2.0 may be subject to repayment in accordance with Chapter 2.

3.4 Relationship to Other Pay and Allowances

A member may not be paid more than one Skill Incentive Pay or Proficiency Bonus in any month for the same period of service and skill. A member may be paid skill incentive pay or the proficiency bonus in addition to any other pay and allowances to which the member is entitled, except that a member may not be paid skill incentive pay or a proficiency bonus and hazardous duty pay, in accordance with Chapter 24, for the same period of service in the same career field or skill.

*3.5 Duration of Authority

Unless reauthorized by Congress, FLPB entitlement may not be paid after the date on the ***Duration of Authority*** table unless an FLPB agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 19 – FOREIGN LANGUAGE PROFICIENCY BONUS

2.0 – ENTITLEMENT

DoDI 1340.27, August 17, 2022
37 U.S.C. § 353(b)
37 U.S.C. § 353(b)(1)(B)
Office of the Assistant Secretary of Defense Memo, November 25, 2019
37 U.S.C. § 353(d)(1) and (2)
DoDI 5160.71, June 30, 2022
37 U.S.C. § 353(c)
37 U.S.C. § 353(c)(1) and (2)
37 U.S.C. § 372
Public Law (P.L.) 110-181, section 661, January 28, 2008
37 U.S.C. § 353(d)(3)
37 U.S.C. § 353(e)(2)

3.0 – CONDITIONS OF ENTITLEMENT

P.L. 116-92, section 952, December 20, 2019
Secretary of the Air Force Memo, December 20, 2019
37 U.S.C. § 353(g)
37 U.S.C. § 353(h)
37 U.S.C. § 353(i)

VOLUME 7A, CHAPTER 20: "AVIATION BONUS (AvB)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 20

AVIATION BONUS (AvB)

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may offer an AvB to increase their respective Department's ability to attract and retain officers in a military aviation career. An AvB paid to an eligible officer is in addition to any other pay and allowance to which the officer is entitled, except that an officer may not receive a payment for the same skill and period of service.

1.2 Authoritative Guidance

The AvB policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 334 (*37 U.S.C. § 334*). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DURATION OF AUTHORITY

Unless reauthorized by Congress, AvB may not be paid after the date listed on the ***Duration of Authority*** table unless an AvB agreement was entered into prior to the date on the table.

3.0 ELIGIBILITY REQUIREMENTS

3.1 General

The Military Departments may offer an AvB on a selective basis when there is a shortage or a projected shortage of Regular or Reserve-Component (RC) officers qualified in critical aviation specialties. AvBs will be limited to those periods in an officer's aviation career in which AvBs can be expected to affect retention trends for the Military Service concerned.

3.2 Qualifications

To qualify for an AvB, an officer, on active duty (AD) or in an active status, must:

3.2.1. Be eligible for Aviation Incentive Pay at the time of incurring the initial AvB contractual obligation;

3.2.2. Be in a pay grade of O-5 or below at the time of incurring the initial AvB contractual obligation;

3.2.3. Serve in an aviation specialty or skill designated as critical by the Secretary of the Military Department concerned;

3.2.4. Have completed or be within one year of completing any service obligation incurred for undergraduate aviator training. In accordance with ***10 U.S.C. § 653***, the minimum service obligation of any Service member who successfully completes training in the Armed Forces as a pilot is 8 years if the member is trained to fly fixed-wing jet aircraft, or 6 years if the member is trained to fly any other type of aircraft. The minimum service obligation of any member who successfully completes training in the Military Services as a combat systems officer or naval flight officer will be 6 years;

3.2.5. Execute a written agreement to remain on AD in the Regular Component or to serve in an active status in the selected reserve for at least one year; and

3.2.6. Meet such other additional criteria as the Secretary of the Military Department concerned may prescribe.

4.0 PAYMENT METHODS AND AMOUNTS

4.1 Payment Method

The Secretary of the Military Department concerned may pay an AvB to Regular or RC officers of a Uniformed Service who meet the qualification criteria in paragraph 3.2 in a lump sum or in periodic installments, as determined by the Secretary of the Military Department concerned.

4.2 Amounts

The AvB amount, covered by the written agreement, described in paragraph 5.1, between the Regular or RC officer and the Secretary of the Military Department concerned, for each 12-month period of obligated service specified in 37 U.S.C. § 334(c)(1)(B), will not exceed the following, unless otherwise updated by the Assistant Secretary of Defense Manpower and Reserve Affairs (ASD M&RA):

4.2.1. $35,000 per year of additional active obligated service for RC officers or RC Active Guard and Reserve officers performing qualified flying duty

4.2.2. $35,000 per year of additional active obligated service for RC officers or RC Active Guard and Reserve officers performing qualified flying duty related to Unmanned Aerial System (UAS) operators; or

4.2.3. $18,000 per year of additional active obligated service for all other RC officers performing qualified duty to include UAS operators.

Note: The ASD (M&RA) may update the AvB amounts, in accordance with the DoD Instruction ***(DoDI) 7730.67, Aviation Incentive Pays And Bonus Program, October 20, 2016***, paragraph 2.1.b.

4.3 Relationship to Other Pay and Allowances

Aviation pays and bonuses paid in accordance with DoDI 7730.67 will be in addition to any other pay or allowances to which the member is entitled, except as specified in the limitations and restrictions in DoDI 7730.67, paragraph 3.1.b.

5.0 TERMS AND CONDITIONS

5.1 Written Agreements

5.1.1. To receive an AvB, an officer must execute a written agreement with the Secretary of the Military Department concerned that specifies the amount of the AvB, the method of payment (lump sum or periodic installments), the period of obligated service (at least 1 year), and the type or conditions of service. No agreement may be executed that would take an officer beyond 25 Years of Aviation Service.

5.1.2. The Secretary of the Military Department concerned will not exceed the AvB amount covered by the written agreement for any 12-month period of obligated service specified in DoDI 7730.67, paragraph 4.2 or 37 U.S.C. § 334(c).

5.1.3. Bonus agreements awarded under ***37 U.S.C. § 301b***, that were approved before October 1, 2017, will remain in effect, and payments may continue through the agreed-upon date in the written agreement.

5.2 Acceptance

Upon acceptance of the written AvB agreement by the Secretary of the Military Department concerned, the period of obligated service and the total amount of AvB the Department will pay pursuant to the agreement will be fixed, unless otherwise renegotiated for a higher bonus amount in return for additional obligated service.

5.3 Death of a Member

If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and death is not caused by the member's misconduct, the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If death is determined to be the result of the member's own misconduct, termination of future payments and proration or repayment of the bonus, as applicable, must be made in accordance with procedures established by the Military Department concerned. See Chapters 2 and 36.

6.0 REPAYMENT

An officer, who fails to fulfill the eligibility requirements or service conditions specified in the written agreement for the AvB, will be subject to the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2.

REFERENCES

CHAPTER 20 - AVIATION BONUS (AvB)

2.0 – DURATION OF AUTHORITY

37 U.S.C. § 334(i)

3.0 – ELIGIBILITY REQUIREMENTS

3.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.a
3.2	DoDI 7730.67, October 20, 2016, paragraph 3.5.b

4.0 – AMOUNT

4.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(1)
4.2	37 U.S.C. § 334(c)(1)(B) DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)
4.2.1.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(a)
4.2.2.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(b)
4.2.3.	DoDI 7730.67, October 20, 2016, paragraph 3.5.d(2)(c)
Note	DoDI 7730.67, October 20, 2016, paragraph 2.1.b
4.3	37 U.S.C. § 334(f)(2)

5.0 – PAYMENT

5.1	DoDI 7730.67, October 20, 2016, paragraph 3.5.c
5.1.3.	DoDI 7730.67, October 20, 2016, paragraph 1.2.d
5.2	DoDI 7730.67, October 20, 2016, paragraph 3.5.c(3)
5.3	37 U.S.C. § 373 (b)(2)

6.0 – REPAYMENT

37 U.S.C. §§ 334(g), & 373

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 22: "AVIATION INCENTIVE PAYS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2.3 2.2.5 3.3.1	Removed obsolete Limitation and Restriction information and renumbered subsequent subparagraphs accordingly.	Deletion
3.4	Updated the maximum amount payable for monthly Aviation Incentive Pay in accordance with Public Law 117-263 section 602.	Revision
4.5	Removed obsolete paragraph on Transition Period and renumbered subsequent subparagraphs accordingly.	Deletion
Table 22-5	Inserted the Hazardous Duty Incentive Pay chart as referenced in paragraph 2.13 and renumbered subsequent tables accordingly.	Addition
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 22

AVIATION INCENTIVE PAYS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to describe the policies for Hazardous Duty Incentive Pay (HDIP), Aviation Incentive Pay (AvIP), and Critical Skill Incentive Pay (CSIP).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 334(a) ***(37 U.S.C. § 334(a))***, ***37 U.S.C. § 351(a)(2)***, and ***37 U.S.C. § 353***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 HDIP FOR FLYING DUTY

The Secretary concerned may pay HDIP to Service members required by competent orders to participate in frequent and regular aerial flights as an aircrew member or to non-aircrew members who otherwise meet the requirements for flying duty.

2.1 Eligibility

To be eligible for flying duty HDIP, a Service member must be required by competent orders to participate frequently and regularly in sustained, powered, controlled aerial flights, and generally must complete 4 hours (or 2 hours for reserve component (RC) Service members) of aerial flights each month. Hours that are flown in excess of this requirement may be credited against this requirement for up to 5 subsequent, consecutive months. Additionally, a Service member who has a shortage of flying hours after crediting these excess hours may, under certain conditions established by the Military Departments, enter a 3-month grace period wherein hours flown in future months may be retroactively applied to earlier monthly requirements.

*2.2 Limitations and Restrictions

2.2.1. Officers, including aviation cadets entitled to AvIP under section 3.0, are not entitled to payments under this section for the same period of service.

2.2.2. Enlisted members receiving CSIP under section 5.0 are not entitled to payments under this section for the same period of service.

2.2.3. An officer receiving an incentive pay pursuant to 37 U.S.C. § 334, may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2) for the same skill and period of service.

2.2.4. Service members receiving a skill incentive pay pursuant to 37 U.S.C. § 353(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill for which the payment is paid.

2.2.5. Service members must be on competent orders to serve in the area or to perform the hazardous duty to qualify for an incentive.

2.2.6. To be eligible for select HDIP payments, a Service member must be in training, have successfully completed the qualifying training and technical qualification, or meet qualification requirements for the performance of the hazardous duty.

2.2.7. Although a Service member may perform more than three hazardous duties in a month, a Service member may not receive simultaneous payments for more than three HDIP duties in a month.

2.3 Definitions

2.3.1. Aerial Flights. Aerial flights are flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when Service members are required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

2.3.2. Aviation Accident. Aviation accident is an accident in which a Service member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the Uniformed Service concerned, may result from:

2.3.2.1. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or

2.3.2.2. Participation in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

2.4 Flight Requirements

2.4.1. Minimum Flying Time Each Month

2.4.1.1. During 1 calendar month, 4 hours of aerial flight are required. If a Service member does not fly 4 hours in any month, any hours flown during the last 5 preceding months (which have not already been used to qualify for flight pay) may be applied to meet this 4-hour requirement.

2.4.1.2. During 2 consecutive calendar months when the requirements of subparagraph 2.4.1.1, have not been met, 8 hours of aerial flight are required.

2.4.1.3. During 3 consecutive calendar months when the requirements of subparagraph 2.4.1.2, have not been met, 12 hours of aerial flight are required.

2.4.2. Fractions of a Calendar Month. For fractions of a calendar month, calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

2.4.3. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the whole period in question. Calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-1).

2.4.4. Application of Hours Flown. To the extent of hours available, hours flown in any month apply as follows:

2.4.4.1. First, to meet flight requirements for that month;

2.4.4.2. Next, if the Service member has entered a grace period for meeting flight requirements, to the prior month or months, as applicable; and

2.4.4.3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the Service member fails, during each month, to fly the required 4 hours. (Hours available to meet requirements of later months are referred to as "excess" flight time.) See examples in Tables 22-2 and 22-3.

2.4.5. Military Operations or Unavailability of Aircraft. When under authority conferred by the Secretary of the Military Department concerned, the commanding officer certifies that a Service member is unable to meet normal flight requirements due to military operations (combat or otherwise), or the non-availability of aircraft in order to complete those requirements. The Service member may, however, comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer will certify that only those conditions specified in this subparagraph prevented completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6-calendar-month period and in any combination of flights.

2.4.5.1. If the Service member is in a 3-calendar-month grace period when military operations or aircraft non-availability prevents fulfillment of flight requirements, the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2.4.5.2. If the Service member is not in a 3-calendar-month grace period, the first month in which military operations or aircraft non-availability prevents fulfillment of flight

requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

2.4.5.3. During the 6-calendar-month period, HDIP for flying may be paid for any single month, or for multiple months, when minimum requirements have been met.

2.4.5.4. At the end of the 6-calendar-month period, HDIP for flying may be paid for missed months in the period to the extent that the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph 2.4.4 if the Service member continues to fly under the same orders.

NOTE: For RC officers not on active duty for a period of more than 30 consecutive days, the requirement is half of the requirements contained in paragraph 2.4.

2.5 Determination of a 3-Calendar-Month Period

2.5.1. When 3-Month Period Starts and Ends. The 3-calendar-month period in which flight requirements must be met begins with the first month in which flight requirements are not met. If the Service member flies enough time in the second month to cover the first and second months, the period ends with the second month. If not, the period extends through the third month.

2.5.2. Deficiencies for a Fraction of a Month. If a Service member fails to qualify for a fraction of a month (because flying status or active duty began on an intermediate day of the month), the 3-month period ends on the last day of the second full month following the fractional month.

2.5.3. When Next 3-Month Period Starts

2.5.3.1. A new 3-month period starts with the first month in which flight requirements are not met following a month in which flight requirements were met.

2.5.3.2. For a new 3-month period to begin immediately after a prior 3-month period, flight requirements must have been met for the entire prior 3-month period, not merely for the last month.

2.5.3.3. If the requirements for the entire prior 3-month period were not met, a new period does not begin until flight requirements are met for at least 1 month after the prior 3-month period.

2.5.3.4. After a month when flight requirements are met, any month in which flight requirements are not met begins a new 3-month period. A new period may not start with the second or third month in which flight requirements are not met; nor may a new period start with the fourth month in which flight requirements are not met. There must be at least 1 month in which requirements are met before a new 3-month period begins. See Tables 22-2 and 22-3 for application of the rules listed in paragraph 2.5.

2.6 Entitlement to Pay When No Flights are Performed in the First Month of a 3-Month Period

Assume, for the purposes of this paragraph, that the Service member had no excess flight time from prior months.

2.6.1. Second Month. If a Service member performs no aerial flights during the first month of a 3-month period and, in the second month, performs at least 4 hours but less than 8 hours, he or she is entitled to pay only for the second month. For example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. Flight pay is payable only for February.

2.6.2. Third Month. If a Service member performs no aerial flights during the first 2 months of a 3-month period, he or she must perform 12 hours of aerial flight in the third month to be entitled to incentive pay for all 3 consecutive months. For example: If flight requirements are met for January and a Service member performs no flights during the months of February and March, he or she must perform at least 12 hours in April to be entitled to receive the incentive pay for the period February 1 to April 30. If the Service member performs 4 or more hours, but less than 12 hours in April, he or she is entitled to incentive pay only for April.

2.6.3. First and Third Months. If a Service member does not perform aerial flights during the first month and in the second month performs only sufficient flights to qualify for the second month, he or she must perform enough hours of flight during the third month to total 12 hours in order to qualify for the incentive pay for the first and third months of the 3-month period.

> Example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. The deficiency in January must be made up in March. If at least 7 hours are accomplished in March, flight pay for January and March is payable. If only 6 hours are flown in March, flight pay is payable only for March (the payment for February previously having been made) and incentive pay for January is lost.

2.7 Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP, who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member's own misconduct, may continue to receive HDIP for up to 6 months.

2.7.1. On a case-by-case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance will HDIP payments continue beyond 12 months from the date of injury or illness.

2.7.2. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

2.7.3. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

2.7.4. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during the Service member's hospitalization and rehabilitation. See Chapter 13.

2.8 Right to Flight Pay Under Certain Conditions

See Table 22-4.

2.9 Determinations Affecting Entitlement to Flight Pay

2.9.1. Flight Pay From Date of Reporting for Duty. A Service member is entitled to flight pay on and after the date that he or she reports for and enters on duty under competent orders, subject to meeting flight requirements. A Service member in a non-duty status (such as on leave or sick) at the time that flying status orders are issued is not entitled to flight pay for any period before he or she reports for and enters on duty under such orders.

2.9.2. Excess Flight Time. When authorized under paragraph 2.5, flight time in excess of the time required or insufficient to qualify for a particular month may be applied to a later month in which minimum requirements are not met, provided that the orders under which flying time was logged remain in effect.

2.9.3. Change of Designation, Non-Crewmember to Crewmember or Vice Versa. A Service member whose status changes from non-crewmember to crewmember (or vice versa) within a month or other qualifying period may not combine time flown in both categories for pay purposes. The Service member is entitled to flight pay, as a non-crewmember for the period of time Service member held that status, if he or she met the pro rata requirements as a non-crewmember. The Service member is entitled to flight pay as a crewmember, for the period of time he or she held that status, if he or she met the pro rata requirements as a crewmember.

2.9.4. Change From One Crewmember Status to Another Crewmember Status. Flights as one type of crewmember may be combined with flights as another type of crewmember if the Service member remains on continuous active duty and continuous flying status. Total requirements may be met in either crewmember status or a portion may be met in each status.

Example: An aviation cadet is given a rating as a navigator and issued new flying status orders immediately following termination of Service member's former orders.

2.9.5. Missing or Missing-in-Action

2.9.5.1. A Service member assigned to flying duty who is declared missing by competent authority is entitled to HDIP during the entire period of absence and is entitled to HDIP

for hospitalization and rehabilitation after termination of missing status for an additional period, not to exceed one year.

2.9.5.2. Upon return from a missing status and completion of any required period of hospitalization and rehabilitation (not to exceed 1 year), entitlement to HDIP for flying duty will be contingent on a determination of continued eligibility under paragraph 2.1 and the applicable flight requirement provisions of paragraph 2.4.

2.9.5.3. A new 3-month grace period does not start when the missing status and hospitalization ends. The new 3-month grace period starts with the first month of deficiency, after entering a missing status.

2.9.5.4. If the missing status and hospitalization goes beyond the 6-month grace period, the Service member must meet flight requirements for at least 1 month to become entitled to flight pay again.

2.9.5.5. If the Service member does not meet flight requirements upon the completion of an authorized missing and hospitalization period, he or she is entitled to pro rata HDIP for flying duty through the date of such authorized period.

2.9.6. Death

2.9.6.1. Death Due to Aviation Accident. If death occurs on the date of an aviation accident, flight pay accrues to include the date of death. If, however, death occurs after the 3-month period has expired, flight pay is not authorized for any day after the expiration of that period. Flight pay for the month or period before the month in which the accident occurred is not authorized unless flight requirements were met for that period.

2.9.6.2. Death Due to Other Causes. If death occurs from causes other than an aviation accident, flight pay is payable to and including the date of death if the Service member has met pro rata flight requirements for the month of death and was on flying status.

2.10 Suspensions From Flying Status, Effect on Flight Pay

2.10.1. Flight Pay for a Period of Suspension. Except under subparagraphs 2.10.2 and 2.10.3, Service members are not entitled to flight pay for any period while suspended from flying status. Service members are considered suspended on the effective date of suspension. Service members are considered to be in a flying status on the day that the suspension is removed or terminated. Payment for a period of suspension cannot be made in any case until the suspension has been removed or terminated.

2.10.2. Suspension for Other Than Physical Incapacity for Service Members Required to Perform Minimum Flight Requirements. Service members are entitled to flight pay for a period of suspension from flying status, provided the suspension is removed or terminated and they meet flight requirements as prescribed in paragraph 2.4. If the Service member has excess flights

performed before suspension, the grace period specified in paragraph 2.4 begins on the first month of the period of suspension not covered by excess flights.

Example: A Service member was suspended from flying status on February 1. He had 16 hours excess flying time as of January 31. Flight pay is stopped on January 31. The suspension subsequently is removed (or terminated) on June 30. He flew 12 hours in the month of July. After removal of the suspension, pay flight pay for February 1 through May 31 on the basis of the 16 excess hours accumulated in the 5 months before February 1. The grace period, authorized as stated in paragraph 2.4, started on June 1. The hours that were flown in July qualify the Service member for flight pay for June and July.

2.10.3. Suspension for Physical Incapacity of Service Members Subject to Minimum Flight Requirements. A Service member is entitled to flight pay during a period of grounding due to physical incapacity if he or she meets the flight requirements stated in paragraph 2.4. The Service member also is entitled to flight pay during a period of suspension, if the suspension is removed or terminated and flight requirements are actually met. There are no flight requirements during the first 3 months of a period of incapacity incurred as the result of performance of an assigned hazardous duty. See paragraph 2.7.

2.10.4. Suspension Removed or Terminated. If a suspension is removed or terminated after the Service member can no longer qualify for flight pay under subparagraphs 2.10.2 and 2.10.3, there is loss of pay for any period that is not covered by paragraph 2.4. Flight pay accrues after the suspension is removed or terminated for Service members required to meet minimum flight requirements from the date of reporting for flying duty after the suspension is removed or terminated if flight requirements are met.

2.11 Payment of Flight Pay and Incentive Pay for Other Hazardous Duty

A Service member who qualifies for flight pay and incentive pay for one or more other types of hazardous duty may receive the flight pay and incentive pay only for two other hazardous duties for the same period. Dual HDIP is limited to those Service members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned.

2.11.1. Conditions of Entitlement. The hazardous duties for which dual incentive pay is payable must be an integral part of the Service member's assigned mission. Accomplishment of the assigned mission must require the Service member to perform specific multiple hazardous duties. A Service member must meet minimum requirements for each of the hazardous duties, except for injury or illness.

2.11.2. Types of Duties That Qualify Service Member for Dual Payment of HDIP. See Chapter 24, subparagraph 2.4.1.

2.11.2.1. Air Force pararescue team Service members placed on orders to perform duties as both crewmembers and parachutists.

2.11.2.2. Other combinations of hazardous duties for which dual payments of incentive pay are authorized by the Military Services concerned.

2.11.3. Injury or Incapacity as a Result of Performance of Hazardous Duty or Dual Hazardous Duties. If a Service member who is required to perform more than one hazardous duty becomes injured or otherwise incapacitated as a result of any of the duties, he or she is entitled to dual incentive pay during the incapacity, but for no longer than 6 months. If not entitled to dual incentive pay at the time of the incapacity, the Service member is entitled to the type of incentive pay that he or she was receiving at the time of the incapacity. The beginning date of the 6-month period will be determined separately for each type of incentive pay. See paragraph 2.7 to determine the 6-month period separately for each incentive pay.

2.12 Authority to Issue Orders

Authority to issue orders requiring the performance of flying duty, granting waivers of performance requirements, or extending time periods during which requirements may be met is delegated by the Secretary of the Military Department concerned to specific commanders within each Military Service. Such delegations are contained in the personnel administrative regulations of the respective Military Services.

2.13 Monthly Rates

See Table 22-5. For the most current rates see the ***HDIP for Flying*** table.

2.13.1. HDIP for aircrew members may not exceed $250 per month.

2.13.2. HDIP for non-aircrew members is $150 per month

2.13.3. Service members who otherwise meet the eligibility criteria, but who do not participate in a full calendar month of flying duty, will receive a prorated HDIP payment as follows:

2.13.3.1. Prorating the monthly HDIP is required for Service members who fail to satisfy the eligibility requirements for the pay for the entire month. The amount of HDIP authorized for qualifying service during a day or portion of a day will be the amount equal to 1/30th of the monthly amount of HDIP payable to a Service member.

2.13.3.2. Service members are first entitled to HDIP on the date they report for, and begin performing, an eligible duty in compliance with competent orders. HDIP ends on the effective date published in orders for termination of such duty or the date the Service member is detached from and is no longer required to perform the hazardous duty, whichever occurs first.

2.13.3.2.1. When a Service member begins hazardous duty on a date other than the first day of a month or terminates that duty prior to the last day of a month and otherwise meets the requirements of the pay for the month, the Service member is entitled to a prorated portion of HDIP for the month.

2.13.3.2.2. The prorated monthly amount is calculated using the daily rate to reflect the duration of the Service member's actual qualifying service during the month.

2.14 Repayment

An officer or enlisted member who fails to fulfill the eligibility requirements of DoD Instruction (DoDI) 7730.67, Aviation Incentive Pays and Bonus Program or other conditions of service specified by the Secretary of the Military Department concerned will be subject to repayment consistent with ***37 U.S.C. § 373***, Chapter 2, and Volume 16 Chapter 3.

2.15 Duration of Authority

Unless reauthorized by Congress, HDIP may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL.

3.0 AvIP FOR AVIATORS IN OPERATIONAL FLYING DUTY (OFD) OR PROFICIENCY FLYING DUTY (PFD) POSITIONS

3.1 General

The Secretaries of the Military Departments may offer AvIP(s) under 37 U.S.C. § 334(a) to increase their respective Department's ability to retain officers in a military aviation career and support the recruiting and retention of individuals with military aeronautical ratings or designations.

3.2 Eligibility

The Secretary concerned may pay AvIP to aviation officers performing in OFD or PFD positions. AvIP may only be paid to an officer who:

3.2.1. Is entitled to basic pay pursuant to ***37 U.S.C. § 204*** or to compensation under ***37 U.S.C. § 206***;

3.2.2. Maintains, or is in training to receive, an aeronautical rating or designation that qualifies the officer for OFD or PFD;

3.2.3. Engages in, or is in training to receive, frequent and regular performance of OFD or PFD;

3.2.4. Engages in or remains in aviation service for a specified period of time;

3.2.5. Achieves the minimum flight requirements of 4 hours during 1 calendar month or 24 hours during 6 consecutive months (the minimum flight hour requirement for RC officers not on active duty for a period of more than 30 consecutive days is 2 hours during 1 calendar month or 12 hours during 6 consecutive months). A certified flight simulator may be used to meet this requirement. The Secretary concerned may waive the minimum flight requirements:

3.2.5.1. For officers (except flight surgeons or medical officers) who meet the AvIP eligibility requirements in paragraph 3.2 while assigned to OFD or PFD positions; or

3.2.5.2. In extreme circumstances (e.g., military operations (combat or otherwise) or non-availability of aircraft), when the Secretary concerned may authorize a commanding officer to certify that an officer is unable to meet minimum flight requirements; and

3.2.6. Meets all applicable eligibility requirements and such other criteria, as the Secretary concerned determines appropriate.

*3.3 Limitations and Restrictions

3.3.1. Officers receiving HDIP pursuant to 37 U.S.C. § 351(a)(2) are ineligible for AviP.

3.3.2. Officers receiving AvIP pursuant to 37 U.S.C. § 334(a), may not receive HDIP pursuant to 37 U.S.C. § 351(a)(2), or skill incentive pay or proficiency bonuses pursuant to 37 U.S.C. § 353, for the same skill and period of service.

3.3.3. Service members temporarily medically incapacitated will be considered qualified for aviation service unless such incapacitation continues for more than 12 months. After 365 days of incapacitation, a Service member will be disqualified from aviation service and will not be requalified until the condition resulting in incapacitation is corrected or is subject to a waiver under regulations prescribed by the Secretary of the Military Department concerned. A competent medical authority must certify the Service member as medically qualified for operational flying duty (OFD) or proficiency flying duty (PFD). This guidance is only for the purposes of AvIPs and bonuses and does not otherwise restrict a Service's authority to place an aviator in an applicable flight status.

3.3.4. Service members permanently disqualified for aviation service or otherwise determined no longer eligible for aviation service, in accordance with DoDI 7730.67, and such additional regulations prescribed by the Secretary of the Military Department concerned, are ineligible for AvIP or CSIP.

3.3.5. Service members are not authorized AvIP or CSIP payments for any periods of unauthorized absence.

*3.4 Payments and Amounts

3.4.1. The maximum amount of monthly AvIP in 37 U.S.C. § 334(c)(1)(A) is not to exceed the rate of $1,500 per month to officers while serving in an OFD or PFD assignment. Unless otherwise updated by the Assistant Secretary of Defense (ASD) in accordance with DoDI 7730.67, paragraph 2.1.b, officers performing qualifying duty or performing qualifying duty relating to unmanned aerial systems (UAS) may receive up to $1,000.

3.4.2. The monthly Army Officer AvIP Rates are listed on Table 22-6. For the most current rates, see the ***Monthly Army Officer Aviation Incentive Pay Rates*** table.

3.4.3. The monthly Navy Officer AvIP Rates are listed on Table 22-7. For the most current rates, see the ***Monthly Navy Officer Aviation Incentive Pay Rates*** table.

3.4.4. The monthly Navy AvIP Rates for Officers in Administrative Milestone Billets are listed on Table 22-8. For the most current rates, see the Monthly Navy Aviation Incentive Pay Rates for ***Officers in Administrative Milestone Billets*** table.

3.4.5. The Air Force monthly AvIP rates are calculated based upon years of aviation service (YAS) established by the Aviation Service Date and are reflected in Table 22-9. For the most current rates, see the ***Monthly Air Force Aviation Incentive Pay Rates*** table.

3.4.6. The monthly Marine Corps Officer AvIP Rates are listed on Table 22-10. For the most current rates, see the ***Monthly Marine Corps Officer Aviation Incentive Pay Rates*** table.

3.4.7. The following are exceptions to the amounts in subparagraph 3.4.2 through 3.4.6:

3.4.7.1. Warrant Officers with over 22 YAS may continue to receive AvIP at the over 10 YAS rate until retirement.

3.4.7.2. Officers performing OFD or PFD while piloting UASs with over 14 YAS may receive AvIP up to $1,000 per month up to 22 YAS.

3.4.8. AvIP for officers in aviation training will begin on the later of these two dates and will be prorated based on the number of days remaining in the month:

3.4.8.1. The date when the officer first reports to the aviation activity in which he or she will receive flight training in a specific aircraft leading to an aeronautical rating, and is placed on aeronautical orders; or

3.4.8.2. The date of commission.

3.4.9. AvIP payments for all other aviators will begin the day an officer signs in to an OFD or PFD assignment. The initial payment amount will be prorated based on the number of days remaining in the month.

3.4.10. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to $1/30^{th}$ of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

3.5 Repayment

An officer or enlisted member who fails to fulfill the eligibility requirements of DoDI 7730.67, or other conditions of service specified by the Secretary of the Military Department concerned, will be subject to repayment consistent with 37 U.S.C. § 373, and Chapter 2.

3.6 Duration of Authority

Unless reauthorized by Congress, AvIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

4.0 AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

4.1 General

The Secretaries concerned may pay AvIP to an officer who is otherwise qualified but who is not currently engaged in the performance of OFD or PFD, who meets each of the following three conditions:

4.1.1. The officer meets the eligibility criteria listed in subparagraphs 4.2.1 through 4.2.4;

4.1.2. The officer is assigned to a position listed in paragraph 4.4; and

4.1.3. The AvIP payment is in the best interest of the Military Service.

4.2 Eligibility

The Secretary concerned may pay AvIP to officers with an aeronautical rating (except flight surgeons or medical officers) with fewer than 25 YAS who are in non-OFD or PFD assignments and meet one of the following criteria:

4.2.1. Are eligible for AvIP continuously through 12 YAS;

4.2.2. Have performed at least 96 creditable months of OFD or PFD upon completion of 12 YAS. These officers are eligible for up to 18 YAS as long as they are assigned to a non-OFD or non-PFD assignment;

4.2.3. Have performed at least 120 creditable months of OFD or PFD upon completion of 18 YAS. These officers are eligible for AvIP for up to 22 YAS as long as they are assigned to a non-OFD or non-PFD assignment; or

4.2.4. Have performed at least 144 creditable months of OFD or PFD upon completion of 18 YAS. These officers are eligible for AvIP for up to 25 YAS as long as they are assigned to a non-OFD or non-PFD assignment. Aviation warrant officers may continue to receive AvIP beyond 25 YAS as long as they are assigned to an assignment in paragraph 4.4.

4.3 Limitations and Restrictions

See paragraph 3.3.

4.4 Non-OFD or Non-PFD Assignments

Qualified aviation officers (except flight surgeons or other medical officers) who meet the eligibility criteria in paragraph 4.2 may receive AvIP when assigned to any of the following non-OFD or non-PFD assignments:

4.4.1. A Joint assignment or position on the Joint Duty Assignment List;

4.4.2. Attending resident professional military education or a fully-funded graduate education program authorized by the Secretary of the Military Department concerned;

4.4.3. Aviation-specific positions that must be filled by officers with an aeronautical rating; or

4.4.4. Career-enhancing assignments outside of aviation or based on the needs of the Military Services for a period not to exceed 48 consecutive months.

4.5 Payments and Amounts

4.5.1. The Secretaries concerned may pay monthly AvIP to aviators who meet the YAS criteria in paragraph 4.2 and are serving in positions listed in paragraph 4.4.

4.5.2. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to $1/30^{th}$ of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

4.6 Repayment

See paragraph 3.5.

4.7 Duration of Authority

Unless reauthorized by Congress, AvIP For Aviators Not In OFD Or PFD Positions may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL.

5.0 CRITICAL SKILL INCENTIVE PAY (CSIP)

5.1 General

The Secretary concerned may designate a career field or skill as critical for the purposes of offering a skill incentive pay. The following specialties are designated as critical and are eligible for CSIP:

5.1.1. Qualified career enlisted members who meet the eligibility requirements in paragraph 5.2; or

5.1.2. Enlisted UAS operators who meet the eligibility requirements in paragraph 5.2.

5.2 Eligibility

CSIP is payable on a monthly basis in accordance with 37 U.S.C. § 353 to a Regular or RC enlisted member who:

5.2.1. Is entitled to basic pay pursuant to 37 U.S.C. § 204 or to compensation under 37 U.S.C. § 206;

5.2.2. Serves in a military career enlisted aviation occupational specialty or rating designated as critical by the Secretary of the Military Department concerned;

5.2.3. Qualifies for aviation service under regulations prescribed by the Secretary of the Military Department concerned; and

5.2.4. Meets other criteria the Secretary concerned deems appropriate.

5.3 Limitations and Restrictions

In addition to the limitations and restrictions prescribed in this paragraph, see paragraph 3.3.

5.3.1. Enlisted members receiving incentive payments pursuant to 37 U.S.C. §§ 301(a)(1), 301(a)(2), 301(a)(13) or 320, are ineligible for CSIP.

5.3.2. Enlisted members receiving CSIP pursuant to 37 U.S.C. § 353(a), may not also receive HDIP pursuant to 37 U.S.C. § 351(a)(2), for the same period of service in the same career field or skill.

5.3.3. Enlisted members may receive only one skill incentive payment in any given month for the same skill and period of service, pursuant to 37 U.S.C § 353(a).

5.3.4. Enlisted members may not receive CSIPs and proficiency bonuses, in accordance with 37 U.S.C. § 353, for the same skills and periods of service.

5.3.5. Officers are not authorized CSIP.

5.4 Terms and Conditions of CSIP Written Agreements

The Secretary concerned may require a Service member to enter into a written agreement in order to qualify for a CSIP payment. The agreement must specify the period for which the Service member will receive CSIP and the monthly rate of pay.

5.5 Payments and Amounts

5.5.1. The Secretaries of the Military Departments concerned may pay monthly CSIP to eligible Service members who meet the CSIP requirements in an amount not to exceed $600 per month. See Table 22-11. For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for ***Air Force Enlisted Flyers*** table.

5.5.2. If a Service member does not satisfy the eligibility requirements specified in paragraph 5.2 for an entire month, the Secretary concerned may prorate the payment amount to reflect the duration of the Service member's actual qualifying service during the month.

5.5.3. RC Service members entitled to compensation under 37 U.S.C. § 206 are eligible for CSIP at the discretion of the Secretary concerned. The amount will be equal to 1/30th of the monthly CSIP authorized by the Military Department concerned for each period of inactive duty training.

5.6 Repayment

See paragraph 3.5.

5.7 Duration of Authority

Unless reauthorized by Congress, CSIP may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a CSIP agreement was entered into prior to the date on the table.

Table 22-1. Time of Aerial Flight Required for Fractional Part of the Month

Days	Hours of Aerial Flight		Days	Hours of Aerial Flight	
	Active Duty	Inactive Duty		Active Duty	Inactive Duty
1	.2	.1	16	2.2	1.1
2	.3	.2	17	2.3	1.2
3	.4	.2	18	2.4	1.2
4	.6	.3	19	2.6	1.3
5	.7	.4	20	2.7	1.4
6	.8	.4	21	2.8	1.4
7	1.0	.5	22	3.0	1.5
8	1.1	.6	23	3.1	1.6
9	1.2	.6	24	3.2	1.6
10	1.4	.7	25	3.4	1.7
11	1.5	.8	26	3.5	1.8
12	1.6	.8	27	3.6	1.8
13	1.8	.9	28	3.8	1.9
14	1.9	1.0	29	3.9	2.0
15	2.0	1.0	30-31	4.0	2.0

Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods

Month	Example 1		Example 2		Example 3		Example 4	
	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)
February	0	No (note 2)	0	No (note 2)	0	Yes (notes 2 - 5)	0	Yes (notes 2 - 6)
March	4	Yes (note 1)	0	No	0	Yes (note 5)	8	Yes (note 1)
April	0	No (note 3)	4	Yes (note 1)	12	Yes (note 1)	0	Yes (notes 2 - 5)
May	0	No (note 4)	0	No (note 4)	0	Yes (notes 2 - 5)	0	Yes (note 5)
June	4	Yes (note 1)	0	No	0	Yes (note 5)	12	Yes
July	4	Yes (note 1)	4	Yes (note 1)	12	Yes (note 1)		
August	0	No (notes 2 - 8)	0	No (notes 2 - 8)	0	No (notes 2 - 8)		

Table 22-2. Flight Examples Involving Basic 3-Month Grace Periods (Continued)

Month	Example 5		Example 6		Example 7	
	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (notes 1 - 7)	2	Yes (notes 7 - 9)	0	Yes (note 5)
February	0	Yes (note 9)	0	Yes (note 9)	0	Yes (note 5)
March	0	Yes (note 9)	0	Yes (note 9)	12	Yes (note 1)
April	0	Yes (note 9)	0	No (note 2)	4	Yes (note 1)
May	0	Yes (notes 2 - 5)	0	No (note 8)	0	No (notes 2 - 8)
June	0	Yes (note 5)	7	Yes (notes 1 - 11)	0	No (notes 2 - 8)
July	12	Yes (note 1)			11	Yes (notes 1 - 9 and 11)
August					5	Yes (notes 1 – 9 and 11)

NOTES:
1. Entitled to incentive pay based on that month's flights.
2. Begins a 3-month grace period.
3. New 3-month period does not begin, since this is last month of first 3-month period.
4. New 3-month period does not begin, since flight requirements were not met for previous entire period.
5. Entitled to incentive pay based on 3-month period.
6. Entitled to incentive pay based on 2-month period.
7. Injured in aircraft accident.
8. Not entitled to incentive pay, unless sufficient flights performed in following 1 or 2-month period.
9. Free entitlement period.
10. Two unused hours from January lost.
11. Excess hours available for application in 5 succeeding months as required.

Table 22-3. Flight Examples Involving 3-Month Periods and Excess Time

Month	Hours Flown	Entitle-ment	Based on Hours Flown During	End of Month Excess and Unused Hours		Pertinent Factors
				That Month	Accumulated	
16–31 Jan	3.3	Yes	Jan	1.3	1.3	Placed on flying status
Feb	0	Yes	Jan 1.3, Mar 2.7	0	0	Jan 16
Mar	6.7	Yes	Mar	0	0	
Apr	9	Yes	Apr	5	5	
May	5.5	Yes	May	1.5	6.5	
Jun	0	Yes	Apr	0	2.5	
Jul	1.5	Yes	Jul 1.5, Apr 1, May 1.5	0	0	
Aug	2	No	(note 1)	2	2	
Sep	4	Yes	Sep	0	2	
Oct	5	Yes	Oct	1	3	
Nov	0	No	(note 2)	0	3	
Dec	3	Yes	Dec 3, Aug 1	0	2	
Jan	10	Yes	Jan	6	7	1 hour lost from Aug
Feb	0	Yes	Oct 1, Jan 3	0	3	
Mar	0	Yes	Jan 3, May 1	0	0	
Apr	0	Yes	May 4	0	0	
May	10	Yes	May	1	1	
Jun	0	Yes	May 1, Aug 3	0	0	
Jul	0	Yes	Aug 4	0	0	
Aug	17	Yes	Aug	6	6	
Sep	0	Yes	Aug 4	0	2	
Oct	2	Yes	Oct 2, Aug 2	0	0	
Nov	12	Yes	Nov	8	8	
Dec	0	Yes	Nov (note 3)	0	4	Suspended Dec 1
Jan	0	Yes	Nov 4 (note 3)	0	0	
Feb	0	No	(note 4)	0	0	
Mar	0	No		0	0	
Apr	0	No		0	0	
May	4	Yes	May	0	0	Suspension ended May 1
Jun	30	Yes	Jun	26	26	Physically incapacitated
Jul	0	Yes	Jun 4	0	22	Jun 20
Aug	0	Yes	Jun 4	0	18	
Sep	0	Yes	Jun 4	0	14	
Oct	0	Yes	Jun 4	0	10 (note 3)	Suspended Oct 1
Nov	0	Yes	Jun 4	0	0 (note 3)	6 hours lost from Jun
Dec	0	No		0	0	
Jan	0	No		0	0	
Feb	0	No		0	0	
Mar	0	No		0	0	
Apr	9	Yes	Apr	5	5	Suspension ended Apr 1

NOTES:

1. No excess hours available from previous 5 months and deficiency not made up within 2 following months.
2. Insufficient excess hours available from previous 5 months. New 3-month period does not begin since requirements were not met for entire 3-month period of August-October.
3. Payment made after the suspension ended.
4. Three-month grace period expired before suspension ended.

Table 22-4. Entitlement to HDIP Under Certain Conditions

RULE	When a Service member in flying status is	and	and	then flight pay
1	sick in line of duty	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of illness.
2	on authorized leave in pay status	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of leave (note 1).
3	on Temporary Duty (TDY) or Temporary Additional Duty (TAD)	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the TDY or TAD period.
4	in a travel status (including authorized delay en route) on change of station	flying status orders remain in effect	Service member meets or has met flight requirements or flight requirements do not apply	continues for the period of travel.
5	a Reservist released from active duty of more than 30 days	orders are not issued directing relief from all assigned duties	Service member has met flight requirements	continues for the period of allowable travel time home (note 2).
6	discharged and immediately reenlists at the same station without a break in service	flying status orders are not specifically terminated	Service member has met flight requirements	entitlement is determined as if there had been no discharge.
7	discharged and immediately reenlists at the same station without a break in service	flying status orders are specifically terminated	Service member has met flight requirements	ceases on the date stated in orders.

Table 22-4. Entitlement to HDIP, Under Certain Conditions (Continued)

RULE	When a Service member in flying status is	and	and	then flight pay
8	incapacitated as a result of performance of flying duty			is payable as indicated in paragraphs 2.6 or 2.7.
9	an enlisted crewmember whose flight orders include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days of advance notice of removal from flying duty (note 4)	continues either for 120 days after the date on which notified of such removal or until original flight orders termination date, whichever occurs first, without regard to the flight requirements of paragraph 2.3.
10	an enlisted crewmember whose flight orders do not include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days advance notice of removal from flying duty (note 4)	continues for 120 days after the date on which notified of such removal without regard to the flight requirements of paragraph 2.3.

NOTES:
1. Do not count flights performed while on leave for pay purposes.
2. Do not pay flight pay beyond the last day of the calendar month for which requirements are met.
3. A Service member is not considered to be involuntarily removed from flying duty upon separation, confinement, relief for cause, reduction in grade, medical unfitness, absence without leave, or transfer to ground duty at own request.
4. Advance notice of removal from flying duty will be issued by a competent authority in writing. Advance notice may be provided verbally if a suitable memorandum for the record is made and later followed by written notification.

*Table 22-5. Hazardous Duty Incentive Pay (HDIP) for Flying
For the most current rates, see the Monthly Hazardous Duty Incentive Pay (HDIP) for Flying Rates table on dfas.mil.

MONTHLY HAZARDOUS DUTY INCENTIVE PAY (HDIP) RATES FOR AIR CREW MEMBERS (EXCEPT FOR AIRBORNE WARNING AND CONTROL SYSTEMS) (EFFECTIVE OCTOBER 1, 1998)					
Pay Grade	**Amount**	**Pay Grade**	**Amount**	**Pay Grade**	**Amount**
O-10	150	W-5	250	E-9	240
O-9	150	W-4	250	E-8	240
O-8	150	W-3	175	E-7	240
O-7	150	W-2	150	E-6	215
O-6	250	W-1	150	E-5	190
O-5	250			E-4	165
O-4	225			E-3	150
O-3	175			E-2	150
O-2	150			E-1	150
O-1	150				
MONTHLY HDIP RATES FOR NON-AIR CREW MEMBERS - 150					

Table 22-6. Monthly Army Officer AvIP Rates
Effective (January 1, 2020)
For the most current rates, see the Monthly Army Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 years or less	$125
Over 2 years	200
Over 6 years	700
Over 10 years	1,000
Over 22 years	700
Over 24 years	400

Table 22-7. Monthly Navy Officer AvIP Rates
(Effective April 1, 2018)
For the most current rates, see the Monthly Navy Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 14	840
Over 22	585
Over 23	495
Over 24	385
Over 25	250

Table 22-8. Monthly Navy AvIP Rates for Officers in Administrative Milestone Billets
Effective (April 1, 2018)
For the most current rates, see the Monthly Navy Aviation Incentive Pay Rates for Officers in Administrative Milestone Billets table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 10	1,000
Over 22	700
Over 24	450

NOTE:
Administrative milestone billets are designated as department head, commander command, and major command (or equivalent).

Table 22-9. Monthly Air Force AvIP Rates
(Effective October 1, 2017)
For the most current rates, see the Monthly Air Force Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$150
Over 2	250
Over 6	700
Over 12	1,000
Over 22	700
Over 24	450

Table 22-10. Monthly Marine Corps Officer AvIP Rates
(Effective March 1, 2018)
For the most current rates, see the Monthly Marine Corps Officer Aviation Incentive Pay Rates table on dfas.mil.

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 8	800
Over 10	1,000
Over 17	840
Over 22	585
Over 23	495
Over 24	385
Over 25	250

Table 22-11. Monthly CSIP Rates for Air Force Enlisted Flyers
(Effective October 1, 2017)
For the most current rates, see the Monthly Critical Skill Incentive Pay Rates for Air Force Enlisted Flyers table on dfas.mil.

YAS	Monthly Rate
4 or less	$225
Over 4	350
Over 8	500
Over 14	600

*REFERENCES

CHAPTER 22 – AVIATION INCENTIVE PAYS

2.0 – HDIP FOR FLYING DUTY

	37 U.S.C. § 351(a)(2)
	DoDI 1340.09, January 26, 2018, paragraph 3.4.c
2.4.1.	DoDI 7730.67, October 20, 2016, paragraph 3.2.b(5)
2.4.5.	DoDI 1340.09, January 26, 2018, paragraph 3.4.c(3)
2.5.2.	25 Comptroller General (Comp Gen) 534
2.5.3.	37 Comp Gen 183
	4 Comp Gen 975
	9 Comp Gen 487
2.9.1.	2 Comp Gen 370
2.9.2.	46 Comp Gen 776
2.9.3.	37 Comp Gen 322
	DoDI 1340.09, January 26, 2018, paragraph 3.4.c(5)
2.9.5.	37 U.S.C. § 552
	23 Comp Gen 948
2.9.6.1.	23 Comp Gen 449
2.9.6.2.	7 Comp Gen 476
	36 Comp Gen 57
2.10	9 Comp Gen 234
	39 Comp Gen 604
	41 Comp Gen 173
	46 Comp Gen 776
2.11.1.	56 Comp Gen 983
2.11.2.	56 Comp Gen 983
2.11.3.	Comp Gen B-153331, December 11, 1964
2.15	37 U.S.C. § 351(h)

3.0 – AvIP FOR AVIATORS IN OFD OR PFD POSITIONS

3.1	37 U.S.C. § 334(a)
3.2	DoDI 7730.67, October 20, 2016, paragraph 3.2.b
3.3	37 U.S.C. § 334(a)
3.3.3.	ASD Manpower & Reserve Affairs Memo (M&RA) Memo, April 26, 2017
	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(2)
3.3.3.	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(8)
3.3.4.	DoDI 7730.67, October 20, 2016, paragraph 3.1.b(9)
3.4.	37 U.S.C. § 334(c)(1)(A)
	ASD (M&RA) Memo, April 26, 2017
3.4.5.	DAF Memo (AvIP), August 29, 2017

4.0 – AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

DoDI 7730.67, October 20, 2016, paragraph 3.3

5.0 – CRITICAL SKILL INCENTIVE PAY (CSIP)

37 U.S.C. § 353
DoDI 7730.67, October 20, 2016, paragraph 3.4.a
ASD M&RA Memo, April 26, 2017
DAF Memo, August 29, 2017

Table 22-2 – FLIGHT EXAMPLES INVOLVING BASIC 3-MONTH GRACE PERIODS

46 Comp Gen 776

Table 22-3 – FLIGHT EXAMPLES INVOLVING 3-MONTH PERIODS AND EXCESS TIME

46 Comp Gen 776

Table 22-4 – ENTITLEMENT TO HDIP UNDER CERTAIN CONDITIONS

Rules 1 through 8	EO 11157, June 22, 1964
Rule 9	EO 11929, July 26, 1976
Rule 10	EO 11929, July 26, 1976
Note 3	EO 11929, July 26, 1976
Note 4	EO 11929, July 26, 1976

Table 22-5 – Hazardous Duty Incentive Pay (HDIP) for Flying

37 U.S.C. § 301(b)

Table 22-6 – MONTHLY ARMY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Department of the Army Office of the Deputy Chief of Staff G1 Memo, January 8, 2020

Table 22-7 – MONTHLY NAVY OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Office of the Chief of Naval Operations Instruction 7220.18A, October 1, 2019, Enclosure 2

Table 22-8 – MONTHLY NAVY AvIP RATES FOR OFFICERS IN ADMINISTRATIVE MILESTONE BILLETS

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Navy Message R 201553Z, March 2018
Office of the Chief of Naval Operations Instruction 7220.18A, October 1, 2019, Enclosure 2

Table 22-9 – MONTHLY MAXIMUM AIR FORCE AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
DAF Memo (AvIP), August 29, 2017

Table 22-10 – MONTHLY MARINE CORPS OFFICER AvIP RATES

37 U.S.C. § 334(c)(1)(A)
ASD M&RA Memo, April 26, 2017
Marine Corps Message R 271318Z, February 2018

Table 22-11 – MONTHLY CSIP RATES FOR AIR FORCE ENLISTED FLYERS

37 U.S.C. § 353
DAF Memo (CSIP), August 29, 2017

VOLUME 7A, CHAPTER 23: "SUBMARINE DUTY PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 23-4	Updated content for clarity.	Revision
References	Updated statutes and supporting references.	Revision

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*REFERENCES 12

CHAPTER 23

SUBMARINE DUTY PAY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to Submarine Duty Pay for members of the Navy, as authorized by law. A member of the Navy, who is entitled to basic pay, may be paid submarine duty incentive pay for the frequent and regular performance of operational submarine duty required by orders (including on a submarine of a foreign nation).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

2.1 Purpose

Incentive pay for operational submarine duty is designed to recognize the arduous nature of submarine duty assignments. The Secretaries of the Military Departments concerned may establish an operational submarine duty incentive pay program to encourage volunteerism for submarine duty assignments.

2.2 Eligibility

The Secretaries of the Military Departments concerned will establish eligibility criteria based on Service-specific needs for submarine duty assignments not receiving continuous submarine duty pay (CONSUBPAY).

2.3 Amount

The Secretaries of the Military Departments concerned will establish monthly rates, based on level of responsibility and time of submarine service. The maximum amount of operational submarine duty incentive pay per month will not exceed $1,000. The monthly rates of submarine duty pay for commissioned officers, warrant officers, and enlisted members are contained in Tables 23-1, 23-2, and 23-3. For the most current rates, see the ***Submarine Duty Pay Rates*** table on DFAS.MIL.

2.4 Definition of Terms for "Operational Submarine Duty"

2.4.1. Operational submarine duty means duty performed:

2.4.1.1. While assigned under competent orders to a submarine;

2.4.1.2. While serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle);

2.4.1.3. While undergoing initial submarine training prior to assignment to a nuclear-powered submarine;

2.4.1.4. While undergoing rehabilitation training after assignment to a nuclear-powered submarine;

2.4.1.5. In the case of members qualified for the submarine service, while assigned as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations:

2.4.1.5.1. During 1 calendar-month: 48 hours, except that hours served underway in excess of 48 hours as a member of a submarine operational command staff during any of the immediately preceding 5 calendar-months and not already used to qualify for incentive pay, may be applied to satisfy the 48-hour underway time requirements for the current month;

2.4.1.5.2. During any 2 consecutive calendar-months when requirements of subparagraph 2.4.1.5.1 have not been met: 96 hours; or

2.4.1.5.3. During any 3 consecutive calendar-months when requirements of subparagraph 2.4.1.5.2 have not been met: 144 hours;

2.4.1.6. While receiving training and instructions for assignment to a submarine of advanced design; or

2.4.1.7. While receiving instructions to prepare a submariner for a position of increased responsibility on a submarine.

2.4.2. The term "submarine service" means the service performed by a member under regulations prescribed by the Secretary of the Navy. The years of submarine service are computed beginning with the effective date of the initial order to perform submarine service.

2.5 Submarine Duty Pay Start and Stop Dates

See Table 23-4.

2.6 Submarine Operational Command Staff Members

2.6.1. General rules for meeting underway time requirements, including determination of a 2- or 3-month grace period, are substantially the same as those for flying pay. (See Chapter 22.)

2.6.2. For the fractional part of a calendar month, or fractional parts of 2 consecutive calendar months (duty begins in 1 month and ends in the following month), the underway time required, based on the requirement of 48 hours for a calendar month, will be determined from Table 23-5.

2.7 Temporary Additional Duty or Authorized Leave

A member, who is entitled to submarine duty pay, retains entitlement during periods of temporary additional duty or authorized leave. However, a submarine operational command staff member is required to fulfill the underway time requirements to retain entitlement during such periods if not otherwise entitled to continuous monthly submarine duty pay in accordance with section 3.0.

2.8 Missing Status - Member's Entitlement

A member receiving submarine duty pay when declared missing by a competent authority is entitled to submarine duty pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to submarine duty pay, upon termination of the period of eligibility, will be contingent on a determination of continued eligibility.

2.9 Restriction

2.9.1. An officer who fails selection for assignment as an executive officer or commanding officer of a submarine, or who declines to serve in either such position, may not be paid submarine duty pay except for periods during which such officer is serving on a submarine during underway operations.

2.9.2. A Service member cannot receive both CONSUBPAY and operational submarine duty incentive pay at the same time for the same period of service. When CONSUBPAY eligibility is not met, personnel may be eligible for operational submarine duty incentive pay for any period attached under orders to operational submarine duty, whether temporarily or permanently assigned.

3.0 CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

3.1 Purpose

The Navy may offer CONSUBPAY to active-duty Service members who volunteer to serve in, and remain serving in, the submarine service on a career basis in a submarine duty designation or designator.

3.2 Eligibility

A member of the submarine service (as defined in subparagraph 2.4.2) may be eligible for CONSUBPAY if they meet the following requirements:

3.2.1. Hold a submarine duty designation or designator, or are in training to receive a submarine duty designation or designator;

3.2.2. Have a valid submarine service entry date and have obtained the prescribed amount of total operational submarine service (TOSS) at the completion of 12 and/or 18 years of submarine service. Prior to 12 years of service, there is no minimum TOSS requirement for CONSUBPAY;

3.2.3. Enlisted members serving ashore must maintain a sufficient period of obligated service as specified in the Office of Chief of Naval Operations Instruction (OPNAVINST) 7220.15 (including any extension of enlistment) to be able to be reassigned to submarine duty. Officers must remain qualified for follow-on submarine service while serving ashore;

3.2.4. Maintain physical qualifications for submarine service;

3.2.5. Have less than 26 years of service; and

3.2.6. Meet other applicable requirements outlined by the Secretary of the Navy.

3.3 Additional Eligibility Requirements

3.3.1. To remain eligible for CONSUBPAY through 26 years of service (excluding, in the case of an officer, any period of service as an enlisted member) a member must accumulate at least 6 years of TOSS in the first 12 years of submarine service, and at least 10 years of TOSS in the first 18 years of submarine service. However, if a member accumulates at least 8 but less than 10 years of TOSS after 18 years of submarine service, the member remains eligible for CONSUBPAY through 22 years of service (excluding, in the case of an officer, any period of service as an enlisted member).

3.3.2. If, upon completion of either 12 or 18 years of submarine service, it is determined that a member has failed to perform the minimum prescribed operational submarine duty requirements during the prescribed periods of time, the eligibility for continuous monthly submarine duty pay ceases. If continuous monthly submarine duty pay ceases upon completion of

12 years of submarine service, a member may be eligible to re-qualify for the pay if after the completion of 18 years of submarine service, the minimum operational submarine duty requirements have been met. At which time, the pay may resume for the period of time prescribed in this section. However, if entitlement to continuous monthly submarine duty pay ceases in the case of any member at the completion of either 12 or 18 years of submarine service or 26 years of service (as computed under Chapter 1, section 2.0), such member will only be eligible for operational submarine duty pay in the amount specified in section 2.0 for the performance of submarine duties while assigned to a submarine during underway operations.

NOTE: In the case of an officer, any period as an enlisted member, before initial appointment as an officer, is excluded.

3.4 Rates

The monthly rates of submarine duty pay are the same as indicated in Tables 23-1 through 23-3.

3.5 Missing Status - Member's Entitlement

The provisions of paragraph 2.8 are applicable to submarine duty pay entitlement under this section.

3.6 Restriction

3.6.1. Pursuant to ***Title 37, United States Code, Section 353(h)***, a Service member may not be paid more than one pay under the section in any month for the same period of service and skill.

3.6.2. Service members temporarily unable to perform submarine duty due to a physical or medical condition, not the result of the member's own misconduct, may continue to receive CONSUBPAY for a period of up to 6 months. After 6 months, CONSUBPAY will be terminated and may not be reinstated until the condition resulting in the physical or medical restriction is corrected and the member is again certified for submarine duty by a competent Undersea Medical Officer.

3.6.3. Service members permanently disqualified or otherwise determined to be no longer eligible to perform submarine duty, are ineligible for CONSUBPAY.

3.6.4. In accordance with the Memorandum for Assistant Secretary of the Navy (ASN) for Manpower and Reserve Affairs (M&RA), dated January 26, 2018 a Service member, who receives CONSUBPAY and fails to satisfy the eligibility requirements for receipt of the pay, will be subject to having the pay terminated. Repayment of any unearned portion or overpayment will be in accordance with the provisions of ***37 U.S.C. § 373***, Chapter 2, and Volume 16, Chapter 3.

Table 23-1. Monthly Submarine Duty Pay - Commissioned Officers Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

Years of Service Computed Under 37 U.S.C. § 205														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
O–10	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–9	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–8	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–7	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–6	660	660	660	660	660	660	660	660	660	660	950	950	950	950
O–5	655	655	655	655	655	655	655	655	880	930	950	950	950	950
O–4	400	400	400	580	655	805	805	805	880	880	880	880	880	880
O–3	390	390	390	560	655	805	805	805	805	805	805	805	805	805
O–2	335	335	335	335	335	335	470	470	470	470	470	470	470	470
O–1	255	255	255	255	255	255	470	470	470	470	470	470	470	470

Table 23-2. Monthly Submarine Duty Pay Rates - Warrant Officers Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

Years of Service Computed Under 37 U.S.C. § 205														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
W-5	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-4	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-3	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-2	320	420	420	475	475	475	475	475	475	475	475	475	475	475
W-1	320	420	420	475	475	475	475	475	475	475	475	475	475	475

Table 23-3. Monthly Submarine Duty Pay Rates - Enlisted Members Effective October 1, 2021
For the most current rates, see the Submarine Duty Pay Rates table on DFAS.MIL.

Years of Service Computed Under 37 U.S.C. § 205														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
E-9	450	450	450	450	450	450	450	450	450	450	600	600	600	600
E-8	450	450	450	450	450	450	450	450	450	450	550	550	550	550
E-7	445	445	445	445	445	445	445	445	445	445	445	445	445	445
E-6	175	190	190	335	370	430	430	430	430	430	430	430	430	430
E-5	155	170	170	275	315	315	315	315	315	315	315	315	315	315
E-4	90	105	110	270	270	270	270	270	270	270	270	270	270	270
E-3	90	100	105	105	105	105	105	105	105	105	105	105	105	105
E-2	85	100	100	100	100	100	100	100	100	100	100	100	100	100
E-l	85	85	85	85	85	85	85	85	85	85	85	85	85	85

*Table 23-4. Submarine Duty Pay - Start and Stop Dates

RULE	If member under orders for submarine duty is	and	then credit for incentive pay	continues
1	assigned to a submarine		begins on the day of reporting for duty, and	through day of detachment.
2	assigned as prospective crewmember of submarine under construction		begins on the day of reporting for duty, and	through day of detachment.
3	assigned to a nuclear-powered submarine manned by two crews or a crew and an augment crew (notes 1 and 2)		begins on the day of reporting for duty as on-ship or off-ship crew, and	through day of detachment.
4	undergoing instruction to qualify for duty on a submarine of advanced design or for duty with increased responsibility (note 3)		begins on the day class convenes, and	through last day of instruction.
5	injured or incapacitated as a result of performing submarine duty	remains assigned to submarine duty		through date of detachment.
6	injured or incapacitated as a result of performing submarine duty	is transferred to a medical facility on temporary duty orders for treatment, rehabilitation or medical board review		for not more than 6 months after date of incapacity, as determined by medical authorities.
7	injured or incapacitated as a result of performing submarine duty	is reassigned to limited duty for treatment or rehabilitation		for not more than 6 months after date of assignment to Limited Duty or until disqualifying condition is determined to be permanent, whichever is earlier.

NOTES:

1. Attachment to a submarine means duty as a crew member either on board the submarine, or on duty ashore during periods of rehabilitation after reporting for permanent duty as a crew member, whether to the on-ship or off-ship crew.
2. When an off-ship crew member, in a training and rehabilitation status, performs travel in connection with a change of home port of the member's submarine by means other than the submarine, member's entitlement to submarine pay continues during period in transit.
3. This rule also applies to officers, who previously qualified in submarines as enlisted members, while attending the following:
   a. Submarine Officers' Basic Course or Submarine Officers' Indoctrination Course, for the specific purpose of preparing for a position in a nuclear-powered submarine; or
   b. A course of instruction listed in the OPNAVINST 7220.15B, October 20, 2023, specifically preparing them for positions of increased responsibility in nuclear-powered submarines.

Table 23-5. Submarine Operational Command Staff Members Underway Time Required for Fractional Part of Month

Days	Underway Time		Days	Underway Time	
	Hours	Minutes		Hours	Minutes
1	1	36	16	25	36
2	3	12	17	27	12
3	4	48	18	28	48
4	6	24	19	30	24
5	8	00	20	32	00
6	9	36	21	33	36
7	11	12	22	35	12
8	12	48	23	36	48
9	14	24	24	38	24
10	16	00	25	40	00
11	17	36	26	41	36
12	19	12	27	43	12
13	20	48	28	44	48
14	22	24	29	46	24
15	24	00	30-31	48	00

*REFERENCES

CHAPTER – 23 SUBMARINE DUTY PAY

1.0 – GENERAL

37 U.S.C. § 352
37 U.S.C. § 353

2.0 – INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

37 U.S.C. § 352
DoD Instruction 1340.26, September 25, 2017, Incorporating Change (CH) 1, Effective January 11, 2019
OPNAVINST 7220.15B, October 20, 2023

2.8 37 U.S.C. § 552

3.0 – CONTINUOUS SUBMARINE DUTY SKILL INCENTIVE PAY FOR SUBMARINE SERVICE MEMBERS

ASN (M&RA) Memo, January 26, 2018
OPNAVINST 7220.15B, October 20, 2023

3.1 37 U.S.C. § 353

3.4 37 U.S.C. § 352
37 U.S.C. § 353
37 U.S.C. § 372

Table 23-1 OPNAVINST 7220.15B, October 20, 2023
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-2 OPNAVINST 7220.15B, October 20, 2023
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-3 OPNAVINST 7220.15B, October 20, 2023
ASN (M&RA) Memo, August 30, 2011
Chief of Naval Personnel (CNP) Action Memo, August 12, 2021
ASN (M&RA) Memo, September 21, 2021

Table 23-4 OPNAVINST 7220.15B, October 20, 2023

References (Continued)

Table 23-5	OPNAVINST 7220.15B, October 20, 2023

VOLUME 7A, CHAPTER 24: "INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS"

SUMMARY OF MAJOR CHANGES

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The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
2.3	Updated the "Payment Method and Amounts" paragraph in accordance with the Department of Defense Instruction (DoDI) 1340.09, dated February 2, 2024.	Revision
2.8	Updated the termination date on the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act (NDAA) for Fiscal Year 2024, Public Law 118-31, section 613, dated December 22, 2023.	Revision
3.3 4.3 5.2 6.2 7.3 8.3 9.3 10.3 11.3 12.3 13.3	Updated the "Rates" paragraphs for the hazardous duty incentive pay programs in accordance with DoDI 1340.09, dated February 2, 2024.	Revision
15.5 16.6	Added the "Duration of Authority" paragraph for the Special Warfare Skill Incentive Pay and Navy Special Warfare Skill Incentive Pay.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 24

INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

1.0 GENERAL

1.1 Purpose

The Secretaries of the Military Departments may offer hazardous duty incentive pay (HDIP), special warfare skill incentive pay (SWSIP), or Naval special warfare (NSW) skill incentive pay (SKIP) payments to Service members who under competent orders are required to perform duties designated as hazardous, based upon the inherent dangers of the duty and the risks of physical injury. This chapter establishes the policy pertaining to the monetary incentive to Service members who perform these duties.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Eligibility

To receive HDIP, a Regular or Reserve Component Service member must:

2.1.1. Be entitled to basic pay under ***37 U.S.C. § 204*** or ***37 U.S.C. § 206***;

2.1.2. Be serving under competent orders to perform the hazardous duty; and

2.1.3. Be in training or have completed qualifying training and meet eligibility criteria for the performance of the hazardous duty.

2.2 Member of the Reserve Components (RC)

2.2.1. A member of the RC on extended active duty (EAD) as defined in Chapter 57, paragraph 2.1, who is ordered to perform any of the hazardous duties listed in sections 3.0 through 13.0, is entitled to pay based on the terms of this chapter.

2.2.2. A member of the RC on active-duty training (ADT), who is ordered to perform any of the hazardous duties listed in sections 3.0 through 13.0 is entitled to pay based on Table 24-1, rules 9 through 13 and Chapter 57, paragraphs 3.2 and 4.1.

*2.3 Payment Method and Amounts

2.3.1. Rates. A member who qualifies for HDIP under this chapter may receive a monthly amount up to the rate prescribed for the type of duty performed. The most current rates are in the ***HDIP Rates*** table on DFAS.MIL.

2.3.2. Payment Method. Service members are first eligible for HDIP on the date they report for, and begin performing, a qualifying eligible duty in compliance with competent orders, subject to meeting qualification requirements. HDIP ends on the effective date published in orders for termination of such duty, or the date the Service member is detached from and is no longer required to perform the hazardous duty whichever occurs first.

2.3.2.1. Proration. In cases when a Service member begins hazardous duty on a date other than the first day of a month or terminates that duty prior to the 30th of a month (28th or 29th of February, as appropriate) and otherwise meets the requirements of the pay for the month, the Service member is entitled to a prorated portion of HDIP for the month.

2.3.2.1.1. The prorated monthly amount for Service members serving on active duty is calculated by multiplying 1/30th of the monthly rate of HDIP by the actual number of qualifying service days during the month.

2.3.2.1.2. The prorated monthly amount for RC members entitled to compensation pursuant to 37 U.S.C. § 206, is calculated by multiplying 1/30th of the monthly rate of HDIP by the number of qualifying drill periods performed in the month.

2.3.2.1.3. The maximum incentive pay amount for a hazardous duty may not exceed the monthly HDIP rate or the specific hazardous duty.

2.3.2.2. Exception to Proration. Subparagraph 2.3.2.1 does not apply when the Secretary concerned has requested to specifically designate a hazardous duty as one which, when performed by a Service member in a month, entitles the Service member to the full monthly rate of HDIP for the duty regardless of the duration of qualifying service during the month and such request has been approved by ASD (M&RA).

2.3.3. Repayment of Unearned or Overpayment. A Service member receiving an incentive pay in accordance with this chapter and fails to satisfy the eligibility requirements for receipt of pay will be subject to having the pay terminated. Repayment of any overpayment will be in accordance with the provisions of ***37 U.S.C. § 373*** and DoD Financial Management Regulation, Volume 16, Chapter 3.

2.4 Multiple Payments of HDIP

Service members performing multiple hazardous duties may receive a maximum of three HDIP payments per month. Multiple HDIP is limited to those members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the

mission of the unit to which assigned. Members must meet minimum requirements for each hazardous duty, unless excepted as provided in paragraph 2.6.

2.4.1. Aviation Incentive Pay (AvIP) and HDIP. Officers entitled to AvIP and enlisted members entitled to Critical Skill Incentive Pay (CSIP) are not eligible for flying duty HDIP. In addition to flying duty HDIP, Service members may receive two additional HDIPs under the provisions of this chapter provided the conditions for entitlement have been independently met.

2.4.2. Restriction With Regard to Parachute Duty. Only one type of parachute duty payment (regular or military free fall) is authorized for a qualifying period. When a member qualifies for both types of parachute duty, the higher rate of pay is authorized. Unless otherwise restricted by Military Service regulations (for example, restrictions on manning classification), a member who qualifies for a military free fall rate for a month in which the member earlier qualified for the regular rate of parachute pay will be entitled to the difference between the monthly rate of $150 and $225.

2.5 Injury or Incapacity Resulting From Performance of Hazardous Duty

Service members qualified for HDIP who are temporarily unable to perform a hazardous duty due to an injury or illness that is not the result of the Service member's own misconduct may continue to receive HDIP for up to 6 months. Appropriate medical authority determines the cause of the incapacity and the dates thereof.

2.5.1. Case-by-Case Exception. On a case-by-case basis, the Secretary concerned, or designee, may authorize an extension of HDIP payments for up to an additional 6-months, based on the recommendation of the appropriate medical authority. Under no circumstance may HDIP payments continue beyond 12 months from the date of injury or illness.

2.5.2. Termination of HDIP. HDIP will be terminated for Service members permanently disqualified or otherwise determined to be no longer eligible to perform hazardous duty by a competent medical authority.

2.5.3. Reassignment or Reclassification. Service members reassigned to a new duty assignment or specialty not eligible for HDIP will have their HDIP payments terminated on the date of reassignment or reclassification.

2.5.4. Combat Zone. If the injury or illness occurred while serving in a combat zone, hostile fire area, or imminent danger area, the Service member may continue to receive HDIP during their hospitalization and rehabilitation in accordance with ***37 U.S.C. § 372***. See Chapter 13, section 2.0 for additional details.

2.6 Authority to Issue Orders

Authority of the Military Departments to issue orders requiring performance of hazardous duty is delegated by the Secretaries to specific commanders within each Military Service. These

delegations are contained in personnel administrative regulations of the respective Military Services.

2.7 Missing Status - Member's Entitlement

A member who is receiving an HDIP listed in sections 3.0 through 14.0 when declared by competent authority to be missing (as defined in the Definitions Chapter) is entitled to HDIP during the period of absence and for any period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of the missing status. The member's entitlement to HDIP, upon termination of any required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under section 2.0 and the applicable requirements.

*2.8 Duration of Authority

Unless reauthorized by Congress, HDIP, SWSIP, and NSW SKIP may not be paid after the date listed on the ***Duration of Authority*** (DOA) table.

3.0 PARACHUTE DUTY

3.1 Entitlement

3.1.1. General. Qualified members are those who have received a designation as a parachutist, including those undergoing training for such designation, who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight, and who meet the minimum performance requirements.

3.1.2. Performance Requirements. For eligibility, the member must meet the performance requirements for parachute duty HDIP set out in ***DoD Instruction (DoDI) 1340.09***, para. 3.4.d.

3.1.3. Military Free Fall

3.1.3.1. Service members who qualify for military free fall duty must perform duty involving parachute jumping, as an essential part of their military duties, in military free fall operations where parachute deployment by the jumper occurs without the use of a static line.

3.1.3.2. Qualifying members are those who have received a designation as a military free fall parachutist, including those undergoing training for such designation; who are required by competent orders to engage in parachute jumping from an aircraft in aerial flight; and who meet the requirements of paragraph 3.1. Performance requirements must be satisfied by military free fall jumps.

3.2 Parachute Jumps-Leave, Permanent Change of Station (PCS), Temporary Duty Travel (TDY)/Temporary Additional Duty (TAD), or ADT

Qualifying jumps for entitlement to parachute pay will be performed during a period of duty requiring parachute jumping as established by competent orders. Parachute jumps performed under the following circumstances do not qualify a member for entitlement to parachute pay:

3.2.1. Parachute jumps performed by any member while on leave or during PCS or TDY/TAD not requiring parachute jumping as an essential part of the duty; and

3.2.2. Parachute jumps performed by a member of an RC while on ADT that does not require parachute jumping as an essential part of the duty.

*3.3 Rates

The HDIP rates for parachute duty are:

3.3.1. HDIP for static line parachute jumping is $150 per month (see the HDIP Rates table for the most current rate).

3.3.2. HDIP for a military freefall parachutist is $225 per month (see the HDIP Rates table for the most current rate).

3.3.3. HDIP for parachute duty may be paid, provided prescribed requirements are met, only from the date of reporting for duty or training. Service members who arrive after the first day of the month or depart prior to the end of the month and are not on competent orders for a full calendar month will receive a prorated HDIP payment for those months, unless subparagraph 2.3.2.2 applies.

4.0 FLIGHT DECK DUTY

4.1 Entitlement

The Secretary concerned may offer flight deck HDIP (FDHDIP) to Service members who under competent orders perform flight deck hazardous duty (FDHD). Service members must be present, during flight operations at an assigned duty station on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

4.1.1. Performance Requirements. For eligibility, the member must meet the performance requirements for FDHDIP set out in DoDI 1340.09, para. 3.4.g.

4.1.2. Multiple Payments. Members receiving HDIP for any other type of hazardous duty are not entitled to FDHDIP for the same period.

4.2 Specialized Terms

4.2.1. Eligible Air Capable Ship. A ship having a flight deck that has been certified to launch or land aircraft under Chief of Naval Operations ship or helicopter facility certification program.

4.2.2. Flight Operations. The period of time during which launch and recovery of aircraft are in progress on the flight deck of an eligible air capable ship. It includes the turn-up and movement of aircraft preparatory to launch and the movement and shutdown of aircraft immediately following recovery.

4.2.3. Day of Flight Operations. One day of flight operations will consist of a calendar day during which any combination of aircraft takeoffs and/or landings takes place, as specified for each ship by class in OPNAV Instruction 7220.4 series. Four days of such flight operations, or the equivalent thereof, will constitute the basic calendar month qualification criteria.

4.2.4. Equivalent of 4 Days of Flight Operations. Any single day or combination of days during a calendar month in which the number of aircraft takeoffs and/or landings equals the monthly total requirement for that class ship in OPNAV Instruction 7220.4 series will constitute the equivalent of four days of flight operations.

4.2.5. FDHD Billet. A billet that requires frequent and regular participation in flight operations on the flight deck of an eligible (certified) ship as promulgated in the OPNAV Instruction 7220.4 series.

4.2.6. Participation. Service members must be present, during flight operations, at an assigned station on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

*4.3 Rates

FDHDIP is paid to eligible members at a rate of $150 per month (see the HDIP Rates table for the most current rate). Service members who meet entitlement criteria, but who do not participate in a full calendar month of flight deck operations, will receive a prorated FDHDIP payment in accordance subparagraph 2.3.2 for any portion of a calendar month, during which FDHD is performed under competent orders, unless subparagraph 2.3.2.2 applies.

4.4 Commencement and Termination of FDHDIP

Eligibility for entitlement to FDHDIP begins on the date a member is ordered to duty in an FDHD billet. Entitlement eligibility ends on the date the orders to such billet are revoked, or when a member is permanently detached from the aircraft carrier, other eligible air capable ship, or aviation unit, whichever occurs first. Orders may be terminated for other reasons but not for the sole purpose of providing FDHDIP for additional members.

4.5 Right to Pay Under Certain Conditions

See Table 24-1.

5.0 DEMOLITION DUTY

5.1 Entitlement

5.1.1. Condition of Entitlement. A member entitled to basic pay, who is required by competent orders to perform duty involving the demolition of explosives, as prescribed by Military Service regulations, as a primary duty (including training for that duty), is entitled to HDIP under the conditions stated in this section.

5.1.2. Duty Involving Demolition of Explosives. Demolition duty is duty performed by members who engage in the following activities under competent orders and as a primary duty assignment:

5.1.2.1. Demolish by the use of explosive objects, obstacles, or other explosives, or recover and render harmless, by disarming or demolishing, explosives that have failed to function as intended or which have become a potential hazard;

5.1.2.2. Participate as students or instructors in instructional training, including that in the field or fleet, for the duties described in subparagraph 5.1.2.1 provided that live explosives are used in such training;

5.1.2.3. Participate in proficiency training, including that in the field or fleet, for the maintenance of skill in the duties described in subparagraph 5.1.2.1 provided that live explosives are used in such training; or

5.1.2.4. Experiment with or develop tools, equipment, or procedures for the demolition and rendering harmless of explosives, provided that live explosives are used.

*5.2 Rates

HDIP for demolition duty is paid to eligible members at a rate of $150 per month (see the HDIP Rates table for the most current rate). Qualified Service members who are not on competent orders for the entire month receive a prorated payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

5.3 Performance Requirements

For eligibility, the member must meet the performance requirements for demolition duty HDIP set out in DoDI 1340.09, para. 3.4.e.

5.4 Right to Pay Under Certain Conditions

See Table 24-1.

6.0 EXPERIMENTAL STRESS DUTY

6.1 Entitlement

6.1.1. Condition of Entitlement. A member on active duty who is required by competent orders to perform experimental stress duty is entitled to HDIP under the conditions stated in this section.

6.1.2. Duty Involving Experimental Stress. Experimental stress duties are included in subparagraphs 6.1.2.1 through 6.1.2.4.

6.1.2.1. Human Acceleration or Deceleration Experimental Subject. Duty performed as human acceleration or deceleration experimental subjects utilizing experimental acceleration or deceleration devices.

6.1.2.2. Thermal Stress Duty. Duty performed as human thermal experimental subjects in thermal stress experiments.

6.1.2.3. Low-Pressure Chamber Duty. Duty performed within a low-pressure (altitude) chamber at physiological facilities as human test subjects, inside instructor-observer or inside observer-tender.

6.1.2.4. High-Pressure Chamber Duty

6.1.2.4.1. Duty performed within a high-pressure (hyperbaric or recompression) chamber or hyperbaric complex as a:

6.1.2.4.1.1. Human test subject for approved protocols applicable to the research, development, testing and evaluation of diving, hyperbaric and underwater-related tools, systems, equipment and procedures;

6.1.2.4.1.2. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of protocols; or

6.1.2.4.1.3. Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of hyperbaric treatment or hyperbaric therapy procedures which include, but are not limited to, treatment of ailments incidental to diving and hyperbaric/hypobaric exposure.

6.1.2.4.2. For a Navy member to qualify as a human test subject, inside instructor-observer or inside observer-tender in a recompression chamber/hyperbaric complex, all of the following conditions must be met. The member must:

6.1.2.4.2.1. Possess one of the Navy Enlisted Classification/Navy Officer Billet Classification (NEC/NOBC) codes listed and be assigned by competent orders to a billet utilizing the following NEC/NOBC classifications:

Enlisted:	**NEC**
Special Warfare Operator (SEAL) Candidate	O20A
SEAL Delivery Vehicle (SDV) Operator	O23A
Special Warfare Operator (SEAL)	O26A
Basic Explosive Ordnance Disposal (EOD) Technician	M02A
Senior EOD Technician	M03A
Master EOD Technician	M04A
Master Diver	MMDV
First Class Diver	M1DV
Second Class Diver	M2DV
Underwater Construction Technician Advanced	B16A
Underwater Construction Technician Basic	B17A
Master Underwater Construction Diver	B18A
Fleet Marine Force Reconnaissance Independent Duty Corpsman	L02A
Fleet Marine Force Reconnaissance Corpsman	L11A
Medical Deep Sea Diving Technician	L27A
Deep Sea Diving Independent Duty Corpsman	L28A

Officer	**NOBC**
Undersea Medical (Diving) Officer	0107
EOD Officer	9230
EOD Mobile Unit Officer	9231
SEAL Officer	9293
Diving Officer (General)	9312;

6.1.2.4.2.2. Be ordered to perform additional duty as a human test subject, inside instructor-observer or inside observer-tender as described in subparagraphs 6.1.2.4.1, 6.1.2.4.2, or 6.1.2.4.3, or by the commanding officer having cognizance over the recompression chamber or hyperbaric complex; and

6.1.2.4.2.3. Either be instructing or operating Navy approved underwater breathing equipment, support systems, and recompression chambers; or observing the other individual(s) for symptoms of diving injuries/illnesses and providing appropriate treatment, as ordered by competent authority.

6.1.2.4.3. The following types of similar duties do not entitle Navy personnel to HDIP as recompression chamber/hyperbaric complex inside instructor-observers or inside observer-tenders:

6.1.2.4.3.1. Inside observer-tender and divers for surface decompression procedures incidental to the conduct of diving operations as this is considered a normal procedure related to the safe conduct of routine diving operations;

6.1.2.4.3.2. Under instruction either inside instructor-observer, inside observer-tender, or trainees that includes saturation diving procedures and hyperbaric medical related training which is considered a normal requirement to establish or maintain proficiency and/or qualifications;

6.1.2.4.3.3. Inside observer-tender or test candidates during pressure and/or oxygen tolerance tests;

6.1.2.4.3.4. Inside observer-tender, technicians or others involved in recompression chamber or hyperbaric complex preventive or corrective maintenance or during the use of a chamber or complex for the purpose of conducting preventive or corrective maintenance procedures; and

6.1.2.4.3.5. Patients undergoing hyperbaric treatment or therapy.

6.1.3. Restriction. A member is entitled to only one payment of HDIP for experimental stress duty during any 1 month.

*6.2 Rates

HDIP for experimental stress duty is $150 per month (see the HDIP Rates table for the most current rate). HDIP is payable for any full month or is prorated in accordance with subparagraph 2.3.2 for any portion of a calendar month, during which experimental stress duty is performed under competent orders, unless subparagraph 2.3.2.2 applies.

6.3 Performance Requirements

For eligibility, the member must meet the performance requirements for experimental stress duty HDIP set out in DoDI 1340.09, para. 3.4.f.

6.4 Right to Pay Under Certain Conditions

See Table 24-1.

7.0 TOXIC FUELS (OR PROPELLANTS) DUTY

7.1 Entitlement

7.1.1. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants when this duty is performed as a primary duty according to the requirements set forth in subparagraphs 7.2.1 through 7.2.4 and 7.2.7.

7.1.2. A member is eligible for HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants for the testing of aircraft or missile systems (or components of such systems) during which highly toxic fuels are used when this duty is performed as a primary duty according to the requirements listed in paragraph 7.2.

7.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic fuel or propellants duty HDIP set out in DoDI 1340.09, para. 3.4.j.

*7.3 Rates

HDIP for handling of toxic fuels and propellants is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty involving toxic fuels and propellants, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

7.4 Restriction

Authorization is based upon the performance of this primary duty that has the potential for accidental or inadvertent exposure to highly toxic fuels or propellants or related substances and not upon actual quantifiable exposure to such substances. Therefore, neither this construction of the term nor the receipt of the pay may be construed as indicating that any Service member eligible for such pay has been actually exposed to highly toxic fuels or propellants, or related substances contrary to the provisions of any statute, Executive order, rule, or regulation relating to health or safety which is applicable to the Uniformed Services.

8.0 TOXIC PESTICIDES DUTY

8.1 Entitlement

A member is eligible for HDIP for duty involving frequent and regular exposure to highly toxic pesticides when the member is assigned by competent orders to the entomology, pest control, pest management, or preventive medicine functions of a Uniformed Service for a period of 30 consecutive days or more.

8.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic pesticides duty HDIP set out in DoDI 1340.09, para. 3.4.h.

*8.3 Rates

HDIP for duty involving exposure to toxic pesticides is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not

participate in a full calendar month of duty involving exposure to highly toxic pesticides will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

9.0 DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

9.1 Entitlement

A member is eligible for HDIP for duty involving laboratory work that utilizes live dangerous viruses or bacteria as a primary duty.

9.2 Performance Requirements

For eligibility, the member must meet the performance requirements for dangerous viruses or bacteria duty HDIP set out in DoDI 1340.09, para. 3.4.i.

*9.3 Rates

HDIP for laboratory duty involving dangerous viruses or bacteria is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of laboratory duty utilizing live viruses or bacteria will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

10.0 CHEMICAL MUNITIONS DUTY

10.1 Entitlement

A member is eligible for HDIP for duty involving the handling of chemical munitions (or components of such munitions) as a primary duty.

10.2 Performance Requirements

For eligibility, the member must meet the performance requirements for toxic pesticides duty HDIP set out in DoDI 1340.09, para. 3.4.k.

*10.3 Rates

HDIP for handling of chemical munitions is $150 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of duty handling chemical weapons, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

10.4 Restriction

The Secretary concerned is authorized to pay HDIP for the performance of this primary duty that has the potential for accidental exposure to chemical agents and not upon actual quantifiable exposure to such agents. Therefore, neither the construction of the term nor the receipt of pay provided for in this section may be construed as indicating that any person eligible for such pay actually has been exposed to chemical agents contrary to the provisions of any statute, Executive order, rule, or regulation relating to health and safety which is applicable to the Uniformed Services.

11.0 MARITIME VISIT, BOARD, SEARCH, SEIZURE (VBSS) DUTY

11.1 Entitlement

The Secretary concerned may offer an HDIP to members who under competent orders perform duty in VBSS billets that require frequent and regular participation in VBSS operations aboard vessels in support of maritime interdiction operations.

11.2 Performance Requirements

For eligibility, the member must meet the performance requirements for maritime VBSS duty HDIP set out in DoDI 1340.09, para. 3.4.l.

*11.3 Rates

HDIP for VBSS is a monthly rate of $150.00 (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month of VBSS duty, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

12.0 POLAR REGION FLIGHT OPERATIONS DUTY

12.1 Entitlement

A member is eligible for HDIP for duty involving the use of ski-equipped aircraft on the ground in Antarctica or on the Arctic Ice-Pack.

12.2 Performance Requirements

For eligibility, the member must meet the performance requirements for polar region flight operations duty HDIP set out in DoDI 1340.09, para. 3.4.m.

*12.3 Rates

HDIP for polar region flight operations duty is $150.00 per month (see the HDIP Rates table for the most current rate). Service members who meet the eligibility criteria, but who do not

participate in a full calendar month of polar region flight operations, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

13.0 WEAPONS OF MASS DESTRUCTION CIVIL SUPPORT (WMDCS) TEAM

13.1 Entitlement

The Secretary concerned may pay HDIP to RC Service members assigned to WMDCS teams.

13.2 Performance Requirements

For eligibility, the member must meet the performance requirements for WMDCS team HDIP set out in DoDI 1340.09, para. 3.4.n.

*13.3 Rates

HDIP for RC Service members assigned to a WMDCS team is $150 per month (see the HDIP Rates for the most current rate). Service members who meet the eligibility criteria, but who do not participate in a full calendar month as a WMDCS team member, will receive a prorated HDIP payment in accordance with subparagraph 2.3.2, unless subparagraph 2.3.2.2 applies.

14.0 DIVING DUTY HDIP

See Chapter 11 for diving duty eligibility criteria, requirements, and rates.

15.0 SPECIAL WARFARE SKILL INCENTIVE PAY (SWSIP)

15.1 Entitlement

The Air Force may pay a monthly skill incentive pay to Airmen qualified and serving as an Air Force Special Warfare (AFSPECWAR) Airmen. AFSPECWAR Airmen conduct operations in the ground domain in contested, denied, operationally limited, and permissive environments under severe environmental conditions.

15.2 Performance Requirements

15.2.1. AFSPECWAR Airmen must serve in one the following seven critical Air Force Specialty Codes (AFSC):

15.2.1.1. Pararescue (1Z1XX);

15.2.1.2. Combat Control (1Z2XX);

15.2.1.3. Tactical Air Control Party (1Z3XX);

15.2.1.4. Special Reconnaissance (1Z4XX);

15.2.1.5. Special Tactics Officer (19ZXA);

15.2.1.6. Tactical Air Control Party Officer (19ZXB); or

15.2.1.7. Combat Rescue Officer (19ZXC).

15.2.2. The Air Force may offer skill incentive pay to AFSPECWAR Airmen who:

15.2.2.1. Are entitled to basic pay under 37 U.S.C. § 204, or 37 U.S.C. § 206.

15.2.2.2. Serve in one of the AFSPECWAR Airmen AFSCs listed in subparagraph 15.2.1.

15.2.2.3. Meet all applicable eligibility requirements for performance of skill incentive pay as outlined in the Assistance Secretary of Defense (ASD) Memo for Assistant Secretary of the Air Force for Manpower and Reserve Affairs (M&RA) and any other criteria established by the Secretary of the Air Force in accordance with Air Force publications:

15.2.2.3.1. ***Air Force Manual (AFMAN) 10-3500V1***, Air Force Special Warfare Training Program, dated June 1, 2022, Table A2.1 and A2.2 for critical skills (parachute, dive, demolition, and aerial flight); and

15.2.2.3.2. Department of the Air Force Guidance Memorandum to AFMAN 10-409-O, Support to Adaptive Planning, dated June 15, 2021.

15.2.2.4. Have completed the requisite training and maintain necessary qualifications for the performance of Special Warfare Airmen critical skills required by the Secretary of the Air Force in accordance with the Air Force "Force Generation and Force Presentation (AFFORGEN) model."

15.2.2.5. Meet medical and physical requirements for deployment or be granted a waiver for deployment purposes.

15.2.2.6. AFSPECWAR Airmen assigned to designated career-broadening assignments (e.g., Headquarters staff, recruiting, and instructor duties) may continue to receive SWSIP for up to 24 months as long as they meet SWSIP qualifications at the time they report to their career-broadening assignment. After 24 months, Airmen must recertify in their SWSIP skills within 180 days or SWSIP will be discontinued, and any payments received after 24 months will be subject to repayment in accordance with provisions of 37 U.S.C. § 373.

15.2.2.7. AFSPECWAR Airmen may continue to receive SWSIP provided they meet SWSIP eligibility criteria while attending Professional Military Education Courses, during contingency deployment, while on authorized leave, and while in route to their next AFSPECWAR duty assignment.

15.3 Rates

15.3.1. SWSIP is paid to eligible members at an amount not to exceed $615 per month. If a Service member satisfies the eligibility requirements only for part of the month, the Secretary of the Air Force will prorate the payment amount to reflect the duration of the member's qualifying service during the month. Reserve component members may be eligible for SWSIP at the discretion of the Secretary of the Air Force. The daily amount authorized will be equal to 1/30th of the monthly SWSIP rate for each period of inactive duty for training.

15.3.2. See SWSIP Tables 24-3 and 24-4 detailing how SWSIP will be paid.

15.4 Restriction

The following limitations and restrictions apply for receipt of SWSIP:

15.4.1. Service members may not receive a bonus or incentive pay pursuant to ***Subchapter I and Subchapter II of Chapter 5, of Title 37, U.S.C.***, for the same activity, skill, or period of service.

15.4.2. Service members receiving incentive payments pursuant to ***37 U.S.C. § 334*** or ***37 U.S.C. § 334a*** are not eligible for SWSIP for the same skill or period of service.

15.4.3. Service members may not be paid skill incentive pay or proficiency bonuses pursuant to 37 U.S.C. § 353, and hazardous duty pay under ***37 U.S.C. § 351(a)(2)***, for the same period of service in the same career field or skill.

15.4.4. Service members may not be paid more than one pay under 37 U.S.C. § 353, in any month for the same period of service and skill.

15.4.5. Service members temporarily unable to perform the skills of an AFSPECWAR Airman due to a medical restriction, not the result of the member's own misconduct, may continue to receive SWSIP for up to 12 months, provided the member met the eligibility criteria within the 30 days that occurred prior to the injury or illness. If the restriction persists beyond 365 days or the member is no longer certified to perform the AFSPECWAR Airman duties, SWSIP payments will terminate and may not resume until the condition resulting in medical restriction is corrected and the member is certified to resume AFSPECWAR Airmen duties by a competent medical authority. The Secretary of the Air Force may, on a case-by-case basis, authorize a one-time extension of SWSIP for up to 90 days (beyond the initial 365 days). Extensions beyond 90 days must be forwarded to the Assistant Secretary of Defense for Manpower and Reserve Affairs for approval. All extension requests will include a description of the injury, current prognosis and treatment technique, expected date of full recovery and resumption of AFSPECWAR Airman duties, as well as an endorsement recommendation from the Air Force Surgeon General or designee.

15.4.6. Service members permanently disqualified or otherwise determined to be no longer eligible to perform the duties of an AFSPECWAR Airman, are ineligible for SWSIP.

15.4.7. Service members are not authorized SWSIP payments for any periods of unauthorized absence.

*15.5 Duration of Authority

Unless reauthorized by Congress, no new agreements or payments for SWSIP may be offered after the date listed on the DOA table, but current payments will continue for the duration of the current agreement or until the Service member no longer meets the eligibility for the payment.

16.0 NAVAL SPECIAL WARFARE (NSW) SKILL INCENTIVE PAY (SKIP)

16.1 Entitlement

The Navy may pay a monthly skill incentive pay to Service members qualified and serving as NSW Operators pursuant to 37 U.S.C. § 353. NSW Operators perform clandestine paradrop, maritime, and land-based special operations in austere conditions in order to provide to the United States and its allies tailored capabilities. NSW SKIP will be used in lieu of hazardous duty incentive pays to minimize costly training interruptions in the NSW inter-deployment training cycle (IDTC), minimize the strain on force Personnel Tempo System during the IDTC and remove financial disincentives associated with NSW Operators seeking medical care.

16.2 Performance Requirements

16.2.1. The term NSW Operator encompasses the following critical Navy enlisted classifications (NECs) and officer designator codes:

16.2.1.1. Sea-air-land (SEAL) delivery vehicle (SDV), operator (023X);

16.2.1.2. SEAL special warfare operator (O26X);

16.2.1.3. SEAL special warfare officer (113X);

16.2.1.4. SEAL special warfare warrant operator (715X);

16.2.1.5. Special warfare combatant-craft crewman (SWCC) operator (052X); and

16.2.1.6. SWCC warrant officer (717X).

16.2.2. The NSW SKIP is payable to active duty, and training and administration of Reserve operators only, on a monthly basis, who meet all of the following criteria in subparagraphs 16.2.2.1 through 16.2.2.6.

16.2.2.1. Be entitled to basic pay under 37 U.S.C. § 204, or 37 U.S.C. § 206.

16.2.2.2. Be serving in one of the NSW operators NECs or officer designator codes listed in subparagraphs 16.2.1.1 through 16.2.1.6.

16.2.2.3. Completed all the required training and maintained eligibility for designation as an NSW operator.

16.2.2.4. Completed the requisite training necessary to perform parachute duty and (if necessary) qualification training for demolition and diving duty.

16.2.2.5. Meet the medical and physical requirements for deployment or granted a waiver by the Secretary of the Navy.

16.2.2.6. Be assigned to commands that complete NSW IDTC (e.g., SEAL team, SDV team, special boat team, NSW training detachment), or meet the minimum semi-annual currency requirements as listed by the rating and qualifications in the NSW SKIP Currency and Payment Levels table (Table 24-4).

16.2.3. NSW operators will continue to receive NSW SKIP while in school, NSW IDTC, on leave, or en route to next assignment as long as they continue to meet the eligibility criteria listed in subparagraphs 16.2.2.1 through 16.2.2.6. Contact the OPNAV, Naval Special Warfare Program Management Branch (N137) for partial payment information.

16.2.4. NSW operators who receive NSW SKIP under this guidance and fail to satisfy the eligibility requirements will be subject to having their pay terminated. Repayment of any overpayment will be in accordance with 37 U.S.C. § 373.

16.2.5. Reserve NSW operators (1135) will receive NSW SKIP if recalled to fulfill orders that are 1 year or longer. Jump, dive, and demolition payments may be paid to NSW reservists with orders under a year and have met currency requirements per the NSW SKIP Currency and Payment Levels listed in Exhibit 1.

16.3 NSW Pay Levels and Qualifications

Enlisted pay rates will be administered according to NECs and qualifications. Officer pay rates will be administered according to designators and qualifications. Pay will be stopped by the commanding officer's (CO) decertification, NEC or designator removal, terminal leave, or lateral transfer out of the NSW community. Levels and qualifications are as follows:

16.3.1. SDV Operator Holding NEC 023X

SEAL enlisted SDV operators must be qualified and current in all of the following duties:

16.3.1.1. Military parachuting operations including static line and or military free-fall,

16.3.1.2. Combat diving (open circuit self-contained underwater breathing apparatus (SCUBA) and or closed circuit) operations, and

16.3.1.3. Demolition and explosive breaching operations with live explosive material as an essential part of required duties.

16.3.2. Special Warfare Operator Holding NEC 026X, SEAL Warrant Officer Holding Designator 715X, SEAL Officer Holding Designator 113X

SEAL enlisted operators, SEAL Officers, and SEAL warrant officers must be qualified and current in all of the following duties:

16.3.2.1. Military parachuting operations including static line and or military free-fall,

16.3.2.2. Combat diving (open circuit SCUBA and or closed circuit) operations, and

16.3.2.3. Demolition and explosive breaching operations with live explosive material as an essential part of required duties.

16.3.3. Special Warfare Boat Operator Holding NEC 052X and Special Warfare Combatant-Craft Crewman Warrant Officer Holding Designator 717X

SWCC enlisted operators and SWCC warrant officers must be qualified and current in military parachuting operations including static line and or military free-fall.

16.4 Rates

The Navy may pay monthly NSW SKIP to qualified Service members who meet the NSW SKIP eligibility requirements in an amount not to exceed $715 per month. See the NSW SKIP Currency and Payment Levels (Table 24-4) for the monthly pay rate. If a Service member does not satisfy the eligibility requirements specified for an entire month, the Secretary of the Navy will prorate the payment amount to reflect the duration of the member's actual qualifying service during the month. Qualified Reserve Component members who meet the NSW SKIP eligibility requirements and are entitled to compensation pursuant to 37 U.S.C. § 206, may be eligible for NSW SKIP at the discretion of the Secretary of the Navy. The daily amount authorized will be equal to $1/30^{th}$ of the monthly NSW SKIP rate for each period of inactive duty for training.

16.5 Restrictions

The following limitations and restrictions apply for receipt of NSW SKIP:

16.5.1. Service members may not be paid NSW SKIP and jump, dive, or demolition duty pays for the same period of service.

16.5.2. Service members may not be paid more than one NSW SKIP in any month for the same period of service.

16.5.3. Service members temporarily unable to perform the skills of an NSW operator due to a medical restriction that is not the result of the Service member's own misconduct may continue to receive NSW SKIP for up to 12 months, provided the Service member met the eligibility criteria for the pay within 30 days prior to the injury or illness. If the restriction persists beyond 12 months or the Service member is no longer certified to perform the NSW operator skill, NSW SKIP payments will terminate and may not resume until the condition, which resulted in the medical restriction, is corrected and the Service member is certified to resume NSW operator duties by the appropriate medical authority. The Secretary of the Navy may, on a case-by-case basis, authorize a one-time extension of NSW SKIP for up to 90 days beyond the initial 12 months. Extensions beyond 90 days must be forwarded to the Assistant Secretary of Defense for Manpower and Reserve Affairs for approval.

16.5.4. Commanding Officers (COs) in the pay grade of O-5 or above may waive the jump requirements for one jump during a 12-month period due to non-availability of jump equipment or aircraft, inclement weather, or while attending a military education or training of less than 179 days. Service members must maintain their proficiency through refresher training in lieu of jumping in order to retain eligibility for NSW SKIP pay during the waived period.

16.5.5. COs in the paygrade of O-5 or above may waive jump, dive, and demolition currency requirements for joint individual augmentations and any global force management assignment that requires a member to deploy where operations or equipment do not permit execution of jump, dive, and demolition training.

*16.6 Duration of Authority

Unless reauthorized by Congress, no new agreements or payments for NSW SKIP may be offered after the date listed on the DOA table, but current payments will continue for the duration of the current agreement or until the Service member no longer meets the eligible for the payment.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
1	sick in the line of duty	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of the illness.
2	on authorized leave	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of leave (note 1).
3	on TDY or TAD	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of TDY or TAD.
4	reassigned PCS including TDY in conjunction with PCS	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	is not affected by the PCS (note 2).

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
5	on TDY or TAD	any type of hazardous duty listed in this chapter	orders to perform hazardous duty involved are in effect at the TDY station only. Member meets minimum performance requirements at the TDY station	begins on the date of reporting for duty at the TDY location and exists for the period of TDY.
6	discharged and immediately reenlisted at the same station without a break in service	any type of hazardous duty listed in this chapter	orders to perform hazardous duty involved are not specifically terminated	is determined as though there had been no discharge.
7	discharged and immediately reenlisted at the same station without a break in service	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved are specifically terminated	ceases on effective date shown in orders.
8	removed from hazardous duty		removal is for cause, disqualification, or the member's own request	ceases on the date that cause or disqualification is determined to exist or the date the member is removed per request, which will be the effective date established in orders terminating the hazardous duty. (See note 2 for pay proration.)
9	a member of an RC being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 5)	parachute	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	continues for the period of allowable travel time (notes 3 and 5).

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	When a member under orders to perform hazardous duty is	and the hazardous duty involved is	and	then IP entitlement
10	being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 4)	demolition, flight deck, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, handling chemical munitions, maritime VBSS, or polar region flight operations	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	ceases on detachment from last duty station.
11	on ADT for any number of weeks (with or without a unit of assignment) (note 4)	any type of hazardous duty listed in this chapter	orders to perform the hazardous duty involved are in effect at the ADT station. Member meets minimum performance requirements at ADT station	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.
12	on ADT for 20 weeks or more away from unit of assignment (note 4)		member is not ordered to perform the hazardous duty at the ADT station	1. does not exist for the period of ADT. 2. for IDT is determined under note 6.
13	on ADT for less than 20 weeks away from unit of assignment (note 4)		orders to perform the hazardous duty involved remain in effect at unit of assignment. Member is not ordered to perform hazardous duty at ADT station. Member meets minimum performance requirements during IDT at unit of assignment	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

NOTES:

1. Performance of hazardous duty while on leave cannot be counted for pay purposes.
2. Orders to perform hazardous duty remain in effect when member is being reassigned PCS successively to hazardous duty. If the member cannot be immediately assigned to a hazardous duty position at a new station, orders to perform such duty will be terminated effective the date of arrival at new duty station and HDIP stopped as of that date. When successive assignment does not require hazardous duty as an essential part of military duty at the new permanent duty station, orders to perform such duty will be terminated effective the date of departure from old duty station (or TDY point if performance of hazardous duty is required as an essential part of military duty at the TDY point) and HDIP stopped as of that date. When effective date in the orders terminating hazardous duty is other than the last day of a calendar month and that month's performance requirements have been met, the month's hazardous duty pay will be prorated per subparagraph 2.3.2.
3. Parachute pay may not be paid beyond the last day of the calendar month for which requirements are met.
4. ADT includes annual training, special tours of ADT, school tours, and the initial tour performed by enlistees without prior military service.
5. HDIP entitlement for ADT includes time allowed for necessary travel from home to first duty station (See Chapter 1).
6. HDIP for IDT is paid per Chapter 58.

Table 24-2. SWSIP - Enlisted

Parachute (Static Line (S/L)): $150
Military Free Fall (MFF)/HALO: $225
Demo: $150
Dive: $150
Air Crew Duty: $150

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
1Z1XX	Pararescue	MFF; Dive; Aircrew + 3-level	Tier 1 - $540
1Z1XX	Pararescue	MFF; Dive; Aircrew + 5-level	Tier 2 - $590
1Z1XX	Pararescue	MFF; Dive; Aircrew + 7-level	Tier 3 - $615
1Z2XX	Combat Control	MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z2XX	Combat Control	MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z2XX	Combat Control	MFF; Dive; Demo; + 7-level	Tier 3 - $615
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z3XX	Tactical Air Control Party	Static Line; MFF; Dive; Demo; + 7-level	Tier 3 - $615

Table 24-2. SWSIP – Enlisted (Continued)

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo; + 3-level	Tier 1 - $540
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo; + 5-level	Tier 2 - $590
1Z4XX	Special Reconnaissance*	MFF; Dive; Demo + 7-level	Tier 3 - $615

*The Special Operations Weather Team (SOWT) Air Force Specialty (AFS) was replaced by the Special Reconnaissance AFS, which has the same requirements as Combat Control. The previous SOWT had a different pipeline and were paid in accordance with the skills gained. The SR pay tiers align with skills and pipeline associated with the career field.

Table 24-3. SWSIP – Officer

Parachute (Static Line (S/L)): $150
Military Free Fall (MFF)/HALO: $225
Demo: $150
Dive: $150
Air Crew Duty: $150

SWSIP AFSC	Operator Description	Critical Skill	SWSIP Pay
19ZXA	Special Tactics Officer	MFF; Dive; Demo; + 2-level	Tier 1 - $590
19ZXA	Special Tactics Officer	MFF + Dive + Demo + 3-level with advanced qualification for Static Line Jump	Tier 2 - $615
19ZXA	Special Tactics Officer	MFF + Dive + Demo + 4 level with advanced qualification for Static Line Jump	Tier 2 - $615
19ZXB	Tactical Air Control Party Officer	Static Line + 2-level*	Tier 1 - $590
19ZXB	Tactical Air Control Party Officer	Static Line + 3-level*	Tier 2 - $615
19ZXB	Tactical Air Control Party Officer	Static Line + 4-level*	Tier 2 - $615
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 2-level	Tier 1 - $590
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 3-level	Tier 2 - $615
19ZXC	Combat Rescue Officer	MFF; Dive; Air Crew; + 4-level	Tier 2 - $615

*May earn pays based on additional qualifications for MFF ($225), Demolitions ($150), and Dive ($150).

Table 24-4. NSW SKIP Currency and Payments Levels

NSW SKIP Currency Requirements and Max Payment Levels					
Level	**NEC/Designator**	**NSW Operator Description**	**Qualification**	**Semi-Annual Requirement**	**NSW SKIP Monthly Pay**
1	O52X or 717X	SWCC Enlisted/Warrant Officer	Static Line Jump (SL)	2 Jumps	$150
2	O52X or 717X	SWCC Enlisted/Warrant Officer	Military Free-Fall (MFF)	2 Jumps	$225
3	026X	SEAL Enlisted	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$515
4	026X	SEAL Enlisted	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$590
5	113X or 715X	SEAL Warrant Officer / SEAL Officer	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$540
6	113X or 715X	SEAL Warrant Officer / SEAL Officer	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$615
7	023X	SDV Enlisted	SL + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$640
8	023X	SDV Enlisted	MFF + Dive + Demo	2 Jumps, 4 Dives, 6 Demolition Shots	$715

Note 1: The SKIP requalification timeline is semi-annually and broken down into two blocks. Block 1 timeline is 1 January through 30 June. Block 2 timeline is 1 July through 30 December.

Table 24-4. NSW SKIP Currency and Payments Levels (Continued)

Note 2: In order to qualify for special pay for NSWSKIP, NSW operators are considered qualified if they have conducted minimum requirements in the previous block.

Note 3: SEAL enlisted operators who get commissioned will continue to receive the same NEC NSW SKIP pay level they received prior to commissioning until they complete the Junior Officer Training Course (JOTC). After completing JOTC and their officer designator is changed from 1180 to 1130, the officer will begin receiving the 113X NSW SKIP pay level.

*REFERENCES

CHAPTER 24 - INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

1.0 – GENERAL

1.1	DoD Instruction (DoDI) 1340.09, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351 37 U.S.C. § 353

2.0 – ENTITLEMENT

	Executive Order 13294, March 28, 2003 DoDI 1340.09, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351
2.3	37 U.S.C. § 351(c)(2)(B)(ii) DoDI 1340.09, para. 2.1.k, January 26, 2018, Change 1, February 2, 2024
2.5	37 U.S.C. § 372 38 Comptroller General Decision 83
2.8	National Defense Authorization Act for Fiscal Year 2024, Public Law 118-31, section 613(d)(6) December 22, 2023 37 U.S.C. § 353

3.0 – PARACHUTE DUTY

	DoDI 1340.09, para. 3.4.d, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)

4.0 – FLIGHT DECK DUTY

	DoDI 1340.09, para. 3.4.g, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)
4.2	OPNAV Instruction 7220.4L, July 16, 2019

5.0 – DEMOLITION DUTY

	DoDI 1340.09, para. 3.4.e, January 26, 2018, Change 1, February 2, 2024 37 U.S.C. § 351(a)(2)

6.0 – EXPERIMENTAL STRESS DUTY

DoDI 1340.09, para. 3.4.f, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

7.0 – TOXIC FUELS (OR PROPELLANTS) DUTY

DoDI 1340.09, para. 3.4.j, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

8.0 – TOXIC PESTICIDES DUTY

DoDI 1340.09, para. 3.4.h, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

9.0 – DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

DoDI 1340.09, para. 3.4.i, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

10.0 – CHEMICAL MUNITIONS DUTY

DoDI 1340.09, para. 3.4.k, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

11.0 – MARITIME VBSS DUTY

DoDI 1340.09, para. 3.4.l, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

12.0 – POLAR REGION FLIGHT OPERATIONS DUTY

DoDI 1340.09, para. 3.4.m, January 26, 2018,
Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

13.0 – WMDCS TEAM HDIP

DoDI 1340.09, para. 3.4.n, January 26, 2018, Change 1, February 2, 2024
37 U.S.C. § 351(a)(2)

15.0 – SWSIP

Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated April 15, 2021
Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated January 30, 2023
37 U.S.C. § 353(a)

16.0 – NSW SKIP

Office of the Under Secretary of Defense Personnel and Readiness Memo, dated October 15, 2018
Navy Military Personnel Manual 7220-114, CH-77, dated November 18, 2021
37 U.S.C. § 353(a)
Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated October 13, 2021

VOLUME 7A, CHAPTER 25: "SUBSISTENCE AND BASIC NEEDS ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.2	Updated the Federal Poverty Guideline to 200 percent in accordance with Public Law 118-159 dated December 23, 2024, and DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025.	Revision
Table 25-1	Updated to reflect the Basic Allowance for Subsistence rates effective January 1, 2025.	Revision
Table 25-2	Updated to reflect the Meal Collection rates effective January 1, 2025.	Revision
Table 25-3	Inserted table for Basic Needs Allowance Effective Dates.	Addition
References	Updated statutes and added supporting references.	Revision

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CHAPTER 25

SUBSISTENCE AND BASIC NEEDS ALLOWANCES

1.0 GENERAL

1.1 Purpose

Each member of a uniformed service entitled to basic pay is entitled to Subsistence and Basic Needs Allowances subject to the conditions set forth in this chapter.

1.2 Authoritative Guidance

The policies and requirements established by DoD for the allowances in this chapter are derived primarily from and prepared in accordance with Title 37, United States Code, sections 402, 402a and 402b (***37 U.S.C. § 402***, ***402a*** and ***402b***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

2.1 Eligibility

Unless otherwise restricted as described in paragraph 2.3, a member becomes entitled to one of the following monthly BAS rates based upon their rank and circumstances.

2.1.1. Officer BAS. A single rate of BAS applies to all officers.

2.1.2. BAS for Enlisted Members. An enlisted member is not entitled to BAS during basic training. Enlisted members are entitled to one of the following BAS rates.

2.1.2.1. Enlisted BAS. Enlisted BAS is the monthly standard rate that is payable to enlisted members unless they qualify for, and proper authority approves, BAS II.

2.1.2.2. Enlisted BAS II. Enlisted BAS II is the monthly rate that may be payable to members on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a Government mess is not available, and the Government cannot otherwise make meals available. The BAS II rate is twice the rate of standard enlisted BAS. BAS II may be paid to enlisted members of the Navy assigned to vessels in a pre-commissioning status or who otherwise meet criteria set forth in the Military Personnel Manual (MILPERMAN) 7220-182. The Air Force has authorized payment of BAS II to members at specific locations.

2.1.3. Continuity of Enlisted BAS Entitlement

2.1.3.1. Enlisted members continue their existing BAS entitlement without interruption upon discharge or retirement, if reenlistment or recall to active duty is completed at the same station within 24 hours.

2.1.3.2. Enlisted members continue their existing BAS entitlement without interruption during weekends, holidays, administrative absence, pass, or liberty (not including leave).

2.2 Payment

2.2.1. Rates. The rates for BAS are listed in Table 25-1, for the most current rates, see BAS table on ***DFAS.MIL***.

2.2.2. Enlisted BAS in Specific Situations. The following policy will be used in determining whether BAS or BAS II applies in specific situations:

2.2.2.1. Enlisted BAS rates will be applied uniformly for all enlisted members under similar conditions permanently assigned to the same installation, station, base, or ship. The installation commander/commanding officer will ensure the uniform application of BAS rates for members under similar conditions, whether from a single Service or more than one Service. If there is conflict between Service directives that prevents uniform application of BAS, the commander/commanding officer will report the differences, through appropriate channels, to the Secretaries of the Military Departments concerned, who will confer to ensure uniform determinations on the authorized BAS rate.

2.2.2.2. Enlisted members on authorized leave (including proceed time, authorized delays enroute between duty stations chargeable as leave, and convalescent leave) are entitled to the standard enlisted BAS rate, regardless of the BAS rate authorized at their Permanent Duty Station (PDS).

2.2.2.3. Enlisted members performing Permanent Change of Station (PCS) travel (including Temporary Additional Duty or Temporary Duty (TAD/TDY)) enroute under orders away from their designated post of duty are entitled to the standard enlisted BAS rate, regardless of the BAS type authorized at their previous or subsequent PDS.

2.2.2.4. Enlisted members receiving BAS II at their PDS who are hospitalized or performing regular or permissive TAD/TDY (including field duty, sea duty, Essential Unit Messing (EUM), or members traveling together with limited or no per diem travel) under orders away from their PDS will revert to standard enlisted BAS for the period of hospitalization or absence from the PDS.

2.2.2.5. Enlisted members will be entitled to the standard enlisted BAS rate for any day they are under orders for leave or PCS travel. This includes the day of commencement and day of termination of the status under those orders.

2.2.2.6. Enlisted members who change BAS status at the direction or by permission of a commander, under blanket authority, or at the member's request will have the entitlement change take effect at the beginning of the day specified in writing by the commander.

2.2.3. Advance Payments. Specific circumstances for advance payment of BAS are contained in Chapter 32, paragraph 2.5.

2.2.4. Effect on Overseas Station Allowances. BAS is paid in conjunction with the overseas Cost-Of-Living Allowances (COLA) authorized by the Joint Travel Regulations.

2.3 Restrictions

2.3.1. Military members are not entitled to BAS of any type under the following conditions:

2.3.1.1. When undergoing Basic Military Training, including initial officer training (Officer Candidate School, Officer Training School), except when the member has continuous prior enlisted service (active or reserve). Members will be subsisted-in-kind while attending initial basic military training;

2.3.1.2. When in an excess leave status;

2.3.1.3. When in an absent-without-leave status, in excess of 24 hours, unless the absence is excused as unavoidable;

2.3.1.4. When on an approved educational leave of absence not exceeding 2 years;

2.3.1.5. When a member with no dependents is training for, attending, or participating in Pan American games, Olympic games, or other specifically authorized international amateur sport competitions and the sponsoring agency subsists them during that period; or

2.3.1.6. When a court-martial sentence imposes forfeiture of pay and allowances.

2.3.2. Enlisted members are not authorized BAS II when a government mess is temporarily closed for less than 14 days or when a member is on leave, assigned temporary duty (TAD/TDY), or in the hospital.

2.4 Government Provided Meals

2.4.1. A military member being paid BAS must pay for all meals or rations provided by or on behalf of the Government, except as provided in subparagraph 2.4.2. This is a personal obligation of the individual. Meals or rations may be paid with cash tendered to the Government mess by the member or, under certain circumstances, the amount owed may be collected/deducted from the member's travel per diem (a member under orders for EUM has no entitlement to

subsistence travel per diem), or from the member's pay account. When payment is made from a pay account, the payment is not considered a deduction from or reduction of the entitled BAS; rather it is a collection for a debt owed to the Government (see Table 25-2).

2.4.2. A member is not required to pay for meals provided while the member undergoes medical recuperation or therapy, or is otherwise in the status of continuous care, including outpatient care, at a military treatment facility for an injury, illness or disease incurred while the member was on active duty:

2.4.2.1. In support of Operation Enduring Freedom, Operation Iraqi Freedom, Operation New Dawn, Operation Freedom's Sentinel; or

2.4.2.2. In any other operation designated by the Secretary of Defense as a combat operation or in an area designated by the Secretary as a combat zone.

2.4.3. Mandatory pay account collection may be imposed for enlisted members in certain situations. These are circumstances where it is not feasible to control dining access or collect cash due to operational constraints or where efficiency of operation requires collection for all meals. When a commander/commanding officer requires mandatory pay account collection, the collection will be made for all meals available, whether the meals are actually eaten or not. Mandatory collections are made day-for-actual-day, not on a 30-day month basis. Unless the member is receiving a per diem for subsistence, the collection will be at the discount meal rate.

2.4.3.1. Mandatory pay account collection may be required in the following situations:

2.4.3.1.1. Field duty;

2.4.3.1.2. Sea duty;

2.4.3.1.3. Members traveling together with limited or no per diem travel;

2.4.3.1.4. Accession Pipeline Military Training;

2.4.3.1.5. EUM; or

2.4.3.1.6. Essential Station Messing (ESM).

2.4.3.2. Mandatory pay account collection for meals does not apply to the following:

2.4.3.2.1. Members on official leave, in a PCS status (including travel time and proceed time), in a military treatment facility, or on TAD/TDY other than TAD/TDY to another situation requiring mandatory pay account collection for meals. In these instances, pay account collections will be suspended or adjusted with a credit and the Government mess will be responsible for collecting from the member for any meals served.

2.4.3.2.2. Members who have missed more than 20 percent of meals on a monthly basis due to assigned duties, as certified by the commanding officer/commander or their designee. Collections will be suspended or adjusted with a credit.

2.4.3.3. Pay account collections will be at 25 percent of the discount meal rate for the first and last day of assignment in situations requiring mandatory collection. A member transitioning directly between two mandatory meal collection situations will be treated as though the collection period were continuous and will not receive the 25-percent reduced charge for the transition. The 25-percent reduced meal charge does not apply for leave periods. Full collections will be made on the duty days before and after the leave period.

2.4.4. In circumstances other than those requiring mandatory pay account collection, members receiving BAS will pay for meals provided by or on behalf of the Government by using cash or by collection/reduction of subsistence per diem from their travel claims. Members on Joint Task Force operations under per diem travel orders usually will have the subsistence portion of their per diem withheld or deducted from their travel reimbursement as payment for meals provided in theater. Members deployed on regular TAD/TDY travel who receive deductible meals (meals at "no cost") will have the subsistence portion of their per diem reduced as payment for meals provided by or on behalf of the Government.

2.4.5. The standard meal rate applies unless there is a specific exception allowing application of the discount meal rate. Members actually paid subsistence per diem for meals must pay the standard meal rate unless the per diem is withheld or disallowed as payment for the meals.

2.4.6. Members being subsisted by or on behalf of the Government, where no other collection means exists or where normal collections were not made, may have a collection for meals made through their pay account at the appropriate rate upon proper documentation for a debt owed to the Government.

2.4.7. Collections from individual pay accounts for meals and rations provided by the Government or on behalf of the Government will be credited to the appropriation specified by each Military Service.

2.5 Specialized Terms

2.5.1. ESM. Messing declared by the installation, base, or station commander responsible for single Government quarters that is essential to operate the Government mess efficiently and economically, or that is necessary for the health and safety of enlisted personnel permanently assigned to single quarters. Those categories of enlisted members included in ESM will be charged for all meals made available whether eaten or not, except for approved missed meals.

2.5.2. EUM. Group messing that is declared by an appropriate authority to be necessary for operational readiness, military operations, or effective training where members are required to eat Government–furnished meals. Members will be in a travel status and are entitled to travel reimbursement for incidental expenses, but not for subsistence. Designation for EUM will apply only to organizational units and to operational elements and detachments, not to individual

members. All members on duty under circumstances where EUM has been declared will be charged for all meals made available whether eaten or not, except for approved missed meals.

2.5.3. Field Duty. Any maneuvers, war games, field exercises, or similar operations where a member is assigned to a unit being subsisted in a dining facility operated by or on behalf of the U.S. Government or with an organization drawing field rations. Members may be on per diem orders.

2.5.4. Sea Duty. Service performed in a self-propelled vessel with berthing and messing facilities that is in an active status, in commission, or in service. This term applies to members who are either permanent party or aboard for TAD/TDY. All members on sea duty, not a member of an authorized private mess, will be charged for all meals made available whether eaten or not, subject to approved missed meals.

2.5.5. Government Furnished Meals. A condition in which meals or rations are furnished without charge by a government contractor or a foreign government, or through a fellowship, grant, or intern program while a member is receiving basic pay, either under the terms of a contract or agreement or on a complimentary basis. Unless a member is entitled to be subsisted- in- kind, subsistence provided on behalf of the Government must be charged to the member.

2.5.6. Subsisted-in-Kind. Meals or rations furnished at no charge to members not entitled to BAS from a Government Mess or who are subsisted at no charge on behalf of the Government.

3.0 FAMILY SUPPLEMENTAL SUBSISTENCE ALLOWANCE (FSSA)

3.1 General Provisions

The FSSA program was established to supplement a member's BAS to a level sufficient to remove the member's household from or eliminate the need for benefits under the U.S. Department of Agriculture (USDA) Supplemental Nutrition Assistance Program (SNAP), formerly known as the food stamp program. FSSA is payable at a monthly rate as determined by the Military Service concerned under the guidance provided by the Secretary of Defense and may not exceed $1,100 per month. FSSA is a nontaxable allowance payable in addition to, all other pays and allowances. Applicable definitions are found at ***DoD Instruction (DoDI) 1341.11, E2***.

3.2 Eligibility

FSSA is payable to any officer or enlisted member of the Armed Forces who meets all of the following criteria:

3.2.1. Is serving on active duty and receiving BAS;

3.2.2. Has a household income, including military income of the member, and any other household income that would make the member eligible for assistance under the USDA SNAP program for the member's household size;

3.2.3. Has at least one person in the member's household who is a military dependent;

3.2.4. Has made an application for and been certified at a specific payment level by the appropriate office; and

3.2.5. After September 30, 2016, is serving outside the United States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, or Guam.

3.3 Entitlement

FSSA is a monthly entitlement payable in whole dollar amounts not to exceed $1,100. It is not payable to any member, otherwise entitled, during periods in a non-pay status.

3.3.1. FSSA is payable in an amount that would bring the member's household income to 130 percent of the Federal poverty guidelines (FPG) as established by the USDA, but not to exceed $1,100.

3.3.2. For periods of less than a full month of entitlement, the FSSA is payable at 1/30 of the monthly amount for each eligible day served.

3.3.3. If an eligible member is receiving SNAP benefits and the amount of the member's SNAP allotment exceeds the amount of the FSSA calculated under subparagraph 3.3.1, the member's FSSA entitlement will be equal to the lesser of the value of the SNAP allotment or $1,100.

3.4 Military Income

3.4.1. For the FSSA program, the following sources of revenue will be counted as military income:

3.4.1.1. Basic Pay;

3.4.1.2. BAS;

3.4.1.3. Basic Allowance for Housing or cash equivalent for those who are living in Government–provided housing;

3.4.1.4. Overseas Housing Allowance (OHA). When a member lives in Government quarters while stationed overseas, the amount of the housing allowance to count as income for that member is the OHA ceiling for the local area;

3.4.1.5. All Bonuses. The monthly amount of military income attributable to a bonus will be the amount of the bonus, prorated over the period of time to which bonus is applicable; and

3.4.1.6. All special and incentive pays except those excluded in subparagraph 3.4.2.

3.4.2. The following sources of revenue will not be counted as military income:

3.4.2.1. Hostile Fire Pay;

3.4.2.2. Imminent Danger Pay;

3.4.2.3. Continental United States COLA;

3.4.2.4. Overseas COLA;

3.4.2.5. Family Separation Allowance;

3.4.2.6. Clothing Allowances; and

3.4.2.7. All travel and transportation related allowances and entitlements.

3.5 Application and Certification

Members must apply for the FSSA program with the appropriate organizational element as designated by their respective Service. The appropriate Service organization will make all decisions regarding eligibility and the amount of entitlement and will provide final certification for payment to include the entitlement start date.

3.6 Recertification and Termination

3.6.1. When any of the following events occur, in order to avoid termination of FSSA, a member receiving FSSA must report the event to the Service certifying organization within 30 days for recertification of FSSA eligibility:

3.6.1.1. Member's monthly gross household income (GHI) increases by $100 or more;

3.6.1.2. Member's household size decreases;

3.6.1.3. Member is promoted. The certification ends the day prior to the effective date of promotion;

3.6.1.4. Member executes a PCS move. The certification ends the day prior to the date the member officially reports for duty at the new duty station; and

3.6.1.5. Members are required to re-certify annually effective February 1 of each year.

3.6.2. The effective date of recertification will be the day following the last day of the previous certification period.

3.6.3. If during recertification it is determined that the member's monthly gross household income increased by an amount greater than $100 more than 30 days prior to reapplication, the difference between the amount of the current entitlement and the amount being recertified (if less) will be recouped. The recoupment amount is calculated on a pro rata basis for each day, following the date the increased income exceeded $100 through the effective date of the recertification.

3.6.4. When a member's eligibility is not timely recertified, eligibility for FSSA will be lost, and the date for termination of the entitlement will be the date of the event requiring recertification. An untimely recertification will be treated as an initial application.

4.0 BASIC NEEDS ALLOWANCE (BNA)

4.1 General

4.1.1. Applicability

This section applies to Military Departments (including the Coast Guard at all times, including when it is a Service in the Department of Homeland Security by agreement with that Department), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this section as the "DoD Components").

4.1.2. Policy

Pursuant to 37 U.S.C. § 402b, BNA must be made available to each member in accordance with the eligibility criteria specified in this section.

*4.2 Procedures

4.2.1. General

The BNA program provides a monthly allowance for Service members who voluntarily apply and whose GHI and household size place them below 200 percent of the FPG for their geographical location, effective May 12, 2025. See Table 25-3 for current and historical effective dates. The Department of Health and Human Services (HHS) periodically updates the FPG in the Federal Register in accordance with ***42 U.S.C. § 9902***. Refer to ***DoDI 1341.15*** for applicable definitions of GHI, household, and other terms used in this section.

4.2.2. Eligibility

4.2.2.1. Eligible Members. Active-duty members with dependents are eligible for BNA and may be certified if:

4.2.2.1.1. They have completed initial entry training (IET).

4.2.2.1.2. Their GHI during the most recent calendar year (i.e., the calendar year immediately preceding the year they apply for BNA) did not exceed 200 percent of the FPG for such year, as published by the HHS for their location and the number of individuals in their household.

4.2.2.1.3. They have voluntarily applied for the BNA and provided the required information to determine eligibility, and if found eligible, they will be considered a certified applicant.

4.2.2.1.4. They are not ineligible for the allowance pursuant to subparagraph 4.2.2.2 or subparagraph 4.2.2.3.

4.2.2.2. Ineligible Members. Active-duty members are ineligible for BNA if:

4.2.2.2.1. Their GHI during the most recent calendar year exceeded 200 percent of the FPG for such year, as published by the HHS for their location and the number of individuals in their household;

4.2.2.2.2. They do not have dependents;

4.2.2.2.3. They are a cadet at the United States Military Academy, the United States Air Force Academy, or the Coast Guard Academy; a midshipman at the United States Naval Academy; or a cadet or midshipman serving elsewhere in the Military Services;

4.2.2.2.4. They have not completed IET;

4.2.2.2.5. Having been notified of potential BNA eligibility, they fail to submit a BNA application within 180 calendar days, or a submission deadline established by the implementing guidance published by the Secretary of the Military Department concerned, or the Commandant of the Coast Guard, as applicable; or

4.2.2.2.6. They elect in writing not to receive the allowance.

4.2.2.3. Special BNA Eligibility Considerations

4.2.2.3.1. Households With Multiple Eligible Members. When a household contains multiple members determined to be eligible to receive BNA pursuant to subparagraph 4.2.2.1, only one allowance may be received. The household's members must jointly elect which eligible member must receive the allowance.

4.2.2.3.2. Automatic Ineligibility of Members Receiving Certain Income Increases. A member determined to be eligible to receive BNA pursuant to subparagraph 4.2.2.1 will be considered automatically ineligible if their monthly GHI increases as a result of a promotion or other permanent increase to pay or allowances, to include entry into active service, to an amount that, on an annualized basis, would exceed the limit described in subparagraph 4.2.2.1.2. If the member is receiving BNA, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must inform them that they are ineligible, and payment of the allowance must terminate 60 calendar days after the date of ineligibility. Pursuant to subparagraph 4.2.9, the certified member must report changes in GHI to the BNA certifying official to be reviewed and re-certified.

4.2.2.3.3. Ineligibility Due to Changes in Income as a Result of Disciplinary Action. If a member's previous calendar year GHI was reduced due to a fine, forfeiture, or reduction in rank imposed as a part of disciplinary action or an action in accordance with ***10 U.S.C. Chapter 47***, also known as the Uniform Code of Military Justice, they are not eligible for BNA solely due to the fine, forfeiture, or reduction in rank. A member described in this subparagraph who is:

4.2.2.3.3.1. Reinstated to the pay grade held before any reduction in rank may become eligible for BNA, provided they are otherwise eligible pursuant to subparagraph 4.2.2.

4.2.2.3.3.2. In receipt of BNA at the time of the fine, forfeiture, or reduction in rank may retain eligibility to BNA if they are otherwise eligible for the allowance pursuant to subparagraph 4.2.2., notwithstanding any fine, forfeiture, or reduction in rank.

4.2.2.4. Ineligibility Due to Certain Duty Status. Whenever a member is in a non- pay status for any reason, they are not eligible for BNA during the non-pay period. When the member is returned to a pay status, they may apply or reapply for BNA if they are otherwise eligible pursuant to subparagraph 4.2.2.

4.2.2.5. Ineligibility Due to Certain Changes in Household Size. A member will be ineligible for BNA if a change in the number of their dependents reported in the Defense Enrollment Eligibility Reporting System (DEERS) is such that the member's GHI exceeds 200 percent of the FPG for the member's geographical location and the new number of individuals in their household. If the member is receiving BNA, the Secretary of the Military Department concerned or the Commandant of the Coast Guard must inform them that they are ineligible, and payment of the allowance must terminate 60 calendar days after the date of ineligibility. If the certified member is receiving BNA when the change in number of dependents is reported in DEERS, pursuant to subparagraph 4.2.9, the certified member must report changes in the number of individuals in their household to the BNA certifying official to be reviewed and re-certified.

4.2.2.6. Eligibility Due to Certain Changes in Household Size. A member may become eligible for BNA if a change in the number of their dependents reported in DEERS is such that their GHI drops below 200 percent of the FPG for their geographical location and the new number of individuals in their household, and they are otherwise eligible pursuant to subparagraph 4.2.2.1.

4.2.3. BNA Eligibility Screening

4.2.3.1. Screening Requirements. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must:

4.2.3.1.1. Screen each member for BNA eligibility before the member completes IET;

4.2.3.1.2. Screen active-duty members, at least annually, for BNA eligibility after IET; and

4.2.3.1.3. Maintain documentation on members who were screened and the results of the screenings.

4.2.3.2. Informing Screened Members. Upon determining a screened member is eligible for BNA, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard will, in writing:

4.2.3.2.1. Inform the member that they are eligible to apply for BNA, but that screening eligibility does not guarantee certification;

4.2.3.2.2. Inform the member that to receive BNA, they must submit a BNA application in accordance with instructions and procedures published by their Military Service;

4.2.3.2.3. Inform the member that submission of a BNA application, including substantiating documentation, and receipt of the allowance are voluntary;

4.2.3.2.4. Inform member of additional financial management and assistance programs for which they may be eligible;

4.2.3.2.5. Provide the member BNA application instructions;

4.2.3.2.6. Provide the member with deadlines for submitting BNA applications and substantiating documentation required under the member's Military Service implementing guidance; but Services must establish such deadlines no earlier than 60 calendar days and no later than 180 calendar days after the date of the written screening notification. For members undergoing IET at the time of the screening, the application deadline must be no later than 180 calendar days following arrival at their first permanent duty station;

4.2.3.2.7. Inform the member that if they do not submit a BNA application, with required substantiating documentation, by the established deadline, they will be deemed ineligible for BNA; and

4.2.3.2.8. As appropriate, inform the member on the counseling requirements specified in subparagraph 4.2.9 for applicants.

4.2.4. Application

DoD financial counselors, pay administrators, personnel services, community or family support services, or equivalent command organizations may assist in the application process, but will not grant any member final certification for BNA. Assistance may include reviewing documentation, helping members obtain necessary paperwork, and gathering information required for certification. The amount of BNA may be estimated and shared with the member. The eligibility and estimation is not binding or final until it is certified by the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.4.1. A member seeking to receive BNA must submit a signed and complete application in accordance with this section and policy established by the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.4.2. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must develop an application that will include, at a minimum:

4.2.4.2.1. Date of submission;

4.2.4.2.2. The member's name;

4.2.4.2.3. The member's DoD identification number;

4.2.4.2.4. The member's pay grade;

4.2.4.2.5. The member's years of service for purposes of payment of basic pay;

4.2.4.2.6. Pay entry date;

4.2.4.2.7. The member's permanent duty station or home port;

4.2.4.2.8. The member's current monthly GHI (includes lump sum payments converted to a monthly amount, e.g., a bonus prorated over the period of time to which the bonus applies).

4.2.4.2.9. Preceding Calendar Year GHI by Source. Military income can be obtained and verified through the personnel and pay systems;

4.2.4.2.9.1. The monthly amount of GHI attributable to a bonus must be prorated over the period of time to which the bonus applies. If applicable, the bonus will be prorated over the period of time for which the bonus is paid;

4.2.4.2.9.2. Sporadic, variable, or seasonal income must be counted only during the month(s) in which it is received. If sporadic, variable, or seasonal income causes the GHI of the member to exceed the $150 per month threshold specified in subparagraph 4.2.9, the member must report the sporadic income amount to a certifying official to be reviewed for eligibility under subparagraph 4.2.2.3.2;

4.2.4.2.9.3. Any GHI that is received in a foreign currency must be converted to U.S. dollars using the prevailing rate of exchange at the time of application;

4.2.4.2.9.4. Exclusions from GHI are specified in the definition of GHI in the DoDI 1341.15 Glossary; and

4.2.4.2.10. Number of individuals in the member's household.

4.2.4.3. The application should include a statement that the applicant's signature, including any digital signature, confirms that the information in the application is accurate, to the best of their knowledge.

4.2.4.4. To the extent practicable, in-place administrative processes must be used to support BNA. When necessary, each Military Service must help applicants of other Military Services submit their application to their own Service. This should be done where reasonable access to their own Military Service is not available, such as at joint commands.

4.2.4.5. Members may submit a BNA application without being notified after a screening. Members who believe they may be eligible for BNA may consult with DoD financial counselors or officials designated by their respective Military Department or Service to assist in understanding requirements for eligibility.

4.2.4.6. The application will include all required information and substantiating documentation to allow the Secretary of the Military Department concerned or the Commandant of the Coast Guard to determine eligibility.

4.2.4.7. The application will include all required information to allow the Secretary of the Military Department concerned or the Commandant of the Coast Guard to compute BNA.

4.2.4.8. A member receiving BNA must annually resubmit an updated, signed application, along with substantiating documentation, to the Secretary of the Military Department concerned or the Commandant of the Coast Guard.

4.2.5. Application Adjudication. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must establish procedures to determine eligibility and make

a determination of the amount of BNA for each certified applicant within 30 calendar days of receiving an application.

4.2.5.1. The Secretaries of the Military Departments and the Commandant of the Coast Guard must ensure adequately trained personnel are in position to process and certify applications. This includes submitting the transaction to the Defense Finance and Accounting Service or appropriate pay systems.

4.2.5.2. BNA is effective on the application's certification date.

4.2.5.3. The Secretaries of the Military Departments and the Commandant of the Coast Guard must ensure controls over information processing (e.g., cross-system consistency checks to compare data in different systems and safeguarding personal information) are implemented while processing BNA applications.

4.2.5.4. Secretaries of the Military Departments and the Commandant of the Coast Guard may reject a member's application if they have approved separation orders. Members receiving BNA and pending separation may continue to receive BNA until separation.

4.2.5.5. Upon determining a member's eligibility status, the Secretaries of the Military Departments and the Commandant of the Coast Guard must notify certified applicants in writing. At a minimum, the written notification must, as applicable, include:

4.2.5.5.1. A statement that the member is deemed eligible or ineligible for BNA;

4.2.5.5.2. A statement that if the applicant's eligibility determination could not be adjudicated, the applicant must be informed of why the application could not be processed;

4.2.5.5.3. If the applicant has been deemed ineligible, why the application was denied;

4.2.5.5.4. If the applicant is certified to receive BNA, the amount of the monthly BNA;

4.2.5.5.5. If an applicant is certified, a notification that they may elect to either receive or decline BNA. Elections to decline BNA must be in writing and must be provided to the certifying official by the member;

4.2.5.5.6. If an applicant is certified, applicable counseling requirements specified in subparagraph 4.2.9;

4.2.5.5.7. Additional financial management and assistance programs for which the applicant may be eligible;

4.2.5.5.8. Secretaries of the Military Departments and the Commandant of the Coast Guard must maintain documentation on:

4.2.5.5.8.1. Members who were notified;

4.2.5.5.8.2. Members who have applied for the BNA;

4.2.5.5.8.3. Members who were certified;

4.2.5.5.8.4. Members who have declined BNA and members who were deemed ineligible based on the criteria in subparagraph 4.2.2; and

4.2.5.5.8.5. The amount of the allowance for certified applicants opting to receive BNA.

4.2.6. Computation of Allowance

4.2.6.1. Standard Amount of the Allowance

4.2.6.1.1. BNA for certified applicants must be paid on a monthly basis. Member eligibility will be determined pursuant to subparagraph 4.2.2.

4.2.6.1.2. BNA must be computed as follows: Two times the most recently published annual FPG for the calendar year during which the allowance is paid based on the member's duty station and the current number of individuals in the member's household, including the member, minus the member's GHI during the preceding calendar year, divided by 12. The amount of the BNA must be rounded to the nearest whole dollar. The following example depicts how to compute BNA:

Example: BNA Computation

Assumptions: A member with the following:

1. A household size of five.
2. Assigned in the State of Ohio.
3. A prior calendar year GHI - $52,706
4. Applicable annual FPG - $37,650

Sample Computation:

BNA = ((2.0 x $37,650) – $52,706)/12

= ($75,300 – $52,706)/12

= $22,594/12

= $1,882.83 per month

NOTE: The applicable rate is 1.3 from January 1, 2023, to June 30, 2023; 1.5 from July 1, 2023, to May 11, 2025, and 2.0 effective May 12, 2025.

4.2.6.1.3. The amount of the decrease in household income resulting from a fine, forfeiture, or reduction in rank may not be used to increase the amount of BNA.

4.2.6.2. Alternate Computation of the Allowance for Duty Outside the United States. If a certified applicant is assigned to a duty location outside the United States, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must make the calculations described in subparagraph 4.2.6.1 using the FPG for the 48 contiguous States and the District of Columbia.

4.2.6.3. Proration. If a member is certified for BNA for less than a full month, the BNA must be prorated based on the number of days of the certified applicant's eligibility for the allowance during the month. Proration must be computed at the rate of 1/30th of the monthly BNA amount for each day of certification during the month.

4.2.7. Geographic Locations

4.2.7.1. The HHS maintains the following geographical locations for the FPG:

4.2.7.1.1. The 48 contiguous states and the District of Columbia.

4.2.7.1.2. Hawaii.

4.2.7.1.3. Alaska.

4.2.7.2. If a member receiving BNA executes a PCS and is reassigned from one FPG geographic location specified in subparagraph 4.2.7.1 to another, BNA must be recomputed based on the new duty location.

4.2.7.3. Members assigned to geographic locations outside the defined poverty guideline geographical locations in subparagraph 4.2.7.1 must use the FPG for the 48 contiguous states and the District of Columbia.

4.2.8. Other BNA Recertifying Requirements. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must review BNA eligibility, and if necessary, upon the member resubmitting an application, the amount of BNA must be recomputed pursuant to subparagraph 4.2.6:

4.2.8.1. Annually on the anniversary date of the original BNA application certification or annually on the date BNA was last certified, whichever is most current. Whenever a member;

4.2.8.2. Whenever a Service member provides substantiated information that their current monthly GHI increases by $150 or more per month;

4.2.8.3. Whenever a Service member provides substantiated information that the number of individuals in the household increases or decreases; or

4.2.8.4. Whenever a Service member receiving BNA executes a PCS and is reassigned from one FPG geographical location specified in subparagraph 4.2.7.1 to another FPG geographical location, BNA must be recertified. Recertification will occur upon arrival at the new duty location using the FPG of the new location. If the PCS is to or from the 48 contiguous States or the District of Columbia to or from a location outside of the United States, it is not necessary to recertify the amount of BNA.

4.2.9. Counseling Requirements. Upon certification, the Secretary of the Military Department concerned, or the Commandant of the Coast Guard must ensure applicants are counseled on the following:

4.2.9.1. During participation in BNA, the member must report any increase or decreases in recurring monthly GHI of $150 or more per month, or any increase or decrease in the number of individuals in their household, to the certifying official within 60 calendar days. Failure to report changes may result in termination of BNA eligibility;

4.2.9.2. Receipt of BNA may affect participation of the household in certain Federal assistance programs, such as subsidized school lunch programs; the Women, Infant, and Children program; FSSA; low-income utility assistance programs; day care programs; and other income-based assistance programs;

4.2.9.3. BNA is taxable income pursuant to ***26 U.S.C. § 61***;

4.2.9.4. That the publication of this section does not result in a retroactive application of benefits other than that which may result from any intervening time period between the effective dates DoDI 1341.15 and any further Military Service-specific guidance; and

4.2.9.5. The member may voluntarily discontinue BNA at any time.

4.2.10. Payment Processing. The monthly BNA is payable from the date the application is certified. The Secretary of the Military Department concerned, or the Commandant of the Coast Guard must establish procedures to ensure all eligible members will be paid the monthly BNA within 30 calendar days of certifying the application.

4.2.11. Effective Periods

4.2.11.1. BNA is payable to eligible members for months beginning on and after January 1, 2023.

4.2.11.2. Unless otherwise extended by the Congress, no BNA may be paid after December 31, 2027.

*Table 25-1. BAS Rates
For the most current rates, see BAS table on DFAS.MIL.

Effective Date	OFFICERS	ENLISTED	BAS II (Note 1)
January 1, 2025	$320.78	$465.77	$931.54
January 1, 2024	$316.98	$460.25	$920.50
January 1, 2023	$311.68	$452.56	$905.12
January 1, 2022	$280.29	$406.98	$813.96
January 1, 2021	$266.18	$386.50	$773.00
January 1, 2020	$256.68	$372.71	$745.42
January 1, 2019 (note 2)	$254.39	$369.39	$738.78
January 1, 2018	$254.39	$369.39	$738.78
January 1, 2017 (note 3)	$253.63	$368.29	$736.58
January 1, 2016	$253.63	$368.29	$736.58
January 1, 2015	$253.38	$367.92	$735.84
January 1, 2014	$246.24	$357.55	$715.10
January 1, 2013	$242.60	$352.27	$704.54
January 1, 2012	$239.96	$348.44	$696.88
January 1, 2011	$223.84	$325.04	$650.08

NOTES:

1. BAS II is the monthly rate that may be payable to enlisted members, in lieu of the regular BAS rate, when on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a Government mess is not available, and the Government cannot otherwise make meals available. The BAS II rate is twice the rate of standard enlisted BAS and must be authorized by the Secretary of the Military Department concerned and the Commandant of the Coast Guard.
2. The BAS rate effective January 1, 2019 is the same as the BAS rate for January 1, 2018.
3. The BAS rate effective January 1, 2017 is the same as the BAS rate for January 1, 2016.

*Table 25-2. Meal Collection Rates
Effective January 1, 2025 (Notes 1 & 2)
For the most current rates, see ***Reimbursable Rates*** in Tab G at the Office of the Under Secretary Defense (Comptroller) website.

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RULE	When a member receiving BAS also receives subsistence (meals or rations) from a Government mess or provided on behalf of the Government at the	and the meal received is	then the collection rate for calendar year 2024 is (note 2)	then the collection rate for calendar year 2025 is (note 2)
1	discount meal rate (note 3)	breakfast	$3.20	$3.25
2	discount meal rate (note 3)	lunch	$5.35	$5.40
3	discount meal rate (note 3)	dinner	$4.60	$4.65
4	discount meal rate (note 3)	daily total	$13.15	$13.30
5	standard meal rate (note 4)	breakfast	$4.35	$4.40
6	standard meal rate (note 4)	lunch	$7.00	$7.10
7	standard meal rate (note 4)	dinner	$6.05	$6.10
8	standard meal rate (note 4)	daily total	$17.40	$17.60

NOTES:

1. Collections from an enlisted member's pay account will be made when the member has not otherwise paid for meals provided by or on behalf of the Government (i.e., by cash, a personal check or charge, or by deduction/reduction of per diem). Collections from pay will be deducted from the member's pay account and credited to the appropriation specified by the Military Service concerned.
2. For the prior year rates, see: Office of Secretary of Defense (Comptroller) website.
3. The discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member not paid per diem or other travel reimbursement for subsistence who is performing duty in a U.S. Government vessel, a U.S. Government aircraft, on maneuvers, war games, field exercises, or similar operations, or to members traveling together with limited or no per diem travel status under EUM or assigned ESM. The discount meal rate also applies to meals and rations provided to a member assigned to Joint Task Force operations (for other than training) at temporary U.S. installations, or through a temporary dining facility.
4. The standard meal rate applies to meals and rations provided to any member not authorized the discount meal rate. This includes any member being paid per diem for subsistence, except those on Joint Task Force operations as described in note 3. Generally, when the standard meal rate is applicable, it will be collected in cash from the member by the dining facility.

*Table 25-3. BNA Percentage Effective Dates

BNA Percentage	Start Date	End Date
200%	May 12, 2025	
150%	July 1, 2023	May 11, 2025
130%	January 1, 2023	June 30, 2023

*REFERENCES

CHAPTER 25 – SUBSISTENCE AND BASIC NEEDS ALLOWANCES

2.0 – BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

	37 U.S.C. § 402
2.1.2.	37 U.S.C. § 402(a)(2)
2.1.2.1.	37 U.S.C. § 402(b)
2.1.2.2.	37 U.S.C. § 402(d)
	Office of the Assistant Secretary of the Air Force Financial Management Memo, June 8, 2010
2.2.2.1.	DoD Directive (DoDD) 1418.05, October 6, 2003, Paragraph 4.3.7.2
2.3.1.	DoDD 1418.05, October 6, 2003, Paragraph 4.1
2.3.1.2.	37 U.S.C. § 502(b)
2.3.1.3.	37 U.S.C. § 503
2.3.1.4.	10 U.S.C. § 708
2.3.1.5.	37 U.S.C. § 420(c)
2.3.1.6.	10 U.S.C. §§ 857(a)(1), 858b(a)(1)
2.3.2.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.7.3
2.4	DoDD 1418.05, October 6, 2003, Paragraph 4.2
2.4.2.	37 U.S.C. §402(h)
2.4.2.1.	Secretary of Defense Memo, July 21, 2010 Secretary of Defense Memo, October 16, 2015
2.4.3.	DoDD 1418.05, October 6, 2003, Paragraph 4.2.1
2.4.3.2.1.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.3
2.4.3.2.2.	DoDD 1418.05, October 6, 2003, Paragraph 4.3.1
2.4.3.3.	DoDD 1418.05, October 6, 2003, Paragraph 4.2.1 and 4.2.2
2.5	DoDD 1418.05, October 6, 2003, Enclosure 2

3.0 – FAMILY SUPPLEMENTAL SUBSISTENCE ALLOWANCE (FSSA)

	37 U.S.C. § 402a DoDI 1341.11, March 4, 2008
3.2.5.	37 U.S.C. § 402a(b)(4)

4.0 – BASIC NEEDS ALLOWANCE (BNA)

37 U.S.C. § 402b
DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025
Public Law (P.L.) 118-159 § 621, dated December 23, 2024

Table 25-1	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 28, 2023 Office of Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 26, 2024
Table 25-2	Office of Under Secretary of Defense (Comptroller) Memo, December 13, 2023 Office of Under Secretary of Defense (Comptroller) Memo, December 20, 2024
Table 25-3	37 U.S.C. § 402b DoDI 1341.15, November 15, 2022, Change 3 effective May 12, 2025 Public Law (P.L.) 118-159 § 621, dated December 23, 2024

VOLUME 7A, CHAPTER 26: "HOUSING ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised the chapter content for accuracy and clarity to comply with current administrative instructions.	Revision
7.0	Updated the "Family Separation Housing Allowance" section to comply with Title 37, United States (U.S.C.), Section 403(d)(1).	Revision
10.5	Updated the "Reserve Component Member" subparagraph to include new language for dual Basic Allowance Housing for training in accordance with 37 U.S.C. § 403(g)(3).	Revision
Table 26-18 Table 26-23	Revised in accordance with the Office of the Assistant Secretary Defense, Manpower and Reserve Affairs Memo, dated August 8, 2024.	Revision
References	Updated the statutes and supporting references.	Revision

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CHAPTER 26

HOUSING ALLOWANCES

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to housing allowances. Housing allowances include Basic Allowance for Housing (BAH), Overseas Housing Allowance (OHA), and Family Separation Housing (FSH) Allowance. Entitlement eligibility is subject to the conditions set forth in this chapter.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INTRODUCTION

A Service member on Active Duty (AD) entitled to basic pay is authorized basic housing allowance (BAH or OHA) based on their grade, rank, location, and whether the Service member has any dependents. A housing allowance generally is not authorized for a Service member who is assigned to appropriate and adequate Government quarters (see section 8.0 for Government quarters). If a Service member is on excess leave, housing allowances do not accrue during the excess-leave period. If a Service member is absent without leave which is not excused as unavoidable, housing allowances are not authorized.

2.1 Definitions for Housing Allowances

2.1.1. Sharer. A sharer includes the following individuals residing with a Service member, excluding any dependent of the Service member:

2.1.1.1. Another Service member authorized an OHA or FSH, OHA based location (FSH-O).

2.1.1.2. A civilian employee, including any dependents of the civilian employee, who is also authorized a Living Quarters Allowance (LQA). Department of State Standardized Regulations (DSSR), section 130 ***(DSSR § 130)*** or cost of living allowance (COLA) in a non-foreign location Outside Continental United States (OCONUS) (see ***OCONUS COLA***).

2.1.1.3. Any other person, who contributes money toward the payment of rent, mortgage, or utilities.

2.1.2. Owner-Owned Multiple Occupancy Dwelling. The dwelling is a duplex, triplex, or other type of multiple occupancy dwelling that is designed for separate private-sector housing units for more than one household. The units within the dwelling ordinarily have separate addresses or entrances. For OHA or FSH-O purposes, it would include a dwelling where the Service member and any dependents occupy a single separate unit within the dwelling and the other units are rented out.

2.1.3. Permanent Duty Station (PDS) Vicinity

2.1.3.1. Member Assigned to PDS OCONUS. The PDS vicinity is the U.S. territory or possession, state when in Alaska or Hawaii, or the entire country (excluding the United States), where the Service member's PDS, as defined in the Definitions Chapter, is located. A dependent is considered to be residing in the PDS vicinity if residing in that same territory or possession, state, or country, even if not residing with the member. However, if the Service member is authorized or approved through the Secretarial Process to maintain separate households (one for the member and one for a dependent) and is maintaining a separate household in that same territory or possession, state, or country, then the dependent is not residing in the PDS vicinity for FSH purposes. A commander may submit a request for determination through the appropriate channels to the applicable Service Manpower and Reserve Affairs (M&RA).

2.1.3.2. Member Assigned to PDS in the Continental United States (CONUS). The PDS vicinity is the local commuting area of the PDS.

2.1.3.3. Member commutes to OCONUS/CONUS PDS. When a Service member resides with a dependent outside the applicable PDS vicinity as defined in subparagraph 2.1.3.1 or 2.1.3.2, and commutes to the PDS, the dependent is considered to be residing at or near the vicinity of the PDS.

Example 1: Member's PDS is in Germany. Member resides with dependents in France and commutes to the PDS. Member's dependents are considered to be residing in the PDS vicinity even though they are living outside of Germany. Member is not entitled to FSH-O even if other FSH criteria is met.

Example 2: Member's PDS is in San Antonio, Texas. Member resides with dependents in Houston, Texas, and commutes to the PDS. Member's dependents are considered to be residing in the PDS vicinity even though Houston is outside the San Antonio local commuting area. Member is not entitled to FSH, BAH-based locations (FSH-B) even if other FSH criteria is met.

2.1.4. Government Quarters

2.1.4.1. Government quarters include:

2.1.4.1.1. U.S. Government owned or leased sleeping accommodations or family-type housing;

2.1.4.1.2. Lodging or other quarters obtained by U.S. Government contract;

2.1.4.1.3. Dormitories or similar facilities operated by a cost-plus-a-fixed-fee contract;

2.1.4.1.4. Sleeping or housing facilities furnished by a foreign government on the Government's behalf; or

2.1.4.1.5. Quarters in a state-owned National Guard camp.

2.1.4.2. For housing allowance purposes, the term does not include privatized housing or transient facilities, such as temporary lodging facilities, guesthouses, hostess houses', or hotel-type accommodations built or operated by non-appropriated fund activities. Government quarters converted to privatized housing are no longer Government quarters.

2.1.5. Rental Charge. A rental charge is a fee for occupancy and does not include service charges for linens, cleaning, maintenance, or similar costs.

2.2 Housing-Allowance Applicable Dates

2.2.1. Housing Allowance Start and Stop Dates. The authorizing document for OHA and FSH-O is the DoD ***DD Form 2367***, OHA Report. Table 26-1 specifies the date to start BAH or OHA for a Service member with a dependent. Table 26-2 specifies the date to stop housing allowances based on changes in the status of a sole dependent. Table 26-3 specifies the date to stop BAH or OHA for reasons other than a change in the status of a dependent. Situations not covered in these tables are contained elsewhere in this chapter.

2.2.1.1. Start. Unless specifically authorized elsewhere in this chapter, PDS housing allowance eligibility starts on a Service member's reporting day to a new PDS. OHA and FSH-O start on the day a Service member incurs a financial obligation for private-sector housing (e.g., the lease start date), assuming all other criteria for OHA or FSH-O is met. If the Service member is authorized a monetary allowance in lieu of transportation (***MALT***) plus per diem (MALT Plus) on the reporting day, OHA eligibility starts on the day after the Service member's reporting day. When a home port change is involved, ordinarily a housing allowance based on the rate for the new home port starts on the effective date of the home port change.

2.2.1.2. Stop. Unless an extension is authorized or approved under paragraph 10.2, or the PCS move is a close proximity move as specified in paragraphs 10.1 and 10.2, the OHA, FSH-B and FSH-O allowances stop on any of the following:

2.2.1.2.1. The day the Service member's OHA, FSH-O, or FSH-B lease ends.

2.2.1.2.2. The day before the Service member departs due to a PCS order.

2.2.1.2.3. The day before the effective date a Service member's assigned ship or unit changes its home port from OCONUS. However, a Service member without a dependent is authorized a housing allowance based on the old home port until the day the Service member moves back aboard the ship under all of the following conditions:

2.2.1.2.3.1. The Service member is undergoing a home port change;

2.2.1.2.3.2. The ship does not depart from the old home port before or on the home port change effective date; and

2.2.1.2.3.3. Quarters on board the ship are not available (for example, because the ship is dry-docked).

2.2.1.2.4. Upon assignment to Government quarters.

3.0 DETERMINING DEPENDENCY

3.1 Dependent

3.1.1. Eligibility. In order to be eligible for a housing allowance at the with-dependent rate, a Service member must have an eligible dependent. The term "dependent" has the same meaning as defined in the Definitions chapter and is further defined in subparagraphs 3.1.1.1 through 3.1.1.2.3.

3.1.1.1. Primary Dependents. The following are considered a Service member's primary dependent:

3.1.1.1.1. Spouse. As defined in the Definitions chapter, except for a spouse who is a Service member entitled to basic pay as provided in section 4.0.

3.1.1.1.2. Child. As defined in the Definitions chapter, "Dependent," definitions 2, 3, and 4.

3.1.1.2. Secondary Dependents. An individual is a secondary dependent only in that a Service member's support of these individuals is never assumed. A Service member must provide evidence that a secondary dependent, as that term is defined below, is dependent upon the Service member for over one-half of the individual's support. Support has the meaning given in subparagraph 3.3.1. The following individuals may be considered a Service member's secondary dependent only if all requirements of relationship, age, marital status, educational status (if applicable), mental and/or physical incapacitation (if applicable), and support are proven:

3.1.1.2.1. College-Age Student. As dependent as defined in the Definitions chapter, "Dependent," definition 5.

3.1.1.2.2. Incapacitated Adult Child. A dependent as defined in the Definitions chapter, "Dependent," definition 6.

3.1.1.2.3. Parent, Including Stepparent. As dependent as defined in the Definitions chapter, "Dependent," definition 7.

3.1.1.2.3.1. A stepparent relationship ends upon divorce of the stepparent from the Service member's biological parent, but not necessarily upon the death of the Service member's biological parent. A stepparent may qualify as a secondary dependent after the death of the Service member's biological parent.

3.1.1.2.3.2. A person who has stood in loco parentis is an eligible secondary dependent.

3.1.1.2.4. Legal Ward. A dependent as defined in the Definitions chapter, definition 8.

3.2 Relationship Determinations and Certification Requirements

Dependency must be determined before a housing allowance or Uniformed Services Identification Privileges (USIP) card is authorized. After initial approval, the Services must maintain adequate levels of internal audit to assure the legality, propriety, and correctness of all housing allowance payments. See individual Service regulations for procedures.

3.2.1. Primary Dependent Relationship. In determining relationship or dependency for housing allowance eligibility, the appropriate officials must apply the rules in this section. The Service Secretary or designee makes all determinations of relationships or dependency for a primary dependent. The designee may re-delegate.

3.2.1.1. Spousal Relationship Determination. Table 26-8 specifies who determines a dependency relationship for the purposes of a housing allowance when the dependent claimed is a spouse and there is no evidence of a doubtful marriage. Any case in which the validity of a Service member's marriage is questionable is a case of a doubtful relationship. When the relationship status of a claimed dependent spouse is doubtful, submit a request for determination to the applicable office indicated on Table 26-9.

3.2.1.2. Parent-Child Relationship Determination. Tables 26-4 to 26-7 specify the rules for determining a dependency relationship for purposes of a housing allowance between an unmarried child and a Service member in the Army, Navy, Air Force, Space Force, or Marine Corps, respectively. Questionable claims that require legal review should be referred to the applicable office noted in Table 26-9.

3.2.1.3. Proof of Parentage. A Service member who claims a housing allowance for an adopted child, stepchild, or a child born out of wedlock must provide proof of parentage as follows:

3.2.1.3.1. For an adopted child, documentation showing the Service member is the child's legal parent;

3.2.1.3.2. For a stepchild, a marriage license showing the Service member is married to the child's legal parent and documentation showing that the Service member's spouse is the child's parent; or

3.2.1.3.3. For a child born out of wedlock, a birth certificate with the Service member's name cited is required. If the Service member's name is not stated on the birth certificate or on a court order, obtain a signed notarized affidavit of parentage from the Service member. If the child is not in the custody of the Service member parent, the case is treated as specified in the rules for BAH-Differential (BAH-Diff).

3.2.2. Secondary Dependency Relationship. Tables 26-10 to 26-13 specify who determines dependency for secondary dependents. Determinations of relationships or dependency for non-DoD Services is per Service regulations.

3.2.2.1. Parent Dependency Determination. A parent's dependency is determined based on an affidavit submitted by the parent and any other evidence required under applicable regulations. A legal guardian may complete the form for a mentally incapacitated parent.

3.2.2.1.1. A parent's residence in a charitable institution, public or private, does not alone prohibit the Service member from receiving a housing allowance for the parent when all other conditions are met. Failure to reside with the Service member does preclude a parent from a USIP card.

3.2.2.1.2. Table 26-11 specifies who determines a dependency relationship for the purposes of a housing allowance when the dependent claimed is a parent, including a person acting in loco parentis.

3.2.2.1.3. If there is a question as to whether the parent is or is not a dependent, then the authority in Table 26-11 submits a request through the appropriate chain of command to the authority in Table 26-9 for a dependency determination.

3.2.3. Dependent Status Certification. A Service member is required to provide information concerning the status of a dependent when certain conditions occur.

3.2.3.1. Change in PDS. Upon arrival at a new PDS, each Service member authorized a housing allowance for a dependent must recertify the status of the dependent to the Secretary concerned to support a housing allowance on the dependent's behalf. If a Service member fails to provide the certification, the housing allowance on the dependent's behalf stops at the end of the month in which the certification is due. A housing allowance at the appropriate partial or without-dependent rate is paid unless the Service member is not authorized that allowance for some other reason. A housing allowance at the with-dependent rate is authorized effective the date the Service member provides proper certification. The higher rate is not retroactive unless the Service member's commander certifies that the failure to recertify promptly was for reasons beyond the Service member's control.

3.2.3.2. Change in Dependent Status. A Service member must report any change in dependency status, including, but not limited to: death, divorce, legal separation, change in custody arrangements, or any change in support obligations for either a primary or secondary dependent. If a Service member fails to report a change in dependency status that makes them no longer entitled to a with-dependent housing allowance, the member will be indebted for any amount of with-dependent housing allowance received after the dependency relationship ended or in the case of failure to support, from the date in which the Service member cannot show evidence of required support.

3.2.3.3. Secondary Dependency Annual Certification. Annual certification of financial and relationship status is required for a Service member who claims a housing allowance for a secondary dependent, as defined in subparagraph 3.1.1.2.

3.2.3.4. Reserve Component (RC) Member. An RC member must recertify each dependent's status at least every third year from the previous certification or when a dependent's status changes, whichever is sooner.

3.2.4. Fraudulent Claims. Any Service member who submits a claim for a housing allowance that contains a false statement is subject to court-martial or criminal prosecution. Fraudulent acceptance of benefits may cause a civilian recipient to be subject to criminal prosecution. The law provides for severe penalties of imprisonment and a fine. For military personnel, it may include a punitive separation, total forfeitures, and confinement. In the absence of criminal prosecution, administrative collection of amounts to which the Service member was not entitled may be initiated.

3.3 Support Requirement

In order for a Service member to receive BAH at the with-dependent rate or a USIP card, for a dependent, the Service member must be providing support to an individual claimed as primary or secondary dependent.

3.3.1. Support Defined. Support is defined as it is in *26 C.F.R. § 1.152-1(a)(2)* except as otherwise noted in this paragraph. The term "support" includes food, shelter, clothing, medical and dental care, education, and the like. Generally, the amount of an item of support will be the amount of expense incurred by the one furnishing such item. If the item of support furnished is in the form of property or lodging, it is necessary to measure the amount of such item of support in terms of its fair market value.

3.3.2. Primary Dependents. A Service member is authorized a housing allowance on behalf of a primary dependent if the Service member contributes to the dependent's support in an amount that is at least equal to the applicable BAH-Diff rate. See subparagraph 3.4.1 for specific rules concerning computing support of a child. When BAH-Diff rates increase, the minimum amount of support required increases to the new rate. A Service member receiving a housing allowance on behalf of a dependent must, as applicable, increase the amount of support within 60 days of the rate increase to continue receiving the housing allowance.

3.3.2.1. Proof of Support. Proof of support of a primary dependent is generally not required. However, proof of support may be required by the Service in circumstances including but not limited to:

3.3.2.1.1. When the Service becomes aware of facts or evidence which suggest nonsupport or inadequate support; or

3.3.2.1.2. When an appropriate office receives a complaint from a dependent of nonsupport or inadequate support.

3.3.2.2. Interlocutory Decree of Divorce. If a Service member is divorcing a spouse, and an interlocutory decree of divorce does not require the Service member to pay support to the soon to be former spouse in an amount meeting the required level of support, the Service member is not authorized a housing allowance for the former spouse after the date of the interlocutory decree unless the Service member provides proof of support.

3.3.2.3. Legal Separation From Spouse. If a Service member is legally separated from a spouse, but not yet divorced, and a separation agreement or court order does not require the member to pay support to the spouse in an amount meeting the required level of support, the Service member must provide proof of support at the required level to continue to receive a housing allowance for the spouse.

3.3.2.4. Child Support. When a non-custodial parent Service member has a court-ordered child support obligation in an amount that is less than the required level of support and the Service member is not residing in, or assigned to, Government quarters, the Service member is authorized a with-dependent housing allowance for the child only if the Service member provides proof of support to the child at the required level. See section 4.0 for applicable rules when the Service member has a child with another Service member.

3.3.2.5. Additional Support Requirement. The support amount required to retain or receive a housing allowance for a dependent is not necessarily adequate to meet Service policies. The Service concerned may have additional requirements for support in the absence of a legal separation agreement or court order.

3.3.3. Secondary Dependents

3.3.3.1. Required Level of Support. To receive a housing allowance on behalf of an individual claimed as a secondary dependent or a USIP card for a secondary dependent, the individual must be dependent upon the Service member for at least one half of the individual's support in a calendar year.

3.3.3.2. Proving Financial Dependency. A Service member must prove the financial dependency of an individual claimed as a secondary dependent in one of the following ways:

3.3.3.2.1. Tax Return and DD Form 137. Complete and submit the DD Form 137, Secondary Dependency Application, including a tax return demonstrating the individual was claimed on the Service member's tax return as a dependent. The tax return may be for the tax year prior to the year for which the Service member is now claiming the dependency status. If a tax return is provided, the portion of the DD Form 137 containing the "Worksheet for Determining Support" is not required.

For example: If the Service member completes the DD Form 137 in November of 2023 and claimed the individual as a dependent on the Service member's 2022 calendar year tax return, this will be sufficient evidence of financial support in 2023. All other requirements of dependency must still be met for the duration of the calendar year of 2023 for the dependency to be approved.

3.3.3.2.2. Worksheet for Determining Support and DD Form 137. A tax return is not required. In any case in which the Service member chooses to not provide a tax return, is unable to provide a tax return, or was unable to claim a dependent on a tax return because the initiation of dependency did not occur early enough in the tax year to be claimed, the Service member must then complete and submit the entirety of the DD Form 137, including the section of the form that contains the "Worksheet for Determining Support" (Worksheet) in its entirety. See subparagraph 3.4.2 for how support will be computed.

3.3.3.2.2.1. A Service may request supporting documentation on a case-by-case basis to validate items on the Worksheet.

3.3.3.2.2.2. Failure to complete any of the required forms will result in a denial of the secondary dependency status for the individual claimed.

3.3.3.2.3. Claiming Dependent When Tax Return Not Yet Filed. There may be circumstances in which the Service member is filing a claim for an individual but due to timing, there has been no tax return filed claiming that individual on the tax return. In that situation, the Service member must complete the DD Form 137 in its entirety to include the Worksheet. The pay office will then compute the support as defined by this chapter, provided on a pro-rated basis for the months in which the individual being claimed resided with the Service member.

3.3.4. Non-Support

3.3.4.1. A Service member who fails to support a dependent on whose behalf a housing allowance is received is not authorized a housing allowance on that dependent's behalf.

3.3.4.2. A Service member does not avoid the legal responsibility to comply with a court order for support by forfeiting a housing allowance.

3.3.4.3. Any housing allowance paid for any period in which a Service member failed to support or inadequately supported a dependent must be recouped. The Service member will be subject to debt collection as set out in Volume 16.

3.4 Computing Support

3.4.1. Primary Dependents

3.4.1.1. Timing of Child Support Payments. For purposes of determining the amount of support furnished for a child (or children) by a Service member for a given calendar year:

3.4.1.1.1. An arrearage support payment made in a year after the calendar year when it was required to be made must not be treated as a payment of support for the year it was paid if there was no support obligation for that year.

3.4.1.1.2. An arrearage support payment may be counted toward a support obligation in the year in which it was paid, but only to the extent of the support obligation for that year; and

3.4.1.1.3. Payments made prior to any calendar year (whether or not made in the form of a lump sum payment in settlement of the parent's liability for support) shall not be treated as made during such calendar year. However, payments made during any calendar year from amounts set aside in trust by the Service member in a prior year, shall be treated as made during the calendar year in which paid from the trust.

3.4.1.1.4. Subsequent payment of support arrears may be counted toward a support obligation for the period the support was required to make if the delay in the support in payment(s) was caused by one of the following:

3.4.1.1.4.1. The Service's mission requirements; or

3.4.1.1.4.2. Outside agencies' actions determined by Service regulations to be beyond the Service member's control.

3.4.1.2. Settlement Agreements

3.4.1.2.1. Property settlements made under a court order or written agreement are not considered support for housing allowance purposes.

3.4.1.2.2. Payments made under a settlement in place of support are considered support only for the periods specified in the written agreement or court order.

3.4.1.2.3. A lump-sum settlement in place of support made under written agreement or court order is support for the period the lump sum would reasonably cover the dependent's support.

3.4.2. Secondary Dependents. An individual claimed as a secondary dependent must receive over one half of their financial support from the Service member. When a Service member has not provided a tax return showing the individual claimed as a dependent upon the tax return, then for purposes of determining whether or not an individual received over half of their support from the Service member for a given calendar year, determine the amount of support the individual received from the Service member as compared to the entire amount of support which the individual received from all sources, including support of the individual themselves.

3.4.2.1. Source of Income and Support

3.4.2.1.1. Income. In computing the amount, which is contributed for the support of an individual, there must be included any amount which is contributed by the individual for their own support, including income which is ordinarily excludable from gross income, such as benefits received under the Social Security Act (***42 U.S.C. Chapter 7***). Other items of income may include, but are not limited to, proceeds derived from the liquidation of capital assets and pensions received by the parent. Refer to DD Form 137 Worksheet for Determining Support.

Example. A father receives $800 social security benefits, $400 interest, and $1,000 from his son during a calendar year, all of which sums represent his sole support during that year. The fact that the social security benefits of $800 are not includible in the father's gross income does not prevent such amount from entering into the computation of the total amount contributed for the father's support. Consequently, since the son's contribution of $1,000 was less than one-half of the father's support ($2,200) he may not claim his father as a dependent.

3.4.2.1.2. Support. Just because an item is included in an individual's income, does not mean it must be used for support. Only include items in the support computation which were used for the individual support. A person is not required to expend all their income for their own support.

Example: Your mother received $2,400 in social security benefits and $300 in interest. She paid $2,000 for lodging and $400 for recreation. She put $300 in a savings account.

Even though your mother received a total of $2,700 ($2,400 + $300), she spent only $2,400 ($2,000 + $400) for her own support. If you spent more than $2,400 for her support and no other support was received, you have provided more than half of her support.

3.4.2.1.3. Unliquidated. Capital assets are not income, and an individual claimed is not required to deplete their capital assets to establish dependency on a Service member for housing allowance purposes.

3.4.3. Expenses. In computing support, the amount the Service member and individual claimed as a secondary dependent contributed to support must both be considered. When the DD Form 137 "Worksheet for Computing Support" is used, expenses for the following may be included in determining support:

3.4.3.1. Food, shelter, and clothing

3.4.3.2. Medical and dental care, which includes medical, vision, and dental expenses not paid for or reimbursed by insurance paid for the year.

3.4.3.2.1. This expense may include personal/supplemental insurance premiums paid for the individual's support and premiums paid for supplementary Medicare coverage or TRICARE premiums, if any.

3.4.3.2.2. This amount does not include the value of medical insurance benefits and does not include the value of the USIP card.

3.4.3.3. Education, including school expenses, such as tuition, books, special fees (lab fees, distance education fees, internship fees, parking), room and board for off-campus lodging, school supplies, or tutoring.

3.4.3.4. Extracurricular activities, including lessons fees (e.g., sports, dance, music).

3.4.3.5. Travel and recreation expenses, including:

3.4.3.5.1. Public transportation/taxi fees (may also include ride share services);

3.4.3.5.2. Entertainment and recreation tickets (e.g., movies, sporting events, concerts, videos, theater), recreation/amateur sports/Special Olympics enrollment fees, and fitness or social club enrollment fees; or

3.4.3.5.3. Vehicle expenses, including total vehicle payments, license plate/registration fees, and driver's license fees. The vehicle must be registered in the individual's name, with the exception that purchase of a handicap accessible vehicle if the individual is a child. If the vehicle was used by others in household, the Service member can only include out-of-pocket expenses of operating the car for the individual's benefit.

3.4.3.6. Other expenses, including but not limited to, fees for a checking account, savings account, or money orders, childcare expenses, including expenses paid for care of a disabled dependent, postage, court-ordered bankruptcy payments, or personal hygiene items.

3.4.4. Expenses do not include any federal, state, or local taxes paid by either the Service member or the individual claimed.

4.0 IMPACT OF CERTAIN CHILD CUSTODY AND FAMILY ARRANGEMENTS ON HOUSING ALLOWANCE

4.1 Custodial Parent

A Service member who is awarded primary physical custody of a dependent child, or whose dependent child resides with the Service member for at least half of a calendar year, is considered a "custodial parent" for housing allowance purposes.

4.2 Non-Custodial Parent With Temporary Custody

4.2.1. When a non-custodial Service member resides in a private-sector residence and the Service member's child visits for 90 consecutive days or fewer, the Service member must pay child support in an amount equal to or exceeding the applicable BAH-Diff rate to receive BAH at the with-dependent rate on account of the child. The cost of maintaining the residence is not a factor in determining authority for the with-dependent housing allowance rate and may not be used instead of, or in addition to, child support to qualify for increased allowances.

4.2.2. When a non-custodial Service member resides in a private-sector residence and the Service member's child visits for 91 or more consecutive days, the Service member qualifies for BAH at the with-dependent rate on account of the child for the period of the visit.

4.3 Non-Service Member is Custodial Parent

4.3.1. Non-Custodial Status of Service Member. When the non-Service member parent is awarded primary physical custody of a child of a Service member, or the Service member's dependent child resides with the non-Service member parent for more than half of the calendar year, then the Service member is a non-custodial parent for housing allowance purposes.

4.3.2. Service Member Not Assigned to Government Quarters Pays Support. Subject to other provisions in this Chapter, if a non-custodial Service member is not residing in or assigned to Government quarters and pays support for the child in an amount equal to or more than the applicable BAH-Diff rate, the Service member is authorized a housing allowance at the with-dependent rate based on the child. The support amount includes any court-ordered child support and any additional amount the Service member pays in addition to or in the absence of court-ordered child support. If the Service member pays support in an amount below the applicable BAH-Diff rate, the Service member is only authorized a housing allowance at the without-dependent rate.

4.3.3. Custodial Parent Married to Another Service Member. If the custodial parent and child live in Government quarters assigned to the custodial parent's current spouse (Service member stepparent), the non-custodial Service member is not authorized a housing allowance for the child, regardless of support payments. However, if the Service member stepparent with whom the custodial parent and child reside is not assigned to Government quarters, a housing allowance for the child may be paid to either the Service member parent or the Service member stepparent, but not both. The Service member parent has priority to a housing allowance for the child if providing adequate support.

4.3.4. Service Member Marries Non-Service Member. If a non-custodial Service member marries a non-Service member, the Service member:

4.3.4.1. Is authorized a with-dependent housing allowance based on the Service member's current spouse when not assigned Government quarters. The Service member is not authorized a housing allowance for the child.

4.3.4.2. Is not authorized a housing allowance for the child when the Service member is assigned to or occupies Government family type quarters for the Service member and current spouse.

4.4 Dependent Confined in Penal or Correctional Institution

4.4.1. Housing Allowance Payable. Confinement of a Service member's spouse or unmarried minor child in a penal or correctional institution does not affect the Service member's authority for a housing allowance on the dependent's behalf, unless any of the following conditions apply:

4.4.1.1. The Service member refuses to support the dependent;

4.4.1.2. The Service member has been relieved from supporting the dependent;

4.4.1.3. The period of confinement may extend beyond 5 years; or

4.4.1.4. The case is otherwise doubtful.

4.4.2. Doubtful Cases. Submit doubtful cases or cases involving a sentence extending beyond 5 years to the addresses specified in Table 26-9. Do not pay a housing allowance on behalf of the dependent pending a decision.

4.5 Service Member Married to Another Service Member

4.5.1. General Provisions

4.5.1.1. Dependent on AD in a Uniformed Service. In accordance with ***37 U.S.C. § 421***, a dependent who is on AD in a Uniformed Service and is entitled to basic pay cannot be considered a dependent for housing allowance purposes.

4.5.1.2. One Service Member Enters a Non-Pay Status. When one Service member enters a non-pay status, the other Service member may claim the Service member not entitled to pay and allowances as a dependent and be authorized to draw BAH or OHA at the with-dependent rate for the duration of the non-pay status, if otherwise authorized, unless a dependent is confined in a penal or correctional institution (see paragraph 4.4). A Service member may claim as a dependent a Service member on inactive duty for training (Reserve drills).

4.5.1.3. Service Member Serving on Sea Duty. A Service member of any grade who is assigned to permanent sea duty who is married to another Service member in a pay grade below E-6 is authorized BAH or OHA.

4.5.1.4. Spouse in Foreign Military. Paragraph 4.5 does not apply when a Service member is married to a person in the military service of a government other than the United States. The Service member is authorized a housing allowance even if the foreign government furnishes a residence or pays a monetary allowance in lieu of a residence for the spouse.

4.5.1.5. Unmarried Service Members. Paragraph 4.5 does not apply to two Service members living together but not married. Two unmarried Service members living together are separately authorized a housing allowance based on each Service member's dependents and circumstances. If the only dependents the unmarried, cohabitating Service members have are children they have together, only one can receive a with-dependent housing allowance for the shared children.

4.5.1.6. Other Housing Allowances. Other housing allowance paragraphs in this chapter (e.g., FSH, Service member on unaccompanied tour, BAH rate protection) also apply to a Service member married to another Service member.

4.5.2. Both Service Members Married to Each Other Entitled to Basic Pay

4.5.2.1. No Dependents. When both Service members have no dependents, each is treated as a Service member without a dependent for BAH or OHA. This applies whether the Service members are living together or separately if Government quarters are not provided.

4.5.2.2. Family-Type Quarters. When Service members married to each other jointly occupy family-type quarters, neither Service member is authorized BAH or OHA, even if no dependent resides in the quarters, unless a dependent is prevented by a military order from occupying quarters.

4.5.2.3. Not Assigned Government Quarters. Generally, only one Service member may receive BAH or OHA at the with-dependent rate (including BAH-Diff) if they collectively have one or more dependents as defined in section 3.0, including all children, parent(s), and wards.

4.5.2.3.1. With-Dependent Rate for Shared Dependent. When two Service members have a dependent child (or multiple dependent children) together and are not assigned Government quarters, the Service members must choose which one will receive BAH or OHA at the with-dependent rate. If they cannot agree, then the senior Service member receives the

with-dependent rate. The Service members may subsequently elect to transfer BAH authorization from one Service member to the other for any reason. Changes are effective as of the election date and may not be applied retroactively.

4.5.2.3.2. Child From Previous Relationship. When two married Service members are not assigned Government quarters and have one or more child dependents living with them who are not shared children, but are children from one or both Service members' prior relationships, only one of the Service members may claim a with-dependent housing allowance based on the child(ren) collectively, as parent or stepparent, as applicable. The other Service member receives BAH or OHA at the without-dependent rate. The rule is the same if the Service members have a shared dependent child or children in addition to those who are not shared.

4.5.2.3.3. Separate Households. When both Service members maintain separate households at or in the vicinity of their PDS or PDSs, each is individually authorized BAH or OHA if not provided Government quarters. Only one Service member may receive BAH or OHA at the with-dependent rate. If the Service members no longer share a common residence due to military orders, their authorization for increased allowances or assignment to Government quarters should be determined separately without regard to the general rule in subparagraph 4.5.2.3. Each Service member may receive a housing allowance at the with-dependent rate if a dependent child resides with that Service member. See paragraph 3.3 and subparagraph 4.5.3 for BAH or OHA for divorced or legally separated Service members.

4.5.2.3.4. Same or Adjacent Military Installations. Both Service members are considered to be stationed at the same or adjacent bases, or shore installations, when they are not prevented by distance from living together or they actually commute on a regular basis regardless of distance. The general rule of subparagraph 4.5.2.3 applies.

4.5.2.3.4.1. Each Service member is authorized BAH or OHA at the appropriate rate when family-type quarters are not assigned, notwithstanding the availability of adequate single quarters for either or both Service members unless the commander requires the Service member to reside in single Government quarters.

4.5.2.3.4.2. When both Service members are authorized BAH or OHA at the same or adjacent military installation and are then separated geographically by orders, the Service member remaining at the old PDS is authorized BAH or OHA continuation regardless of the availability of adequate single quarters unless the commander requires the Service member to reside in single Government quarters.

4.5.2.3.5. If one Service member elects to stop receiving a housing allowance at the with-dependent rate, then the other Service member may claim their dependent(s) for housing allowance purposes. A relationship determination is required, but ordinarily a dependency determination is not. In all instances of a Service member having a spouse on AD, full details must be given showing the spouse's full name, Social Security number, duty station, and branch of Service in order to inform each of the Service members' commands of the actions of each spouse.

4.5.3. Dependent Custody Effects on Housing Allowances

4.5.3.1. Divorce or Legal Separation – Neither Member in Government Quarters. The following rules apply when two Service members divorce or legally separate or a divorce or legal separation decree is subsequently amended. These rules apply in addition to those in paragraph 3.3 and only when neither Service member is assigned to family-type Government quarters, unless otherwise specified:

4.5.3.1.1. Unless both Service members agree to the contrary, the parent with primary physical custody, if applicable, is authorized a housing allowance for the child, regardless of the child-support amount received by that Service member.

4.5.3.1.2. The Service members may agree that the parent who does not have primary physical custody of the child will receive the housing allowance on behalf of the child if the non-custodial Service member parent pays support in an amount meeting the BAH-Diff rate. In addition to the court order concerning custody, the Service members must submit an agreement that has been signed by both Service members and notarized which states that they agree that the non-custodial Service member parent will pay child support to the custodial Service member parent in an amount equal to or exceeding the applicable BAH-Diff rate and the custodial parent will allow the non-custodial parent to claim the child as a dependent for housing allowance purposes.

4.5.3.1.3. When the Service members have joint legal and physical custody, with physical custody alternating from one parent to another, and neither has primary physical custody, each parent is authorized a housing allowance for the child during those periods the child is actually in that parent's physical custody.

4.5.3.1.4. When each Service member has legal and primary physical custody of one or more of the children of the marriage, each Service member is authorized a housing allowance for the children in their individual physical custody, regardless of child-support payments from one Service member to the other.

4.5.3.1.5. When a child of the marriage is in a third party's custody, only one Service member is authorized a housing allowance for the child, even if both Service members are paying sufficient child support to qualify for the housing allowance. The senior Service member is authorized a housing allowance for the child when the two Service members do not agree on which person claims the authorization. If the Service members are of equal rank, date of rank determines which one receives a housing allowance for the child.

4.5.3.1.6. When a non-custodial Service member pays child support to a custodial Service member parent who also has another dependent for housing allowance purposes, there is a presumption that the custodial Service member parent authorization is based on the dependent other than the child shared with the non-custodial Service member parent. The non-custodial Service member parent may be authorized a with-dependent housing allowance based on the child if other requirements for the allowance are met. The housing allowance authorization for the custodial and non-custodial parents is determined individually.

4.5.3.1.7. Once the Service members are divorced or legally separated, each Service member's housing allowance for dependents who are not shared children is determined individually.

4.5.3.2. Child in Government Quarters With Service Member Custodial Parent

4.5.3.2.1. Child in Assigned Family Government Quarters. When a Service member has primary physical custody of a child of the Service member and another Service member and is assigned to, or occupies, adequate family-type Government quarters with the child, the non-custodial Service member parent is not authorized a housing allowance for the child, regardless of whether the non-custodial parent pays child support.

4.5.3.2.2. Child in Family Government Quarters Visits Other Service Member Parent. When a child who normally resides in family Government quarters with a custodial Service member parent visits a non-custodial Service member parent in a private residence for 91 or more days, the non-custodial parent is authorized a housing allowance for the child from the first day of the visit. If the visit is 90 or fewer days, a housing allowance for the child is not payable for any part of the visit.

4.6 No Authority on Dependent's Behalf

A Service member is not authorized a housing allowance for any of the following:

4.6.1. A minor child entitled to basic pay as a Uniformed Service member on AD. This includes a minor child attending a military Service academy when the United States furnishes quarters;

4.6.2. A spouse on AD in a Uniformed Service entitled to basic pay. See section 4.0 for housing allowances when two Service members married to each other are both entitled to basic pay;

4.6.3. A dependent for whom the Service member is no longer required to provide support; for example, a legally emancipated child;

4.6.4. A dependent for whom the Service member has not provided required proof of adequate support, when necessary, as specified in paragraph 3.3;

4.6.5. A dependent whom the Service member fails to support (see paragraph 3.3);

4.6.6. A dependent whose whereabouts are unknown and whose absence and whereabouts remain unexplained;

4.6.7. A former spouse, regardless of whether the Service member is paying alimony;

4.6.8. A dependent who occupies Government quarters as a permanent residence without payment of a rental charge. See subparagraph 4.5.3.2.2 for an exception when a child is living with their other parent, who is also a Service member;

4.6.9. A child for whom the Service member pays child support and the following conditions exist:

4.6.9.1. The child is in another active-duty Service member's custody, including a former spouse, as specified in this section; and

4.6.9.2. The Service member with custody of the child is assigned to Government or Government-leased family quarters or receives a with-dependent housing allowance on behalf of the child. This does not include privatized housing.

4.6.10. A child after adoption by a third party and the final adoption order or decree has been entered. When the Service member supports the child pending a final decree, authority for a housing allowance continues after an interlocutory decree of adoption has been entered if the decree does not change the legal relationship between the child and the Service member.

5.0 BASIC ALLOWANCE FOR HOUSING (BAH)

BAH is paid for housing within the United States. Assignment to Government quarters affects a Service member's eligibility for BAH. A housing allowance, other than BAH-Partial or BAH-Diff, is generally not authorized for a Service member who is assigned to Government quarters appropriate to the Service member's grade, rank, or rating and adequate for the Service member and dependents, if any. See section 8.0 for rules regarding assignment to Government quarters.

5.1 BAH Rate and Determination

5.1.1. The BAH rate is based on median housing costs in the Military Housing Area (MHA) and is paid independently of a Service member's actual housing costs.

5.1.2. The Office of the Under Secretary of Defense, Personnel and Readiness OUSD (P&R) determines adequate housing costs in an MHA for all Service members authorized BAH. OUSD (P&R) bases the determination for housing allowances upon the costs of adequate rental housing for civilians with comparable income levels in the same area.

5.1.3. An adjustment in the BAH rates due to an OUSD (P&R) redetermination of housing costs in an MHA takes effect with the pay raise each year.

5.1.4. An MHA is defined geographically by zip code within the United States. Major military population areas are further identified by a combination of two-digit code for the state and three-digit numerical designation within the state. For small military population areas, zip codes are aggregated into areas of similar housing cost and designated as county cost groups.

5.2 BAH Rate Protection

The monthly BAH amount paid to a Service member must not be reduced due to changes in housing costs in the MHA, changes in the national monthly housing cost, or a Service member's promotion. The BAH rate for an RC member is also protected, provided the RC member does not have a break in active service of 1 or more calendar days. This includes transitions in service status from Active Guard Reserve (AGR) duty to other AD and back to AGR duty, or beginning a new AD order or order extension without a break in active service. If the Service member is demoted or loses authority for BAH, then the Service member's BAH rate protection at the current amount stops when the eligibility to BAH for a given MHA or County Cost Group ends. The current BAH rate at the current duty location becomes the Service member's new protected BAH rate.

5.3 Temporary BAH Increase

The Secretary of Defense may prescribe a temporary increase in BAH rates in an area the President declared as a major disaster area or at an installation that experienced a sudden increase in the number of assigned Service members. Payment of the higher BAH is only effective for an MHA or specified zip codes within a county cost group. Temporary BAH increases may not be paid after the statutory authority termination date. See the ***Duration of Authority*** table for termination date.

5.3.1. Eligibility. A temporary increase in BAH rates result in two different BAH rates for Service members assigned to the same zip code. To receive the higher of the two BAH rates, a Service member must certify to the office designated by the Secretary concerned that the member incurred higher housing costs in an approved area due to a major disaster or sudden increase of military personnel assigned to an installation. The certification must be in a form acceptable to the approval authority. The Service member's certification must document rent, or mortgage expense in the case of a homeowner, and utility expenses.

5.3.2. Effective Date. If the Service member meets the eligibility requirements and is authorized the increased rate, it is effective the later of the approval date or the date the Service member started incurring the increased expenses.

5.3.3. Effect of Changes. A Service member receiving a temporary BAH rate increase must submit certification as described when the following events occur:

5.3.3.1. Promotion requires certification that housing costs exceed the standard BAH rate for the higher grade. Without certification, the standard BAH rate for the higher grade applies.

5.3.3.2. Demotion requires certification that housing costs exceed the standards BAH rate for the lower grade. Without certification, the standard BAH rate for the lower grade applies.

5.3.3.3. A change in dependents requires recertification of housing costs to compare applicable rates.

5.3.4. Termination. The increased allowance is paid through the day before the effective date of the next standard BAH rate change for the area. The new standard BAH rate applies on the effective date. There is no rate protection for temporarily increased rates.

5.4 BAH Advance

5.4.1. Authority. Each Service must set regulations for advance BAH payment administration, to include the preparation and disposition of vouchers and supporting papers. When allowed by Service regulations, a Service member's commanding officer, their designee, or another designated official may authorize an advance BAH payment to pay advance rent, security deposits, or initial expenses due to occupying other than Government housing. An advance may also be authorized at any time during a Service member's tour at the location concerned or when a Service member has relocated due to a PCS order. The Secretary concerned or the Secretary's designee may authorize an advance BAH payment in circumstances and conditions other than those specified in this paragraph. Service regulations must set repayment procedures in accordance with subparagraph 5.4.5.

5.4.2. Timing. Ordinarily, the advance should not be disbursed more than three working days before the date payment under the lease or rental agreement must be made. In extenuating circumstances, the officials listed in this chapter may authorize disbursement more than three working days before the date payment must be made. The BAH advance may be paid before or after the expenses occur. A Service member must request the advance payment within 30 days after incurring the expense.

5.4.3. Requirements. Housing expenses must be documented. Required documentation includes copies of the lease, utility company statements, and any other pertinent documentation necessary to support the housing expenses.

5.4.4. Amount. The advance amount is determined by the Service member's current BAH rate, their ability to repay the advance, other advances of pay that may have been made, and any recurring pay deductions. The BAH advance is limited to a total of three months BAH that the Service member is expected to accrue. Expenses identified by a Service member used to purchase any real estate or living accommodations must not serve as a basis for authorizing or determining the amount of the advance.

5.4.5. Repayment. Repayment of the advance should be at a rate of at least one-twelfth of the amount advanced in equal monthly installments for the next 12 months. Collection action should begin on the first day of the month after the advance payment has been made.

5.4.5.1. When justified by the Service member and authorized by the Service member's commanding officer, their designee, or another Service-designated official, start of collection action may be postponed for up to three months after the advance is made. Repayment may be spread over a period of more than 12 months but must be limited to 24 months or the Service member's scheduled tour at the location concerned, whichever is shorter.

5.4.5.2. Action must be taken immediately to recoup in a lump sum any BAH advance that the landlord has returned to the Service member upon receipt of information that the Service member has vacated the housing for which the advance was made. If the Service member chooses, they may repay in monthly installments any balance of an advance not returned by the landlord. The balance must be repaid during the months remaining on the existing BAH advance repayment schedule.

5.5 Partial Housing Allowance (BAH-Partial)

5.5.1. Eligibility. BAH-Partial is paid to a Service member without a dependent who is assigned to single type Government quarters and is not authorized to receive BAH or OHA.

5.5.2. Rate. The BAH-Partial rate is the partial rate of the basic allowance for quarters for the Service member's pay grade that was in effect under ***37 U.S.C. § 1009(c)(2)*** on December 31, 1997.

5.5.3. Conditions

5.5.3.1. BAH-Partial is authorized when a Service member:

5.5.3.1.1. Is married to another Service member, has no other dependents, is assigned to single-type Government quarters, and is not authorized BAH or OHA;

5.5.3.1.2. Occupies single-type Government quarters while a dependent resides in family-type quarters not assigned under the Service member's eligibility; or

5.5.3.1.3. Is married to another Service member and neither has other dependents, is assigned to sea duty, and occupies Government family quarters assigned to the spouse when the ship is in port.

5.5.3.2. BAH-Partial is authorized when a Service member without a dependent is:

5.5.3.2.1. Confined in a guardhouse, brig, or correctional barracks and was assigned to single type Government quarters before confinement and remains assigned to such quarters during confinement, unless forfeiture of allowances was directed;

5.5.3.2.2. Assigned to single type Government quarters at the PDS and authorized BAH-Partial, and is subsequently in a hospital with no PCS involved;

5.5.3.2.3. Restrained in a status of arrest in assigned single-type quarters, unless forfeiture of allowances was directed;

5.5.3.2.4. Ordered to PCS to confinement in a guardhouse, brig, correctional barracks, or to additional training in a retraining or rehabilitation facility and is assigned to certain quarters therein, unless forfeiture of allowances was directed;

5.5.3.2.5. Permanently assigned to a hospital for treatment and is assigned quarters in the hospital;

5.5.3.2.6. Assigned to single-type Government quarters between PDSs and is not authorized BAH or OHA; or

5.5.3.2.7. In grade E-6 or below, is without a dependent, and is offered an assignment of adequate Government quarters or is assigned Government quarters but elects not to occupy such quarters and resides in private quarters at their own expense, except as otherwise provided in this chapter.

5.5.3.3. BAH-Partial is not authorized when a Service member:

5.5.3.3.1. Is married to another Service member, has no other dependent, and is assigned to family-type Government quarters;

5.5.3.3.2. Is without a dependent, is single, and is assigned to family-type Government quarters;

5.5.3.3.3. Is without a dependent and is assigned to Government single-type quarters (including Government-leased quarters) that exceed the minimum standards of single-quarters for the Service member's grade. This limitation does not apply to members on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in-non-medical attendant. The Service determines the housing standards for such personnel based on medical treatment, non-medical attendant, and other relevant factors; or

5.5.3.3.4. Is paying child support and receiving BAH-Diff. The Service member is not without dependent.

5.5.4. Navy Barracks Privatization Test. Under the authority in ***10 U.S.C. § 2881a***, the Navy is conducting a limited test of barracks privatization. The privatized barracks are defined as Government quarters for the purposes of the test. For a Service member occupying privatized barracks, a special BAH-Partial rate equal to a percentage of the PDS locality BAH at the without-dependent rate for the Service member's grade is established. Table 26-14 specifies the applicable locations and percentages.

5.6 BAH-Diff

5.6.1. Eligibility. Generally, a Service member assigned to single-type Government quarters or a single-type housing facility under a Uniformed Service jurisdiction is only authorized BAH- Partial. However, such Service member is entitled to BAH-Diff if the Service member is paying support to a biological child, adopted child, or stepchild in an amount equal to or greater than the applicable BAH-Diff rate. If the Service member's child support payment is less than the applicable BAH-Diff rate, BAH-Diff is not authorized. See section 4.0 if child is in the custody of another AD Service member.

5.6.2. Rate. The BAH-Diff rate is a fixed, non-locality-based rate and is the difference between the with-dependent Basic Allowance for Quarters (BAQ) rate and the without-dependent BAQ rate as of December 31, 1997, based on the Service member's grade and increased each year by the average pay raise percentage.

6.0 OVERSEAS HOUSING ALLOWANCE (OHA)

6.1 OHA Overview

The OHA is paid monthly to help offset housing expenses for a Service member or dependent authorized to live in private sector leased or owned housing at an assigned overseas location outside the United States. OHA is based on cost reimbursement. The amount of OHA paid considers factors, such as whether the housing is shared, the appropriate utilities, and whether the Service member owns or rents the housing. A Service member is reimbursed actual rental costs, limited to the maximum OHA rate for each locality and grade.

The OUSD (P&R) determines adequate housing costs in a locality for all Service members authorized by location. OHA is designed to cover actual rental costs for 80% of the assigned Service members in assigned location. OHA rate ceilings are calculated based on data provided by commanders OCONUS and actual rent data derived from pay systems. The PDS geographic location governs the OHA rate payable unless otherwise specified.

6.1.1. Requirements. A Service member authorized to live in private sector leased or owned housing or a Service member who qualifies for OHA based upon the need for private-sector housing for a dependent, must complete and submit a DD 2367 for approval of OHA. Payment of OHA requires a lease agreement or a verifiable purchase price. The senior officer of the Uniformed Services in the country concerned, or the individuals or offices designated for that purpose by the senior officer has approval authority. For a Service member with dependents serving on an unaccompanied tour OCONUS who is not provided Government quarters and must obtain private-sector housing, FSH-O is the applicable housing allowance, not OHA; see section 7.0 and paragraph 10.4.

6.1.1.1. The reported housing must be the actual residence that the Service member occupies and from which the Service member commutes to and from work daily.

6.1.1.2. The reported housing must be the actual residence that the Service member's dependents occupies when:

6.1.1.2.1. The Service member is assigned on an unaccompanied tour and the Service member's dependents reside OCONUS outside the PDS vicinity; or

6.1.1.2.2. The Service member has a Secretarial waiver and is authorized OHA for a dependent who lives separately.

6.1.1.3. When a Service member is required to pay monthly rent at a specified fixed-exchange rate (dollar equivalency contract) for the lease duration because it is required by law or local custom, the Service member's commanding officer, or designee, must enter the following

statement in DD 2367, Part C Remarks: "Dollar equivalency contract required. No other housing option available to the Service member." The Service member must enter the monthly rent equivalent in U.S. dollars into DD 2367, block 7b.

6.1.1.4. OHA is not intended and must not be used for the personal enrichment of a Service member by including costs incurred for procuring or adapting a residence to accommodate renters or for vacation purposes. Disciplinary action may apply when housing allowances are used for other than the purpose intended.

6.1.2. Rate. OHA rates are based on a Service member's PDS except as otherwise indicated in this chapter. OHA is not payable on the arrival day when MALT Plus is paid. Unless a special determination jointly issued by the Secretary concerned and the OUSD (P&R) authorizes a different rate due to special circumstances, the amount of OHA payable is as specified in this chapter.

6.1.3. Responsibilities. Commanders OCONUS, or their designees, must periodically provide data required for authorizing, changing, and terminating OHA for each locality OCONUS within their jurisdictions as specified by the OUSD (P&R). For the responsibilities of the Overseas Command or Commander, Senior Officer, and Country Allowance Coordinator, see the ***DoD Overseas Station and Housing Allowance Process Guide***.

6.1.4. OHA Components. There are three housing-allowance components paid under OHA:

6.1.4.1. Monthly OHA Rental Allowance. This monthly allowance is paid as specified in paragraph 6.2.

6.1.4.2. OHA Utility and Recurring Maintenance Allowance. This monthly allowance is paid as specified in paragraph 6.3.

6.1.4.3. Move in Housing Allowance (MIHA). The MIHA partially defrays move- in costs associated with occupying privately leased or owned quarters. There are five types of MIHA allowances, each with distinct eligibility criteria, as specified in paragraph 6.4.

6.2 OHA Monthly Rental Allowance

Monthly rent is the amount paid each month by a Service member for possession and use of private-sector housing, to include a mobile home or boat.

6.2.1. Determine Rent. The rent stated in the lease, or as otherwise agreed to by the landlord and the tenant in a written document, must be used in computing the OHA monthly rental allowance. The cost of parking at the duty location is not included in rent. The following rules apply for determining rent:

6.2.1.1. A recurring condominium or homeowner association fee paid by the Service member is prorated to a monthly charge and incorporated into the Service member's rent;

6.2.1.2. A sharer's monthly rent is determined by dividing the total monthly rent by the number of sharers occupying the dwelling;

6.2.1.3. In an arrangement by which a Service member pays rent in advance and the landlord agrees to reimburse the Service member all or substantially all of the rental money at the end of the lease agreement, the amount of rent used in computing a Service member's OHA is zero;

6.2.1.4. If a Service member or dependent jointly occupy a dwelling with relatives or friends who own the dwelling, the rent amount is zero, even if there is a lease or written document. This restriction does not apply when the Service member or dependent leases lodging from a relative or friend with a bona fide, standard written lease, when the relative or friend concerned does not jointly occupy the leased dwelling and the relative or friend regularly rents the lodging involved. There is no authority to pay MIHA or the utility and recurring maintenance allowance when living with relatives or friends;

6.2.1.5. The cost of a separate lease for parking at or in the vicinity of the private-sector housing is added to the housing lease amount in determining the total rent; or

6.2.1.6. When a dwelling is owned by a Service member, see subparagraph 6.2.5.

6.2.2. Maximum Rental Allowance. Use the OHA Calculator (***OHA Calculator***) to obtain the maximum amount of monthly rent considered. Maximum ***OHA rental allowances*** for each locality are based on reported actual rental cost data for Service member with-dependents residing in private-sector housing. If utilities are included in the rent, see paragraph 6.3. See the ***OHA computation steps*** for calculation examples.

6.2.2.1. For Service member with-dependent, the maximum rental allowance is the lesser of the Service member's reported rent or the maximum allowable rent for the Service member's grade at the PDS locality.

6.2.2.2. For Service member without a dependent, the maximum rental allowance is the lesser of the Service member's reported rent or 90% of the maximum allowable rent for the Service member's grade at the PDS locality.

6.2.3. Rent Changes. Re-compute OHA if and when the rent changes.

6.2.4. Sharers. A sharer is authorized up to the maximum rental allowance set for a Service member without a dependent unless accompanied by one or more dependents. A sharer accompanied by a dependent is authorized up to the maximum rental allowance set for a Service member with-dependent.

6.2.4.1. Compute the authorized OHA for each sharer by adding the sharer's prorated share of the rent paid or the maximum rental established for the sharer's grade and locality, whichever is less, and the prorated monthly ***utility and recurring maintenance*** allowance.

6.2.4.2. A Service member authorized MIHA/Miscellaneous (see paragraph 6.4) receives a full rather than prorated allowance. Only one sharer may claim reimbursement for any individual rent, security, or infectious-disease related expense.

6.2.4.3. A renter living in a completely separate unit of an owner-occupied multiplex dwelling owned by another Service member is not a "sharer," and OHA is determined as if the renter occupied an unattached unit.

6.2.5. Private-Sector Housing Owned

6.2.5.1. Divide the actual purchase price—not an appraised value—of the private-sector housing by 120 to derive the monthly calculated "rent" for a private-sector dwelling owned by a Service member. Settlement costs, fees for title search, and other legal and related costs are not included in determining the actual purchase price.

6.2.5.2. The amount of any personal installment-type loans and real estate equity loans obtained for renovating or repairing the current dwelling place are added to the actual purchase price before determining the rent.

6.2.5.2.1. For this purpose, renovating means restoring to a previous condition, as by remodeling, and repairing means restoring to a sound condition after damage or injury, including fixing, setting right, renewing, or refreshing.

6.2.5.2.2. A loan used to furnish or decorate the home—including such items as the addition of a hot tub or pool to a home purchased without such an amenity—or a loan for personal reasons, including a credit card or line of credit loan must not be used.

6.2.5.2.3. To determine the monthly OHA rental equivalency when adding a loan described in this paragraph, add the loan amount to the original verifiable purchase price, divide the new total by 120, and the new "rental equivalency" starts from the loan start date.

6.2.5.2.4. The Service concerned must adjudicate loans. The Service member's command should submit the request with all documentation through the appropriate channel.

6.2.5.3. If a Service member or the Service member's dependent inherits a dwelling or residence or otherwise receives it without purchasing it, the dwelling or residence purchase price is $0. In this case, the Service member is authorized to receive the utility and recurring maintenance allowance. If a Service member obtains a mortgage on the inherited dwelling or residence specifically for home improvements or takes out a loan to pay inheritance taxes on the residence or dwelling, the mortgage or loan cost may be used as an OHA housing cost.

6.2.5.4. If the dwelling is a multiplex unit owned by a Service member, the allowance claimed is based on the percentage of the multiplex unit's square footage occupied by the Service member and dependent. The allowance equals the purchase price multiplied by that percentage and divided by 120. Renters of other units within the multiplex unit are not sharers.

6.2.5.5. If the Service member-owned dwelling place is a mobile home or boat, the monthly lot rental or berthing fee paid is added to this amount.

6.3 OHA Utility or Recurring Maintenance Allowance

6.3.1. Monthly Allowance. When rent does not include utilities or the Service member is a homeowner, the Service member is authorized the utility and recurring maintenance allowance. The utility and recurring maintenance allowance for each OHA locality is based on the with-dependent reported expenses for Service members who pay all or a majority of their utilities. It covers the utility costs for 80% of the Service members assigned to an area. It is paid to sharers on a prorated amount of the net allowance. It is paid to a Service member without a dependent, who is not a sharer, at 75% of the with-dependent rate.

6.3.2. Rent Includes All or Some Utilities. If any or all of the OHA utility component is included in the rent, then the included amount is withheld from the utility and recurring maintenance allowance and then added to the Rental Allowance component before comparison with the Service member's actual rent.

6.3.2.1. A Service member is not authorized the utility and recurring maintenance allowance when rent includes all utilities. However, when computing the OHA, the appropriate utility and recurring maintenance allowance is added to the Service member's rental allowance.

6.3.2.2. When rent includes some utilities, the utility and recurring maintenance allowance is paid on a percentage basis. The locality climate code and the utility point score determine the percentage of the utility and recurring maintenance allowance that the Service member is authorized. However, when computing OHA, the amount for which the Service member is not authorized is added to the appropriate rental allowance ceiling.

6.3.2.2.1. Locality climate codes are specified on each ***OHA locality table***. The three climate codes are:

6.3.2.2.1.1. Code 1 (Cold). Long-term mean temperature of 45 F or colder;

6.3.2.2.1.2. Code 2 (Moderate). Neither Code 1 nor Code 3; and

6.3.2.2.1.3. Code 3 (Hot). Long-term mean temperature of 69°F or warmer, except when the long-term mean for one or more months of the year drops to 45°F or colder. In such instances, a climate code of 2 is assigned.

6.3.2.2.2. Table 26-15 specifies the correct climate code to credit the Service member with appropriate points for each utility or service that is not included in the rent. Add the numbers to get the Service member's total utility point score.

6.3.2.2.3. Table 26-16 specifies the correct percentage of the utility and recurring maintenance allowance to be paid after determining the total utility point score.

6.4 MIHA Overview

6.4.1. General. MIHA exists to defray the move-in costs associated with occupying private- sector housing covered under the OHA program, whether leased or owned. MIHA is not payable to a Service member occupying Government or Government-leased housing. MIHA does not cover move-out costs.

6.4.2. MIHA Payment Types. There are five types of costs that may be payable as a MIHA, though not all Service members will incur all of these costs.

6.4.2.1. MIHA/Miscellaneous. This is a fixed, lump sum payment that reflects average expenditures to make dwellings habitable. The amount paid is based upon the OHA locality. All Service members, with or without dependents, receive the full allowance with their first OHA rental payment.

6.4.2.2. MIHA/Rent. This is a payment made on a reimbursable basis to a Service member who incurs certain one-time, nonrefundable charges related to renting a dwelling. The charge must be levied by a landlord, landlord's agent, or foreign government, the charge must be customary and reasonable, and the Service member must be required to pay the charge in order to occupy the dwelling.

6.4.2.3. MIHA/Security. This is a payment for reimbursement of reasonable expenses incurred by a Service member for security-related enhancements or modifications to the Service member's physical dwelling that are necessary to minimize exposure to terrorist or criminal threat. The Service member must be in a designated MIHA/Security location for payment to be authorized.

6.4.2.4. MIHA/Infectious Diseases. This is a payment for reimbursement of reasonable expenses incurred by a Service member to upgrade their physical dwelling for the purpose of preventing infectious disease (for example, window screens to reduce mosquito-transmitted disease). The Service member must be in a designated MIHA/Infectious Disease location for payment to be authorized.

6.4.2.5. MIHA/Safety. This is a payment for reimbursement of reasonable expenses incurred by a Service member for safety-related upgrades to a dwelling. The member must be assigned to an approved area where members must abide by safety requirements in the State Department's 15 Foreign Affairs Manual 971.1. The member must be in a designated MIHA/Safety location for payment to be authorized.

6.4.2.6. See the ***DoD MIHA Process Guide*** for additional rules and approved locations, as applicable, for these payments.

6.4.3. Rules and Information

6.4.3.1. To be authorized a MIHA, a Service member must be eligible for OHA.

6.4.3.2. A Service member must submit a completed ***DD Form 2556***, MIHA Claim for payment of MIHA/Miscellaneous. A Service member must submit a completed DD Form 2556, along with proper documentation and detailed receipts, for approval and payment of expenses related to MIHA/Rent, MIHA/Security, MIHA/Infectious Disease, and/or MIHA/Safety.

6.4.3.3. An eligible Service member is authorized MIHA for one dwelling during a tour at a PDS unless a government-funded local move occurs and the Service member occupies another dwelling covered by OHA.

6.4.3.4. There is no MIHA authorized under any of the following circumstances:

6.4.3.4.1. A local move would otherwise initiate a second or subsequent MIHA payment request unless that move is Government funded;

6.4.3.4.2. A Service member complies with a PCS order but remains in the same dwelling, including an RC member called or ordered to AD who is authorized OHA based on the primary residence at the time called or ordered to AD; or

6.4.3.4.3. A Service member moves from Government quarters to private-sector housing for separation or retirement (see Joint Travel Regulations ***(JTR) Chapter 5, Section 0519***).

6.4.4. Sharer Eligibility. Each Service member classified as a sharer and authorized MIHA is authorized the full MIHA/Miscellaneous allowance. Only one sharer may claim the individual expense for MIHA/Rent, MIHA/Security, and MIHA/Infectious Disease, and MIHA/Safety.

6.5 OHA Computation Steps

See the DTMO website for OHA computation examples.

6.6 OHA Unique Expenses

In some locations outside the United States, a Service member or dependent incurs excessive housing expenses for items that a Service member based in the United States does not normally incur. Since the expenses are not incurred by every Service member outside the United States, they cannot be a part of the ordinary OHA calculation. For these expenses, payment is a lump sum, dollar-for-dollar, reimbursement for a specifically authorized expense at designated authorized locations.

6.6.1. Authorization. All requests to authorize an OHA Unique Expense must be submitted from a major command to OUSD (P&R) through the applicable Service representative listed in the ***Uniformed Services Contact Information***. OUSD (P&R) specifically authorizes or approves the expense for reimbursement according to the DoD Overseas Station and Housing Allowances Process Guide. OUSD (P&R) does not accept requests from individual Service members to authorize an OHA Unique Expense. Current authorized unique expenses are located at the ***OHA Unique Expenses-Approved Locations*** table on the DTMO website.

6.6.2. Reimbursement. The Secretary concerned may reimburse an authorized OHA Unique Expense. At their discretion, Services may alternatively use the Secretarial Process to reimburse an authorized expense or expenses. Once an OHA Unique Expense has been authorized for a location, no further examination may be made to compare the spendable income of the claimant to the amount of the expense claimed. Any claim based on a valid receipt for an authorized OHA Unique Expense may be reimbursed in a lump sum, dollar-for-dollar, through Service payment procedures. The Service concerned is not required to recover any amount refunded to a Service member by any foreign government agency that may be involved.

6.7 OHA Advance Payment

For detailed information regarding areas with rental advance protection under OHA, see ***Rental Advances***. Rental payments should be made on a month-to-month basis whenever possible to avoid the need for rental advances.

6.7.1. Authority

6.7.1.1. Advance Rent of Fewer Than 4 Months, Security Deposits, or Initial Expenses. The Senior Officer in-country, or their designee, may authorize an advance OHA payment to pay advance rent, security deposits, or MIHA-related expenses due to occupying private- sector housing. The advance may be made at any time during the Service member's tour. It also may be authorized when a Service member has located housing due to a PCS order. Personal preference is not grounds for authorizing advance rent payment. Advance OHA is not authorized for lease arrangements in which the Service member lives rent free after making a one-time payment to the landlord with the anticipation that the rental amount is to be completely or substantially refunded at lease termination.

6.7.1.2. Advance Rent of 4 or More Months

6.7.1.2.1. Rental advances of at least 4 months, but no more than 12 months, may be made only for the locations authorized by OUSD (P&R). Once OUSD (P&R) authorizes and lists a location for Rental advances, the Senior Officer in-country, or their designee, may authorize individual requests. Requests for approval are considered if the requirement for the advance rent exists for any of the following reasons:

6.7.1.2.1.1. Law;

6.7.1.2.1.2. Local custom for everyone, including local nationals; or

6.7.1.2.1.3. Economic or market conditions preclude availability of secure housing, as confirmed by the U.S. Embassy;

6.7.1.2.2. Requests to add locations must be submitted through the Country Senior Officer or Command as instructed in the DoD Overseas Station and Housing Allowance Process Guide.

6.7.2. Amount. The amount to be advanced must be determined based on housing expenses, including advance rent and a security deposit, and the authorized OHA. Housing expenses must be documented. Expenses identified by a Service member for purchase of real estate or living accommodations must not be considered. The Service member's ability to repay the advance must be considered in determining the advance amount. While the amount to be advanced should not exceed the estimated OHA total for 1 year, a larger amount may be authorized if needed to cover anticipated housing expenses. In no case may the advance payment exceed either of the following, whichever is less.

6.7.2.1. Anticipated housing expenses.

6.7.2.2. OHA anticipated to accrue for the Service member's tour at that PDS.

6.7.3. Repayment

6.7.3.1. Repayment Within 12 Months. Monthly repayment installments should be at a rate of one-twelfth of the amount advanced over 12 months. Collection action should begin on the 1st day of the month after payment of the advance.

6.7.3.2. Postpone Collection Start. When justified by the Service member and authorized by an official designated by the Service concerned, the collection start may be postponed for up to 3 months after the advance. Repayment may be spread over a period of more than 1 year, but must be limited to the Service member's tour at the PDS.

6.7.3.3. Advance Rent Repayment Postponement Until the Service Member Vacates Housing. An official designated by the Service concerned may postpone repayment of advance rent until the Service member vacates the housing for which the advance rent was paid if earlier repayment would create an excessive economic burden.

6.7.3.4. Security Deposit Repayment Postponement Until the Service Member Vacates Housing. An official designated by the Service concerned may postpone repayment of the entire amount of a security deposit of $500 or more until the Service member vacates the housing for which the security deposit was paid if earlier repayment would create an excessive economic burden.

6.7.3.5. Recouping Lump Sum Returned by Landlord. Action to recoup in a lump sum of any OHA advance that has been returned to the Service member by the landlord must be taken immediately upon receipt of information that the Service member has vacated the housing for which the advance was made. Any balance of an advance not returned by the landlord may be repaid in monthly installments, if desired by the Service member, over the balance of the months remaining on the Service member's existing loan repayment schedule.

6.7.3.6. Currency Fluctuation Effects. The Service concerned absorbs any loss due to currency fluctuations when liquidating advance security deposits. The Service member must pay to the Service any gains due to currency fluctuations. These currency protection procedures for security deposits apply without regard to the provisions for protection of rent advances in subparagraph 6.4.4.

6.7.3.7. Pay System Reporting of Monthly Rent. In countries in which rate protection for advance rent has not been implemented the monthly rent entered in the respective pay system should be entered in U.S. dollars when a Service member has taken an advance for rent.

6.7.4. Advance Rent Currency Rate Protection. Rate protection may be provided for certain countries that have undergone a significant currency fluctuation. Countries previously authorized OHA Rental Advance Protection continue to have rent protected locality codes in the OHA Calculator until all previously protected Service members either permanently change stations or change quarters. Currency rate protection for additional advances is calculated using the exchange rate in effect at the time the new advance is paid. In countries in which rate protection for advance rent has been implemented, monthly rents for an advance rent are processed in dollars. See Service regulations for currency fluctuation loss or gain procedures. Rate protection is accomplished by comparing the OHA rate with the exchange rate in effect at the time the Service member received the advance with the greater of either of the following:

6.7.4.1. The rental allowance in effect at the time of the advance; or

6.7.4.2. Any higher rental allowance implemented during the repayment period of the advance.

6.8 Service Member Occupying a Government Trailer or Rental Guarantee Housing and OHA

Unless otherwise specified in this chapter, no housing allowance is payable to a Service member occupying housing constructed under the Rental Guarantee Housing Program as authorized in Section 302 of the Act of July 14, 1952, (66 Stat. 622) or Government trailers purchased under Section 408 of the Act of September 1, 1954, (68 Stat. 1126), or any other statute.

6.9 OHA and Living Quarters Allowance (LQA) (DSSR § 130) Paid Concurrently

A Service member is entitled to OHA at the with-dependent rate even if the Service member's dependent spouse receives an LQA. Direct questions pertaining to LQA to the spouse's Civilian Personnel Office (CPO) or Civilian Personnel Advisory Center (CPAC). Volume 7A has no authority to determine or control eligibility or entitlement of LQA for a civilian employee.
See DSSR § 130, and the DoD Instruction ***(DoDI) 1400.25***, Vol. 1250, Civilian Employee Overseas Allowances and Differentials.

6.10 Observer to a United Nations (UN) Peacekeeping Organization

A Service member permanently assigned as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance, known as mission per diem, is also authorized a

housing allowance under this chapter. The housing allowance amount, when added to the UN mission subsistence allowance, cannot exceed the housing allowance of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

*7.0 FAMILY SEPARATION HOUSING (FSH) ALLOWANCE

7.1 FSH Overview

FSH is payable to a Service member who is separated from dependents and incurs costs for housing at the PDS.

7.2 Eligibility

To be eligible, the Service member must be separated from their dependent(s). The separation must be caused by a Service member's assignment on military or uniform orders to a PDS OCONUS on an unaccompanied or dependent-restricted tour, a PDS (CONUS or OCONUS) to which concurrent dependent travel has been denied or deferred (see paragraph 10.6), or a PDS assignment for participation in professional military education (PME) or training for a period of at least 140 days but fewer than 365 days to which dependent(s) do not accompany the member. For CONUS non-concurrent travel application areas, refer to ***DoDI 1315.18***, Enclosure 5, Paragraph 2.

7.2.1. For FSH to be payable, all of the following conditions must be met, except as stated in subparagraph 7.2.3:

7.2.1.1. Dependent transportation to the PDS is not authorized at Government expense;

7.2.1.2. Dependent(s) do not reside in the PDS vicinity; and

7.2.1.3. Government quarters are not available for assignment to the Service member.

7.2.2. See Table 26-23 for a summary of FSH eligibility.

7.2.3. For FSH to be payable for the Service member attending PME or training (see paragraph 7.2), all of the following conditions must be met:

7.2.3.1. The lodging portion of per diem is not authorized;

7.2.3.2. Dependent(s) do not reside in the PDS vicinity;

7.2.3.3. Government quarters are not available for assignment to the Service member; and

7.2.3.4. Dependent(s) do not accompany the Service member at the PDS (i.e., using Government-funded travel/transportation).

7.3 Allowance Types and Rates

There are two types of FSH: FSH-B and FSH-O.

7.3.1. FSH-B is payable for an assignment at a BAH location to which concurrent dependent travel has been deferred or denied, or for an assignment to a PDS for participation in PME or training for a period of at least 140 days but fewer than 365 to which dependent(s) do not accompany the Service member, and Government quarters at the PDS are not available. FSH-B is payable in a monthly amount equal to the BAH without-dependent rate applicable to the Service member's grade and PDS.

7.3.2. FSH-O is payable for an assignment at a PDS outside the United States. FSH-O is payable in a monthly amount up to the without-dependent OHA rate applicable to the Service member's grade and PDS. OHA rules for determining the monthly rental allowance, utility and recurring maintenance allowance, MIHA, and advances apply to FSH-O.

7.4 Limitation

7.4.1. A Service member will not be paid FSH (either FSH-B or FSH-O) in any of the following situations:

7.4.1.1. The Service member's only dependent is entitled to AD basic pay;

7.4.1.2. The Service member's only dependent is a dependent for whom they are paying child support but does not have primary physical custody and control of that child. A Service member who has a dependent solely due to child support is not eligible for transportation of that dependent under the ***JTR, Chapter 5, paragraph 050405***, because the Service member does not have physical custody and control. The ineligibility for transportation, as opposed to a tour or location denial, prevents payment of FSH;

7.4.1.3. The Service member is assigned to a PDS where concurrent dependent travel is authorized and has not been deferred by the Government except for a Service member participating in PME or training for a period of at least 140 days but fewer than 365 days to which dependent(s) do not accompany the Service member (see subparagraph 7.2.3);

7.4.1.4. The Service member elects not to occupy available assigned Government quarters and resides in a private-sector residence for personal convenience; or

7.4.1.5. All of the Service member's dependents reside in the PDS vicinity as defined in subparagraph 2.1.3. See paragraph 7.5 for specific details.

7.5 Dependent Visits

When a Service member is receiving FSH, a visit by all of the Service member's dependents to the PDS vicinity can affect the Service member's continued entitlements to FSH.

7.5.1. When all of a Service member's dependents visit the PDS vicinity for a period of more than 90 days, the dependents are deemed to be residing at the PDS, and the Service member is no longer entitled to FSH beginning on the 91st day.

7.5.2. A visit by all dependents of 90 days or less will not be deemed to be a change in the dependent's residence and FSH is still authorized, if the circumstances clearly show that the dependents arrived at the PDS not intending to change residence and that the visit is a bona fide social visit intended to be temporary and not intended to exceed 90 days.

7.5.3. A simple break within a 90-day period or between 90-day periods does not overcome the presumption of residence. When facts indicate a dependent's intent to reside in the PDS vicinity, successive periods in the PDS vicinity will count toward the 90 days.

7.5.4. When a Service member's FSH entitlement stops because of the dependents' residence in the PDS vicinity, FSH is authorized again on the day the dependents depart from the PDS vicinity to reside elsewhere.

7.5.5. If one or more, but not all, dependents visit or reside in the PDS vicinity for more than 90 days and the Service member is authorized a with-dependent housing allowance on behalf of the dependents who are not visiting or do not reside in the PDS vicinity, then they are authorized FSH if otherwise meeting criteria for the allowance.

7.5.6. See Table 26-24 for a summary of the effect of dependents visits on FSH.

8.0 GOVERNMENT QUARTERS

8.1 Responsibility for Assignment or Termination

8.1.1. Assignment or Termination of Government Quarters. The commander responsible for the Government quarters has the authority to assign and terminate the assignment of Government quarters. The commander also determines when quarters are adequate and suitable for assignment based on appropriate directives. Government quarters or housing facilities under the Uniformed Services' control are considered assigned, suitable, and adequate whenever occupied by a Service member at the PDS without payment of rental charges. This includes any of the following conditions:

8.1.1.1. When an organization or institution furnishes quarters to a Service member without charge on behalf of the United States;

8.1.1.2. When a foreign government furnishes quarters to a Service member without charge for the Service member's official use; or

8.1.1.3. When quarters are furnished to a Service member without charge and are jointly assigned to one or more Service members without a dependent.

8.1.2. Voluntarily Vacating Assigned Quarters. A Service member is still considered assigned to Government quarters when they voluntarily vacate assigned quarters without the installation commander's approval. A Service member without-dependent in pay grade E-7 or above may elect not to occupy assigned quarters unless denied permission by the Secretary concerned.

8.1.3. Family Type Quarters – Married Service Members

8.1.3.1. When a Service member is married to another Service member, both Service members are considered to be assigned to Government quarters when all of the following apply:

8.1.3.1.1. Both are stationed at the same or adjacent installations;

8.1.3.1.2. Both are able to reside in Government family quarters; and

8.1.3.1.3. Government family quarters are assigned to one of the Service members.

8.1.3.2. When there is a separation agreement, pending divorce, or marital discord that requires one Service member to obtain alternative private-sector housing, the Service member not occupying family quarters must obtain a statement from the installation housing officer that Government housing is not assigned to that Service member in order to be authorized payment of a housing allowance.

8.1.4. Quarters Assignment Date for Housing Allowance. A housing allowance continues to accrue through the day before a Service member is assigned Government quarters or begins to occupy Government quarters at the PDS.

8.1.5. Quarters Termination Date for Housing Allowance. A housing allowance accrues from the date the assignment to Government quarters ends or the date that quarters are vacated if vacating of the quarters is approved or authorized.

8.2 Government Quarters Assigned or Occupied

8.2.1. Service Member Not in Quarters/Dependent in Quarters Not Designated as Family-Type. A Service member who is not assigned to and does not occupy Government quarters is authorized a housing allowance for a dependent who occupies Government quarters that are not designated as family-type quarters. Examples of such quarters include:

8.2.1.1. Dormitory quarters occupied by a Service member's child at a school for dependents of military personnel;

8.2.1.2. A hospital room occupied by a dependent under ***10 U.S.C. § 1077***, Dependents Medical Care Act. However, a Service member is not authorized a housing allowance

when the dependent is hospitalized under the Dependent's Medical Care Act and the Service member is assigned to and occupies Government quarters while the dependent is hospitalized even though private quarters are retained; or

8.2.1.3. Off-base housing or private-sector housing provided or funded (in whole or part) by the Government and occupied by the Service member's civilian spouse due to employment overseas with the DoD Education Activity ***(DoDEA)*** as a schoolteacher. The Service member must be separated from the spouse by official orders.

8.2.2. Family Quarters Furnished on Behalf of the United States. A Service member is not authorized a housing allowance for a dependent if the Service member and dependent are furnished adequate family-type quarters without rental charge by a non-Government entity on behalf of the Government. Examples of such family-type quarters include:

8.2.2.1. Quarters furnished to a Service member in an official capacity by a foreign government.

8.2.2.2. Quarters furnished by a state, county, municipal, or privately owned hospital to an officer serving on AD as an intern or resident physician; or

8.2.2.3. Quarters furnished by a college, university, or a research facility as part of a fellowship, scholarship, or grant.

8.2.3. Service Member in Single Quarters/Dependent in Quarters. A Service member furnished single-type quarters is not authorized a housing allowance for any of the following:

8.2.3.1. A spouse who is a sole dependent and is furnished quarters in kind as a civilian employee at a government hospital;

8.2.3.2. A spouse who is a sole dependent and is furnished Government quarters while serving with the American Red Cross overseas;

8.2.3.3. A sole dependent who is a student nurse in training at a government hospital. However, a housing allowance is payable on behalf of a dependent who is a student nurse in training at a civilian hospital;

8.2.3.4. A civilian spouse who is a sole dependent and is furnished Government quarters while assigned overseas with DoDEA as a schoolteacher;

8.2.3.5. A dependent who occupies Government housing facilities while evacuated to a safe haven. See subparagraph 8.2.5 for an exception when the Service member must continue to pay for private-sector housing; or

8.2.3.6. Any dependent, if one or more of the Service member's dependents occupy the quarters with the Service member on a permanent basis for more than 90 days, unless another dependent is officially prevented from residing with the Service member (for example, where the dependent is barred from the military installation).

8.2.4. Rental Quarters (Other Than Inadequate Quarters). A Service member and a dependent who occupy the following facilities on a rental basis are authorized a housing allowance.

8.2.4.1. Any housing facility, including a trailer, under the Government's jurisdiction other than Government quarters constructed or designated for occupancy without charge. The Service member may sublease such quarters with or without charge to a temporary sublessee and neither the sublessor nor a Service member sublessee loses the right to a housing allowance;

8.2.4.2. A hotel on the grounds of a Service Academy. A Service member is authorized BAH while renting quarters in a hotel on the grounds of a Service Academy; or

8.2.4.3. Quarters furnished to a Service member for service in a capacity other than that of a Service member.

8.2.5. Quarters at Safe Haven Temporarily Occupied by Dependents

8.2.5.1. A Service member is authorized a housing allowance for a dependent when both of the following occur:

8.2.5.1.1. The Service member's dependent occupies Government provided housing at a safe haven area after emergency evacuation from private-sector housing at the PDS; and

8.2.5.1.2. Due to conditions beyond the Service member's control, the Service member is required to continue rent payment for the private-sector housing to keep the furnishings and belongings in the private-sector housing and to have housing available upon the dependent's return.

8.2.5.2. This authority continues until a dependent is authorized to return to the Service member's PDS or the dependent arrives at a designated place, as defined in the Definitions Chapter, and as specified in the ***JTR, Chapter 6.***

8.2.6. Lease on Private-Sector Rental or Leased Housing. When a Service member makes a local move from private-sector rented or leased housing to Government housing, a housing allowance is not payable for the remainder of the lease on the private-sector housing even though the Service member is required to honor the lease.

8.2.7. Limitation on Quarters Occupied by Service Member. Generally, a Service member is not authorized BAH or OHA if the Service member occupies Government quarters that exceed the minimum standards for his or her grade "without-dependent." This applies to both a Service member with a dependent or without a dependent and at either the PDS or TDY location, as applicable. However, this limitation does not apply when:

8.2.7.1. The quarters occupied are the only quarters available and either:

8.2.7.1.1. The quarters occupied are not suitable for joint occupancy; or

8.2.7.1.2. If suitable for joint occupancy, the quarters are jointly occupied with another Service member permanently assigned to the PDS.

8.2.7.2. A Service member is on medical hold or holdover personnel receiving outpatient medical treatment who have been designated as requiring a live-in non-medical attendant. The Service determines the housing standards for such personnel based on medical condition, treatment, non-medical attendant, and other relevant factors.

8.2.7.3. An additional room is assigned to a chaplain for spiritual purposes. This does not affect the Service member's authority for BAH or OHA if the chaplain uses the room for official duties and not as living quarters.

9.0 PRIVATIZED HOUSING

"Privatized housing" is defined as housing units on or near a military facility in the United States or its territories and possessions that are acquired by or constructed by private persons under the authority of ***10 U.S.C. §§ 2871-2885***. The Service Secretary determines which privatized housing is suitable for use as military family housing. Each Service member occupying privatized housing is authorized a housing allowance in the same manner as a Service member not assigned to Government quarters. See subparagraph 5.5.4 for the Navy Barracks Privatization Test.

10.0 ASSIGNMENT SITUATIONS

10.1 Service Member Without-Dependent

A Service member without a dependent entitled to basic pay is authorized BAH or OHA in the situations specified in Table 26-19 and as otherwise specified in this paragraph. Ordinarily BAH or OHA is based on the Service member's PDS and paid when adequate Government quarters are not provided at the PDS.

10.1.1. Service Member TDY. A Service member on TDY (including permissive travel) when no PCS is involved, is authorized to continue to receive BAH or OHA for the PDS if authorized prior to the TDY, except for:

10.1.1.1. A Service member occupying Government quarters at the TDY location which exceed minimum standards, as set forth in subparagraph 8.2.7; or

10.1.1.2. A Service member below grade E-7 if quarters are assigned or furnished at the PDS, even if the Service member vacates the quarters at the beginning of the TDY. BAH or OHA does not accrue if assigned quarters at the PDS.

10.1.2. PCS Between PDSs in Proximity. Ordinarily, a housing allowance is paid based on the Service member's PDS or the home port for a Service member assigned to a ship or afloat unit.

10.1.2.1. The Service may instead pay a housing allowance based on the old PDS rate in a situation involving a low or no-cost move. The determination of whether to base the housing allowance on the old PDS because it is inequitable to base it on the new PDS is made by the Secretary concerned or through the Secretarial Process.

10.1.2.2. When a Service member is ordered on a PCS between PDSs located in proximity to each other, the housing allowance based on the old PDS continues when the Service member commutes to the new PDS from the residence occupied while at the old PDS. The housing allowance continues from the time between the Service member's detachment from the old PDS and reporting for duty to the new PDS, unless otherwise prohibited in this Chapter.

10.1.2.3. If a Service member is reassigned under the conditions of a low-cost or no- cost PCS and is not authorized a household goods (HHG) move, the housing allowance is based on the old PDS under the following conditions:

10.1.2.3.1. The Service member requested the old PDS housing allowance; and

10.1.2.3.2. The Service-selected decision process determines that it would be inequitable to base the Service member's allowances on the housing cost in the Service member's new PDS area.

10.1.3. Service Member in Grade E-7 or Above Not on Sea Duty. A Service member without a dependent in grade E-7 or above may elect at any time not to occupy Government quarters at the PDS and is authorized BAH or OHA unless the Secretary concerned, or their designee has determined that the Service member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

10.1.4. Service Member in Grade E-6 Not on Sea Duty. A Service member without a dependent in grade E-6 assigned to inadequate Government quarters or to a housing facility under the jurisdiction of a Uniformed Service that does not meet DoD adequacy standards, may elect to not occupy such quarters and receive BAH or OHA instead. The Secretary concerned, or the designee, may deny BAH or OHA if they determine that the Service member's exercise of this option would adversely affect a training mission, military discipline, or readiness.

10.1.5. Service Member on Sea Duty. A Service member assigned on permanent duty to a ship ordinarily has Government Quarters available aboard that ship. The Secretary concerned may determine that a ship or class of ships is inadequate for berthing a Service member in home port, in which case the ship or class of ships is not available as Government quarters for housing allowance

purposes. When quarters aboard a ship, deemed adequate for berthing, become temporarily unavailable due to maintenance or damage, Government Quarters are no longer available onboard the ship. The Service concerned provides guidance on payment of housing allowances or alternate berthing procedure for ships that become temporarily unavailable for berthing.

10.1.5.1. A Service member without a dependent in grade E-6 or above assigned to permanent sea duty aboard a ship may elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. A Service member in pay grade E-6 or above is authorized to receive BAH or OHA after reporting to a deployed ship or afloat unit.

10.1.5.2. A Service member without a dependent in grade E-5 assigned to permanent sea duty aboard a ship cannot elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-5 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-5.

10.1.5.3. A Service member without a dependent in grade E-4 assigned to permanent sea duty aboard a ship cannot elect not to occupy assigned shipboard Government quarters and receive BAH or OHA. Under Service regulations, the Secretary concerned may authorize BAH or OHA to a Service member without a dependent who is serving in grade E-4 and is assigned to sea duty. When preparing regulations under this paragraph, the Secretary concerned must consider Government quarters availability for a Service member serving in grade E-4.

10.1.5.4. A Service member married to another Service member who is in a pay grade below E-6 is authorized BAH or OHA if assigned to permanent sea duty if otherwise entitled.

10.1.6. Service Member Assigned to a Unit That Undergoes a Change of Home Port or Permanent Station. A Service member without dependents who is assigned to a unit that undergoes a home port or permanent station change may be paid a BAH based on the old port or permanent station, if the Secretary concerned determines that it would be inequitable to base the member's entitlement to, and amount of, BAH on the new home port or permanent station.

10.1.6.1. In such cases, the Secretary concerned may:

10.1.6.1.1. Waive the requirement to base the Service member's entitlement to, and amount of, BAH on the new home port or PDS of the Service member; and

10.1.6.1.2. Treat that Service member for the purposes of this chapter as if the unit to which the Service member is assigned did not undergo a home port or permanent station change.

10.1.6.2. The number of waivers the Secretary concerned may grant under this paragraph in a calendar year may not exceed 100.

10.1.6.3. This authority may be administered by the Secretary concerned through the Secretarial Process.

10.1.6.4. Unless extended by the authority of the Congress, this authority expires on the termination date on the Duration of Authority table.

10.2 Service Member With-Dependent

10.2.1. Authorized BAH or OHA. Except for a Service member paying child support and assigned to Government quarters, a Service member with a dependent, who is entitled to basic pay is authorized BAH or OHA at the with-dependent rate when any of the following conditions are met:

10.2.1.1. Adequate Government quarters are not furnished for the Service member and dependent without a rental charge payment;

10.2.1.2. Adequate Government quarters are not furnished for the Service member's dependent, or not all of the Service member's dependents are authorized to occupy Government quarters assigned to the Service member;

10.2.1.3. A single or divorced Service member who maintains legal and physical custody of a child before receipt of a PCS authorization or order to an unaccompanied tour may continue to be paid BAH at the with-dependent rate for the last PDS, or designated place, as specified in this paragraph. The divorce decree or custody order issued by a court of competent jurisdiction must state the specific period during which the Service member has legal and physical custody. BAH at the with-dependent rate, is authorized only for time periods the Service member would have the physical custody of the child if not serving on the unaccompanied tour. For military necessity, the Service member must place the child in the physical custody of a relative or caregiver designated by the Service member to be authorized BAH or OHA at the with-dependent rate; or

10.2.1.4. A Service member who is, classified as with-dependent for housing purposes solely because the Service member is paying child support (i.e., does not have physical custody of the child and has no other dependents) is not authorized a housing allowance other than BAH-Diff if the Service member is assigned to Government quarters or both of the following apply:

10.2.1.4.1. The Service member is assigned to sea duty in a grade above E-3; and

10.2.1.4.2. The Service member is authorized to and does not occupy the assigned, unaccompanied Government quarters by choice.

10.2.2. Location Rate. Ordinarily a housing allowance is based on the Service member's PDS, or the home port for a Service member assigned to a ship or afloat unit. However, the Service may determine that a Service member's assignment to a PDS, or the circumstances of that assignment, requires a dependent to reside separately. Authorization or approval of a housing

allowance based on the dependent's location or old PDS rather than the Service member's current PDS (commonly referred to as BAH or OHA waiver) is through the Service Secretary or through the Secretarial Process.

10.2.2.1. Treatment of Certain Moves as Not Being Reassignments. A Service may pay a housing allowance based on the old PDS rate in situations involving low or no-cost moves and for situations in which the Service member and dependent reside separately if it is determined that to base the housing allowance on the new PDS would be inequitable. The determination of whether it is inequitable to pay BAH or OHA based on the new PDS may be accomplished through the Secretarial Process. When a Service member is ordered on a PCS between PDSs located in proximity to each other and continues to commute from the residence occupied while at the old PDS. BAH or OHA based on the old PDS continues from the time between the Service member's detachment from the old PDS and reporting to the new PDS, unless otherwise prohibited in this Chapter. A Service member ordered on PCS with TDY or leave in route is authorized a housing allowance based on the old PDS during that period. If a Service member is reassigned under the conditions of a low-cost or no-cost PCS and is not authorized an HHG move, a housing allowance may be based on the rate for the old PDS if both the following conditions are met:

10.2.2.1.1. It was requested by the Service member; and

10.2.2.1.2. The Secretarial Process determines that it would be inequitable to base the allowance on the housing cost in the new PDS area to which the Service member is reassigned.

10.2.2.2. Unaccompanied or Dependent-Restricted Assignment OCONUS. See paragraph 10.4 for applicable location rate.

10.2.2.3. Location Rate Changes. Location rate changes may be routinely authorized or approved when a Service member is:

10.2.2.3.1. Assigned to a PDS in an area at which sufficient housing quantities do not exist;

10.2.2.3.2. In receipt of a PCS order to a unit with a promulgated change of home port and dependents relocate to the announced home port (or authorized designated place in the United States) before the effective date of the home port change;

10.2.2.3.3. Assigned to "unusually arduous sea duty" and a dependent resides at or relocates to a designated place in the United States;

10.2.2.3.4. Assigned to or is in receipt of a PCS authorization or order to a ship entering overhaul involving a home port change and their dependent is not relocated due to the home port change;

10.2.2.3.5. Disadvantaged due to reassignment for reasons of improving mission capability and readiness of the unit, in receipt of a PCS authorization or order between PDSs

located in the same proximity, and disallowed HHG movement. A determination must be issued through the Secretarial Process that implementing this policy in the interest of correcting an inequity incurred due to movement of the Service member for purposes of improving mission capability and unit readiness;

10.2.2.3.6. Assigned to an intermittent TDY or a TDY pending further orders; or

10.2.2.3.7. Assigned to a Professional Military Education or training course that is scheduled for a duration of 1 year or less.

10.2.2.4. Multiple Dependent Locations. In instances when dependents are in multiple locations, the Service member must designate the dependent's primary residence. The housing allowance rate is based on this primary residence.

10.2.2.5. Ship or Home Port

10.2.2.5.1. A Service member assigned to duty aboard a ship or other afloat unit is authorized a with-dependent allowance when supported by a statement of the Service member's commanding officer, or an officer designated by the commanding officer. The statement must specify that the dependent has established a residence at or in the home port vicinity. The applicable with-dependent allowance is payable even though the Service member is quartered in kind aboard a ship with their afloat unit. The rate payable is the rate applicable to the ship's or afloat units' home port.

10.2.2.5.2. The housing allowance must change to the new home port rate on the effective date of the home port change if the Service member is currently assigned or is in receipt of a PCS order to a ship or another afloat unit with an announced home port change and their dependent is authorized travel to the new home port.

10.2.2.6. Other Circumstances. The Secretary concerned may determine that circumstances other than those set forth above require a dependent to reside separately from the Service member, and they may authorize or approve a housing allowance payment based on either the dependent's location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver is acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

10.2.3. During Leave, Travel Status, Separation, and Other Situations. Table 26-19 and paragraph 10.10 specify BAH or OHA accrual for a Service member entitled to basic pay with a dependent. In Table 26-20, the phrase "due to a PCS" refers to whether or not the Service member is en route to a new PDS under a PCS authorization or order.

10.2.4. Temporary Continuation of Housing Allowance for Service Members Whose Sole Dependent Dies While Residing With the Member. BAH or OHA at the with-dependent rate continues to be paid for up to one year to a Service member on AD whose sole dependent dies on or after December 23, 2022.

10.2.4.1. Conditions. After the death of the dependent, continue to pay a with-dependent housing allowance at the rate that was being paid to the Service member on the sole dependent's date of death if:

10.2.4.1.1. The sole dependent dies while the Service member is on active duty; and

10.2.4.1.2. The sole dependent dies while physically residing with the Service member, unless separated by the necessity of military service or to receive institutional care as a result of disability or incapacitation or under such other circumstances as determined by the Secretary concerned; and

10.2.4.1.3. The Service member is not occupying Government quarters on the date of death of the sole dependent.

10.2.4.2. Termination. The continuation of the with-dependent rate of housing allowance will terminate upon the earlier of the following to occur:

10.2.4.2.1. The day that is one year after the date of the death of the sole dependent.

10.2.4.2.2. The permanent change of station, or permanent change of assignment with movement of personal property and household goods under ***37 U.S.C. § 453(c)***, of the member as otherwise stated in this chapter.

10.2.4.2.3. The Service member subsequently occupies permanent Government quarters.

10.2.4.2.4. The Service member claims another dependent for housing allowance purposes.

10.3 Service Member With Acquired Dependent

When a Service member acquires a dependent, for example, through marriage, birth, or adoption, a with-dependent housing allowance is authorized as of the date the dependent is acquired.

10.3.1. PDS in the CONUS. When the Service member is assigned to a PDS in the CONUS, the housing allowance is authorized based on the PDS. The Service member may request through the Secretarial Process a housing allowance based on the dependent's residence location instead. Table 26-21 specifies the changes in housing allowance when a Service member acquires a dependent while assigned in the CONUS.

10.3.2. PDS OCONUS. Generally, when a Service member is assigned to a PDS OCONUS and the dependent does not reside in the PDS vicinity, the housing allowance is based on the dependent's location. If the dependent does reside in the PDS vicinity, the housing allowance is based on the PDS. Table 26-22 specifies the changes in housing allowance when a Service member

acquires a dependent while assigned in the OCONUS. FSH eligibility is effective the date a dependent is acquired; refer to section 7.0 concerning FSH.

10.4 Service Member With-Dependent Serves Unaccompanied or Dependent Restricted Tour OCONUS or "Unusually Arduous Sea Duty" Outside the United States

10.4.1. Basic Allowance for Housing. A Service member with a dependent who serves an unaccompanied or dependent-restricted tour OCONUS or "unusually arduous sea duty" outside the United States is authorized a with-dependent housing allowance (BAH or OHA) when the dependents are not provided government quarters.

10.4.2. Location Rate. The applicable rate for the with-dependent housing allowance is generally as follows:

10.4.2.1. RC. In the case of an RC member, the housing allowance is generally based on the Service member's primary residence, as defined in the Definitions Chapter. If the dependents relocate to another location outside the Service member's PDS vicinity, the housing allowance continues to be based on the primary residence. Paragraph 10.5 contains specific provisions concerning RC members.

10.4.2.2. Regular Component.

10.4.2.2.1. When the dependent remains at the Service member's old PDS, the housing allowance is paid based on the old PDS.

10.4.2.2.2. When the dependent is not at the Service member's old PDS and is outside the Service member's PDS vicinity and a Secretarial waiver had previously approved a housing allowance based on another location, the allowance continues at the rate approved by waiver.

10.4.2.2.3. If the dependent is not at the Service member's old PDS and is outside the Service member's PDS vicinity, and there is no applicable Secretarial waiver designating a particular location rate, the housing allowance is based on the dependent's location on the date the Service member arrives at the new PDS.

10.4.2.2.4. If during the unaccompanied tour, the dependent relocates the residence at their own expense to a location outside the Service member's PDS vicinity, the housing allowance is then based on:

10.4.2.2.4.1. The dependent's new residence if located in an OHA area (so long as not in the vicinity of the PDS);

10.4.2.2.4.2. The previously authorized location (old PDS or dependent's location at the time of the Service member's departure) if the dependents relocate between BAH locations; or

10.4.2.2.4.3. The dependent's new residence location if the dependent relocates from an OHA area to BAH area.

10.4.2.3. If all of the Service member's dependents relocate at their own expense to reside in the vicinity of the Service member's PDS, the Service member with-dependent basic allowance for housing is then based on the PDS. The rules stated in section 7.0 for when dependents are deemed to be residing at the PDS vicinity for purposes of FSH apply to the with-dependent housing allowance determination. To be approved for and paid OHA at the PDS, the Service member must not be provided adequate family-type Government quarters and must submit the required documentation for OHA approval, as described in section 6.0.

10.4.2.4. See Table 26-24 for summary of the effect of dependent visits on the with- dependent housing allowance.

10.4.2.5. See Tables 26-25 and 26-26 for a summary of applicable housing allowances and location rates in various scenarios. A housing allowance must not be paid if a Service member is assigned adequate family-type Government quarters at the PDS. Do not start the housing allowance until the Service member terminates the family-type Government quarters assignment.

10.4.3. Initial Tour of Duty. When a Service member serves an unaccompanied or dependent-restricted tour at the first PDS (i.e., the initial PDS when coming on AD) payment of a with-dependent housing allowance is based on one of the designated locations specified in the JTR, Chapter 5, paragraph 050814 if the dependent has been authorized or approved to reside at one of those locations.

10.4.4. Transfer Between Unaccompanied or Dependent-Restricted Tours. A Service member transferred between unaccompanied or dependent-restricted tours (i.e., "back-to-back" unaccompanied or dependent-restricted tours) may be authorized to move dependents at Government expense to a designated place or from one designated place to another. The Service member:

10.4.4.1. Continues to be authorized a with-dependent rate as described in subparagraph 10.4.1 when the dependent does not move.

10.4.4.2. Is authorized a with-dependent rate based on the dependent's new location when the dependent moves from either:

10.4.4.2.1. The Service member's old PDS (the PDS before the Service member was assigned on the first unaccompanied or dependent-restricted tour) to a designated place; or

10.4.4.2.2. A designated place to another designated place if the move is authorized or approved.

10.4.5. TDY Upon Completion of Unaccompanied or Dependent Restricted Tour

10.4.5.1. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and they are required to perform a TDY anywhere in the world in connection with a transfer to another unaccompanied or dependent-restricted tour, and the dependent continues to reside at the same location they resided during the first tour, there is no change to the with-dependent housing allowance.

10.4.5.2. If a Service member is assigned to an unaccompanied or dependent-restricted tour at a PDS OCONUS and the Service member is required to perform a TDY in connection with a PCS transfer to the United States, and the dependent continues to reside at the same location then there is no change in the with-dependent housing allowance until the Service member's reporting day to the new PDS. Start with-dependent BAH or OHA based on the new PDS the day the Service member reports at that PDS.

*10.5 RC Member

An RC member is entitled to BAH-RC, BAH, or OHA as discussed below. They may also be entitled to FSH if the criteria of section 7.0 is met. See paragraph 10.10 for the rate payable to an RC Service member in the accession pipeline.

10.5.1. BAH-RC

10.5.1.1. Applicability. BAH-RC is authorized for an RC member called or ordered to AD, except as provided in subparagraph 10.5.2.

10.5.1.2. Rate. The rate is fixed at the BAQ amount on December 31, 1997, incremented by the average housing allowance increase each year.

10.5.2. BAH/OHA

10.5.2.1. Applicability. The following RC members are authorized BAH or OHA:

10.5.2.1.1. A member called or ordered to AD in support of a contingency operation for a time period of any duration.

10.5.2.1.2. A member called or ordered to AD for 31 or more days, except a Service member without a dependent during initial entry training.

10.5.2.1.3. A member initially on a tour of 30 or fewer days who receives an order modification, assignment extension, or additional consecutive orders with a prospective, new active-duty period of 31 or more days ("extension").

10.5.2.1.3.1. BAH or OHA starts the date of the extension, and BAH-RC is no longer payable as of that date.

10.5.2.1.3.2. If there is a break in service, periods of AD previously served may not be added together to meet the requirement for BAH or OHA that AD exceeds 30 days under the authority of ***37 U.S.C. § 403(g)(6)(C)(iii)***.

10.5.2.1.3.3. See Table 26-41 for examples of housing allowance changes for an RC member when new, extended, or amended orders are issued.

10.5.2.1.4. AGR members.

10.5.2.2. Rate. The applicable location rate will generally be based either on the PDS or the member's primary residence. See subparagraph 10.5.3 for discussion of applicable allowances and rates for various assignment situations.

10.5.3. Allowance and Rates for Specific Assignments

The type and duration of orders will determine the applicable housing allowance and rate. When an RC member receives an order modification or amendment extending their assignment, the prospective new active-duty period determines the authority for housing allowances and any new entitlements begin as of the date of the modification. If the prospective period is 140 or more days for AD training or 181 or more days for AD for other than training and HHG are authorized for the PCS, then BAH-RC or BAH or OHA based on the primary residence stops the day before the modification or amendment and BAH or OHA based on the PDS begins on the modification date, except under the conditions in subparagraph 10.5.3.7.

10.5.3.1. AD for 30 or Fewer Days

10.5.3.1.1. If the RC member is called or ordered to AD for 30 or fewer days and the duty is not in support of a contingency operation, then start BAH-RC on the first day of AD.

10.5.3.1.2. If the duty is in support of a contingency operation, then start BAH or OHA based on the primary residence at the time called or ordered to AD beginning on the first day of AD.

10.5.3.2. AD for Other Than Training or Active Duty for Training (ADT) for 31 or More Days.

10.5.3.2.1. An RC member called or ordered to AD for other than training for a period lasting between 31 and 180 days is authorized BAH or OHA based on the primary residence beginning on the first day of AD. This rate continues for the tour duration except as otherwise specified in this chapter.

10.5.3.2.2. An RC member called or ordered to ADT for a period lasting between 31 and 139 days receives BAH or OHA based on the primary residence at the time called or ordered to ADT beginning on the first day of AD.

10.5.3.3. ADT for 140 or More Days and Authorized HHG Transportation. BAH or OHA based on the primary residence starts at the time RC member is called or ordered to AD for training for 140 or more days and is authorized HHG transportation for a PCS and continues through the day before arrival at the PDS. BAH or OHA based on the PDS location begins on the day the RC member reports at that location. The Service member is authorized BAH or OHA in the same manner as a Service member already on AD.

10.5.3.4. AD Other Than Training for 181 or More Days and Authorized HHG Transportation. BAH or OHA based on the primary residence starts at the time an RC member is called or ordered to AD for other than training for 181 or more days and authorized HHG transportation for a PCS and continues through the day before arrival at the PDS. BAH or OHA based on the PDS location begins on the day the RC member reports at that location. The member is authorized BAH or OHA in the same manner as a Service member already on AD.

10.5.3.5. Called or Ordered to ADT for 140 or More Days But Not Authorized HHG Transportation. Except as provided in subparagraphs 10.5.3.8 and 10.5.3.11, an RC member who is not authorized HHG transportation for a PCS (e.g., when duty is not performed for 140 or more days at one location) receives BAH or OHA based on the primary residence at the time called or ordered to AD.

10.5.3.6. Called or Ordered to AD Other Than Training for 181 or More Days But Not Authorized HHG Transportation. Except as provided in subparagraphs 10.5.3.8 and 10.5.3.11, an RC member who is called or ordered to AD for other than training for 181 or more days and is not authorized HHG transportation for a PCS receives BAH or OHA based on the primary residence.

10.5.3.7. RC Member Without-Dependents Called or Ordered to ADT for At Least 140 Days But Fewer Than 365 Days at One Location. An RC member without dependents assigned to a PDS for participation in PME or training for a period of at least 140 days but fewer than 365 days, receives a housing allowance at the without-dependent rate based on the training location PDS, provided Government quarters are not available for assignment to the Service member at the training location PDS and the member is not receiving the lodging portion of per diem. A housing allowance authorized under this paragraph is in addition to a housing allowance for the primary residence. An RC member without a dependent attending such training is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD if the Service member maintains a residence and continues to be responsible for rent or owns the residence.

10.5.3.8. RC Member Without-Dependent OCONUS. An RC member without a dependent or who has no dependents other than for whom they are paying child support receives one housing allowance (BAH or OHA). When the member is provided Government quarters at the PDS, the housing allowance is based on the primary residence; however, the housing allowance may instead be based on the PDS when all the following conditions apply, and it is approved under the Secretarial Process:

10.5.3.8.1. The RC member is authorized PCS allowances to a location OCONUS;

10.5.3.8.2. The RC member is not authorized PCS HHG transportation because the prospective period is less than 12 months. HHG transportation under a TDY order, as specified in the JTR, Chapter 2, does not affect this housing allowance authority;

10.5.3.8.3. Government quarters are not available at the PDS; and

10.5.3.8.4. The Service determines that it is inequitable to pay a housing allowance based on the primary residence.

10.5.3.9. Called or Ordered to AD for Contingency. An RC member called or ordered to AD in support of a contingency operation is authorized BAH or OHA based on the primary residence beginning on the first day of AD. This rate is authorized even for duty of 30 or fewer days. This rate continues for the duration of the tour unless the RC member is authorized PCS HHG transportation, in which case the rate for the PDS would apply on the day the RC member reports to the PDS.

10.5.3.10. Injured or Physically Disabled While on AD or on Inactive-Duty Training. An RC member who is injured in the line of duty and who is authorized incapacitation pay under ***37 U.S.C. § 204*** and ***DoDI 1241.01*** (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements) is authorized a housing allowance. BAH or OHA is based on the primary residence and is paid beginning on the date the RC member becomes entitled to incapacitation pay. BAH or OHA for an eligible RC member may not be paid for more than 6 months except when, in the interest of fairness and equity, the Secretary concerned, or the Secretary's designee extends incapacitation pay. For offsets, see 37 U.S.C. § 204(g) and (h), and DoDI 1241.01 (RC Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements).

10.5.3.11. Unaccompanied Tours OCONUS. If an RC member with dependents is on an OCONUS unaccompanied tour and the dependents relocate at their own expense to reside in the vicinity of the member's PDS, the member's usual housing allowance entitlements set forth in this section will be affected. See section 7.0 and subparagraph 10.4.2.3 for determination of applicable housing allowance and rate in that situation.

10.5.4. AGR Member. An AGR member's BAH or OHA is based on the PDS, even when the Service member is mobilized for AD other than for AGR duty, provided the Service member does not have a break in service. The rate based on the PDS applies for the duration of the tour. If the AGR member receives a PCS order authorizing HHG transportation, BAH or OHA is based on the new PDS. However, if the Service member is called or ordered to AD without a break in service and a PCS order authorizing HHG transportation is not issued, BAH or OHA is based and paid on the PDS location at the time called or ordered to AD. A break in service occurs when one or more calendar days between active-duty service periods do not qualify as active-duty service. If an AGR member has a break in service when called to AD for other than AGR duty, then the Service member is paid a housing allowance as for any other RC member (for example, the primary-residence rate).

10.5.5. RC Member Married to Service Member. Unless an RC member is assigned to a contingency operation or is an AGR member when they are called to AD for 30 or fewer days, the RC member is authorized the BAH-RC without-dependent rate if they are not assigned to Government quarters and are married to another Service member on AD without a dependent. For such an RC member on AD for 31 or more days, each Service member is authorized BAH or OHA at the without-dependent rate. If a Service member in this situation has a dependent, BAH or OHA is paid in accordance with paragraph 4.5.

10.6 Government Defers Dependent Travel (Non-Concurrent Travel)

10.6.1. When the Government defers dependent travel at Government expense to a Service member's new PDS, a with-dependent housing allowance continues to be paid at the old PDS rate, or at the rate for the dependent's location if the dependent relocated there at Government expense. In a case in which the Secretarial Process previously authorized a housing allowance based on the dependent's location, that rate continues.

10.6.2. If otherwise eligible, FSH-O or FSH-B for the Service member's location starts when the Service member obtains private-sector housing.

10.6.3. The payment of the with-dependent allowance and FSH-O or FSH-B continues for 60 days after dependent travel is authorized. If the 60-day time period expires, a dependent has not arrived at the Service member's PDS, and an extension to the 60-day period has not been granted through the Secretarial Process, a housing allowance is not authorized for the dependent's location. However, the Service member is authorized a with-dependent allowance based on the PDS location.

10.6.4. Table 26-27 specifies changes to a housing allowance when the Government defers a dependent's travel to a duty station OCONUS.

10.6.5. Tables 26-28 and 26-29 specify changes, based on location and expected travel delay, when the Government defers dependent travel to a duty station in the CONUS when the area has been declared a concurrent dependent travel application area (see JTR, Chapter 5, paragraph 051205).

10.7 Dependent Travels Before or After Service Member

When a PCS order has been issued, the Service member's dependents may perform PCS travel at a different time than the Service member.

10.7.1. Housing Allowance Based on Dependent's Location or Old PDS. Unless otherwise authorized or approved, a Service member's housing allowance is based on the PDS. If authorized or approved through the Secretarial Process, a Service member may be authorized a housing allowance based on the location at which a dependent maintains a permanent residence or the old PDS. Situations that are routinely authorized or approved at a lower level than the Service Secretary are listed in subparagraph 10.2.2. An example of advance travel is the member's family travels ahead to get settled before school starts. An example of delayed travel is the family remains at the old PDS until the school year ends.

10.7.2. Secretarial Determinations. The Secretary concerned may determine that other circumstances require a dependent to reside separately from the Service member and may authorize or approve a housing allowance payment based on either the dependent's location or the old PDS. If the Secretary concerned determined that an additional reason for a BAH or OHA waiver is acceptable, the Secretarial Process may then be used to authorize or approve individual cases based on that determination.

10.7.3. Rates Applicable

10.7.3.1. If a dependent relocates, the rate applicable to the dependent's new residence location is effective on the date the dependent arrives.

10.7.3.2. If the dependent does not relocate, the with-dependent allowance is based on the higher of the rates for the dependent's location or the Service member's old PDS and continues until the dependent departs the authorized or approved location.

10.7.3.3. A Service member is generally authorized BAH-Transit while on leave and travel between PDSs. However, in situations in which the Secretary concerned has authorized or approved an advance or delayed travel situation, the authorized or approved allowance at the with-dependent rate applies. In delayed travel situations, when the dependent departs the authorized or approved location, the allowance changes to the new PDS if the Service member has already arrived there or to the BAH-Transit if the Service member is still in transit.

10.7.4. Advance Travel. In all cases of advance travel, if the Service member is assigned Government quarters at the old PDS and a housing allowance has not been approved by the Secretarial Process for the dependent's location, do not start either BAH or OHA.

10.7.4.1. Table 26-30 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

10.7.4.2. Table 26-31 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is outside the OHA area.

10.7.4.3. Table 26-32 specifies changes to housing allowances when the old PDS is outside the OHA area and the new PDS is in the BAH area.

10.7.4.4. Table 26-33 specifies changes to housing allowances when both the old and new PDS are outside the OHA area.

10.7.5. Delayed Travel

10.7.5.1. Table 26-34 specifies changes to housing allowances when the old PDS and new PDS are in the BAH area.

10.7.5.2. Table 26-35 specifies changes to housing allowances when the old PDS is in the BAH area and the new PDS is in the OHA area.

10.7.5.3. Table 26-36 specifies changes to housing allowances when the old PDS is in the OHA area and the new PDS is in the BAH area.

10.7.5.4. Table 26-37 specifies changes to housing allowances when the old PDS and new PDS are in the OHA area.

10.8 Early Return of Dependent (ERD)

10.8.1. Early Return at Government Expense

10.8.1.1. When all of a Service member's dependents return from a PDS OCONUS at Government expense not due to a PCS, regardless of the reason for the return, the Service member is authorized a housing allowance at the with-dependent rate based on the dependent's permanent residence location effective on the arrival date or the date the ERD order was issued, whichever is later. If the dependent's location is in an OHA area, start OHA on the date private-sector housing is acquired.

10.8.1.2. OHA, or BAH in Alaska or Hawaii, at the with-dependent rate for the Service member's PDS OCONUS stops on the day before the day the rate for the dependent's permanent residence starts. If the Service member resides in private-sector housing after the dependent's departure and single-type Government quarters are not available, FSH-O or FSH-B for the Service member's PDS location is authorized effective on the day the rate for the dependent's permanent residence location begins. If Government quarters are assigned or made available to the Service member following a dependent's departure, no housing allowance is payable for the Service member's PDS.

10.8.1.3. The with-dependent housing allowance is paid as follows whether or not the Service member is assigned family Government quarters at the PDS:

10.8.1.3.1. If the dependent's location is in a BAH area, start with-dependent BAH based on dependent residence location as of the dependent's arrival date or the date the ERD order was issued, whichever is later.

10.8.1.3.2. If the dependent's location is in an OHA area, start OHA on the date private-sector housing is acquired for the dependent (established by required documentation for OHA) or the date the ERD order was issued, whichever is later.

10.8.1.4. When a Service member assigned to Government family-type quarters, terminates the quarters assignment and single-type Government quarters are not available, start FSH effective on the termination date, the date private-sector housing for the Service member is acquired, or the date the ERD order was issued, whichever is later.

10.8.1.5. If a Service member is not assigned to Government family-type quarters then stop the with-dependent rate based on the PDS on the day before the rate based on the dependent's location starts. If single-type Government quarters are not available, start FSH-O or FSH-B the day the allowance based on the dependent's location starts.

10.8.2. Early Return at Personal Expense. When all of a Service member's dependents return early from a PDS OCONUS at personal expense, the Service member is not authorized a second housing allowance and the housing allowance at the with-dependent rate based on the Service member's PDS continues without change, unless there is an OHA-related paperwork change. If the Service member vacates family-type Government quarters that were occupied by the dependent before the dependent's departure, the Service member is authorized an allowance at the with-dependent rate for the Service member's PDS. If a Service member assigned family Government quarters at the PDS OCONUS terminates a government quarter assignment while:

10.8.2.1. In a BAH area, start with-dependent BAH based on the PDS as of the termination date; or

10.8.2.2. In an OHA area, start with-dependent OHA based on the PDS as of the date private-sector housing is acquired or the termination date, whichever is later.

10.9 Evacuation of a Service Member's PDS

10.9.1. PDS OCONUS-Command-Sponsored Dependent. See Chapter 67.

10.9.1.1. A Service member who was authorized a with-dependent housing allowance based on the OCONUS PDS on the date a command-dependent was evacuated continues to be paid the allowance while the dependent is receiving evacuation allowances when both of the following conditions apply:

10.9.1.1.1. The Service member's PDS remains unchanged; and

10.9.1.1.2. The Service member continues to maintain private-sector housing.

10.9.1.2. If a dependent is authorized to return to the PDS after being evacuated, no housing allowance actions are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.1.3. If an evacuated dependent's return to the PDS is not authorized or approved, then the dependent must select a designated place and will continue to receive evacuation allowances as specified in the JTR, Chapter 6. A Service member is authorized a with-dependent allowance based on the location of the designated place beginning the day after the evacuation allowance ends, even if the Service member is assigned Government quarters at the PDS.

10.9.1.3.1. If the Service member is not assigned Government quarters at the PDS, OHA or BAH based on the PDS OCONUS stops on the day before the allowance based on the designated place starts.

10.9.1.3.2. If Government quarters are not available for the Service member at a PDS OCONUS, start FSH-O or FSH-B based on the PDS on the same day as the with-dependent allowance based on the designated place starts.

10.9.2. PDS OCONUS-Non-Command Sponsored Dependent

10.9.2.1. If the evacuation occurs 89 or fewer days after a dependent arrived at the Service member's PDS OCONUS and the Service member is still being paid a with-dependent allowance based on the dependent's permanent residence or designated place as well as FSH-O or FSH-B based on the PDS OCONUS rate, then no changes in housing allowances are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.2.2. If the evacuation occurs 90 or more days after a dependent arrived at the Service member's PDS OCONUS and the Service member is now being paid a with-dependent allowance based on the PDS, reinstate OHA or BAH based on the dependent's prior permanent residence or designated place on the dependent's departure day from the PDS. Stop the with-dependent OHA or BAH allowance based on the PDS the day before the dependent departs. If after the dependent departs and Government quarters are not available for the Service member, then start FSH based on the PDS on the day the dependent departs the PDS.

10.9.3. PDS CONUS With Dependent

10.9.3.1. A Service member who was authorized a with-dependent BAH on the date the dependent was evacuated continues to be paid BAH while the dependent is receiving evacuation allowances when both of the following conditions apply:

10.9.3.1.1. The Service member's PDS remains unchanged; and

10.9.3.1.2. The Service member continues to maintain private-sector housing.

10.9.3.2. If a dependent is authorized to return to the PDS after being evacuated, no housing allowance actions are required. Whether the Service member is assigned Government quarters at the PDS is not a factor.

10.9.3.3. If the return of a dependent to the PDS is not authorized or approved, the dependent is directed to select a designated place and continue to receive evacuation allowances as provided in the JTR, Chapter 6 until the Service member establishes a permanent residence. A Service member is authorized a with-dependent allowance based on the designated place beginning the day after evacuation allowances end. If the Service member is not assigned Government quarters at the PDS, BAH based on the PDS stops on the day before the allowance based on the designated place starts. FSH-B starts the same day as the allowance based on the designated place, if otherwise authorized.

10.9.4. Service Member Without-Dependent. A Service member without a dependent who was authorized OHA or BAH at the PDS on the date an evacuation is ordered or authorized and who continues to maintain a private-sector residence, continues to be authorized the allowance even though the Service member temporarily may be required to occupy Government quarters or be sent on a TDY. When the commanding officer believes the Service member will not be permitted to

return to the private-sector housing in the foreseeable future, the commander must encourage the Service member to end the private-sector housing at the earliest practical date and end OHA or BAH concurrent with the private-sector housing termination.

10.10 Service Member in Transit

BAH-Transit is a temporary housing allowance paid while a Service member is in a travel or leave status between PDSs, provided the Service member is not assigned Government quarters while at the old or new PDS and no other housing allowance is payable as set forth in this paragraph. The default BAH-Transit rate is a fixed rate, which is the amount of BAQ on December 31, 1997, incremented by the average housing allowance increase each year.

10.10.1. TDY En Route to New PDS. If the Service member performs a TDY en route at the new PDS, BAH or OHA for the new PDS begins the day of arrival in a TDY status at the new PDS. If the Service member performs a TDY en route at a location near, but outside the limits of, the new PDS or to the home port of a ship, afloat staff, or afloat unit, per diem stops as specified in the JTR, Chapter 5. BAH or OHA for the new PDS begins the day per diem stops.

10.10.2. PCS Between PDSs

10.10.2.1. Old PDS in the United States. A Service member's old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS through the day before the Service member reports to the new PDS in compliance with a PCS order. If the Service member had been residing in Government quarters at the old PDS, the Service member is authorized BAH as of the Government quarters termination date. If the Service member has a Secretarial waiver for payment of BAH based on a previous PDS or based on a dependent's location, then continue that rate until the Service member arrives at the new PDS.

10.10.2.2. Old PDS Outside the United States. When a Service member's old PDS is outside the United States, and the Service member is receiving OHA, OHA is authorized through the day before departing the old PDS. The day the Service member departs, OHA is no longer authorized and the Service member is authorized ***BAH-Transit*** if not otherwise receiving a housing allowance. If the Service member is being paid BAH at the with-dependent rate for a dependent residing separately, and FSH-B, that BAH rate continues until the Service member arrives at the new PDS, but FSH-O stops. If the dependent also performs PCS travel, BAH-Transit applies. If the Service member has a Secretarial waiver for payment of OHA at the with-dependent rate for a dependent residing separately in an OHA location, continue that OHA rate if the dependent remains at the OHA location.

10.10.2.3. See Table 26-38 for housing allowance when a Service member is in transit on a PCS.

10.10.3. New Accession. A Service member in the accession pipeline includes a Service member who is undergoing initial entry training, including an RC member, a student (including Reserve Officer Training Corps (ROTC) and Officer Candidate School) without prior military Service, or a Service academy graduate upon graduation, until arrival at the first PDS. The Service

member remains in the accession pipeline until the Service member arrives at a PDS, including a training location of 20 or more weeks. An RC member remains in the accession pipeline until the RC member completes entry-level training or arrives at a PDS, whichever occurs first. See Table 26-39.

10.10.3.1. Service Member Without-Dependent. A Service member in the accession pipeline without a dependent is authorized BAH-Transit when in a travel, leave en route, or proceed time status while transferring from the initial entry training location, between training locations, and to the first PDS. For BAH authorization only (not locality rate), the training location is defined as a PDS except for an RC member without a dependent. A Service member without a dependent is not authorized BAH (except BAH-Partial) while at a training location since Government quarters are assigned at that PDS. An RC member without a dependent attending accession training is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD if the Service member maintains a residence and continues to be responsible for rent or owns the residence.

10.10.3.2. Service Academy or ROTC Graduate Without-Dependent. A Service academy or ROTC graduate without a dependent is authorized a housing allowance at the without-dependent rate for the graduation or commissioning location through the day before departure en route to the training location, if they:

10.10.3.2.1. Remain on AD at the graduation or commissioning location following graduation and commissioning before proceeding to another duty station; and

10.10.3.2.2. Are not assigned Government quarters.

10.10.3.3. Service Member With a Dependent.

10.10.3.3.1. The BAH rate for a new accession with a dependent is based on the dependent's location if the location is in the United States. If the dependent is located outside the United States, BAH is based on the training location.

10.10.3.3.2. If an officer who was previously authorized a housing allowance at the without-dependent rate for the graduation or commissioning location specified in subparagraph 10.10.3.2 acquires a dependent, the officer's housing allowance at the with-dependent rate becomes based on the dependent's location effective the date the dependent is acquired.

10.10.3.3.3. A new accession Service member who pays child support but does not have physical custody of the child and has no other dependents is authorized payment of BAH-Diff if the child support meets or exceeds the BAH-Diff rate. BAH at the with-dependent rate is not authorized.

10.10.4. Retirement or Separation

10.10.4.1. From a PDS in the United States. A Service member's old PDS is the PDS for BAH purposes from the day the Service member departs the old PDS and remains on AD. If the Service member had been residing in Government quarters at the old PDS, the Service member

is authorized BAH beginning the date Government quarters are terminated provided the Service member is still on AD. BAH continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2. From a PDS Outside the United States

10.10.4.2.1. Establishes Residence Outside the United States. A Service member at a PDS outside the United States who is processing for retirement or separation, or is on leave after processing, and who intends to establish a residence in an OHA-based area after retirement or separation, is eligible for OHA. To be paid OHA under any of the circumstances listed, the Service member must provide a lease and a completed and approved DD 2367.

10.10.4.2.1.1. If the Service member continues to occupy private-sector leased or owned housing at or in the PDS vicinity, OHA continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.1.2. If the Service member occupies private-sector leased or owned housing after vacating Government quarters or moves to different private-sector housing in the same country, OHA starts on the date the Service member obtains private-sector housing and continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.1.3. If a Service member at a PDS outside the United States moves to a different country that is an OHA area to establish a residence after separation or retirement, the Service member is eligible for a housing allowance based on the residence location. OHA starts on the day the Service member obtains private-sector housing. However, if the Service member is being paid a housing allowance at the with-dependent for dependents residing separately, the Service member instead continues to receive a housing allowance at the dependent location rate, provided the dependents remain at that separate location. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.2. Returns to a U.S. Processing Station. If not assigned Government quarters, a Service member separating or retiring at a PDS outside the United States, who returns to the United States for retirement or separation processing, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the retirement or separation processing location if they are not receiving a with-dependent housing allowance for a dependent residing separately. However, if the Service member is being paid a with--dependent housing allowance for a dependent residing separately, the Service member instead continues to receive a housing allowance at the dependent location rate and does not receive a housing allowance based on the processing location. NOAA's Marine and Aviation Operations and Commissioned Personnel Centers are the processing stations for NOAA. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.2.3. Returns to the United States After Completing Separation or Retirement Processing Overseas. If not assigned Government quarters, a Service member retiring or separating at a PDS outside the United States who returns to the United States after completing retirement or separation processing at the overseas PDS, and who does not have a processing location within the United States, is authorized OHA through the day before departing the PDS outside the United States. The day the Service member departs that PDS, OHA is no longer authorized. The Service member is authorized the BAH rate for the leave address provided as part of the final processing if they are not receiving a housing allowance at the with-dependent rate for a dependent residing separately. However, if the Service member is being paid a with-dependent housing allowance for a dependent residing separately, the Service member instead continues to receive housing allowance at the dependent location rate, provided the dependent remain at that separate location, and does not receive a housing allowance based on the leave address. Any housing allowance continues through the date of separation or the day before the effective date of retirement, and then stops.

10.10.4.3. Refer to Table 26-40 for summary of rules pertaining to housing allowance for Service member in transit for final discharge, separation, or retirement.

10.10.5. Educational Leave Program. When a Service member is participating in the Educational Leave Program Relating to Continuing Public and Community Services, and the Service member is authorized BAH or OHA, start BAH or OHA based on the designated unit of assignment during scheduled school breaks or leave periods.

10.10.6. Hospitalization. If a Service member receives an appropriate authorization or order associated with a prolonged hospitalization determination and is transferred from any PDS to a hospital in the United States for observation or treatment, pay BAH based on the hospital location if the Service member is authorized BAH.

10.11 Service Member in a Missing Status

If a Service member is declared missing pursuant to applicable law and regulation, payment of a housing allowance is authorized as follows:

10.11.1. Service Member Without-Dependent. A Service member without a dependent carried in a missing status is authorized without-dependent BAH. Pay BAH at the without-dependent rate based on the PDS for a Service member whose PDS is in the United States. If the Service member had a Secretarial waiver to receive BAH based on the former PDS due to a low-cost or no-cost PCS, then that BAH rate continues. Pay BAH at the without-dependent rate based on the home of record (HOR) location for a Service member whose PDS is outside the United States. If the Service member's HOR and PDS are outside the United States, then pay the without-dependent BAH-Transit rate. See Chapter 34 (Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents).

10.11.2. Service Member With-Dependent. A Service member with a dependent continues to receive the housing allowance authorized upon entering the missing status. If the dependent relocates, pay the housing allowance at the with-dependent rate based on the dependent's location.

10.12 Service Member in Confinement

Pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone does not affect a Service member's BAH eligibility. Nothing in this paragraph is intended to imply that a Service member not entitled to basic pay may receive a housing allowance.

10.12.1. Transferred to a Confinement Facility. When a Service member who is serving a court-martial sentence to confinement is transferred to a confinement facility, then the BAH or OHA rate is based on the dependent's location if the Service member is authorized a housing allowance, other than BAH partial, while confined. A Service member is not authorized a housing allowance unless authorized basic pay. This rule does not address a Service member's authority for a housing allowance when civil or foreign authorities confine the Service member. All rules concerning whether a Service member in civil or foreign confinement, including pre-trial, is authorized basic pay are covered in Chapter 1 (Creditable Service).

10.12.2. In Confinement

10.12.2.1. BAH or OHA does not accrue while the Service member is confined pursuant to a court-martial and the sentence is effective or approved or when the Service member was not receiving BAH or OHA on the day before confinement and Government quarters assignment was not terminated before or during confinement. Service procedures must specify how and by whom Government quarters termination must be certified. Confinement imposed pursuant to a court-martial sentence begins the date the sentence is adjudged (***10 U.S.C. § 857(a), (b)***).

10.12.2.1.1. If a Service member is in confinement in a guardhouse, brig, or correctional barracks pursuant to a court-martial—not including pretrial confinement, restraint other than confinement, or an adjudged sentence of restriction alone—then the Service member's BAH or OHA accrues if the sentence is set aside or disapproved. The Service member must be otherwise authorized to receive BAH or OHA.

10.12.2.1.2. A Service member without-dependents who is confined in a guardhouse, brig, or correctional barracks, was assigned to single-type, Government quarters before confinement, and remains assigned to such quarters during confinement is authorized BAH-Partial unless allowances were forfeited pursuant to court-martial sentence. If the Service member is restrained in a status of arrest in assigned single-type Government quarters, and therefore not authorized BAH or OHA, then the Service member is authorized BAH-Partial unless allowances were forfeited pursuant to court-martial sentence.

10.12.2.2. A Service member in military confinement or otherwise restricted by military authority continues to be authorized FSH for 60 or fewer days without certificate from the Service member. The FSH may continue for more than 60 days, but payment must be supported by the Service member's certification that they maintained private-sector housing at the PDS.

10.13 BAH Location Rate Flexibility for Certain Armed Forces Members With-Dependents, who PCS Within the United States (***37 USC § 403a***).

10.13.1. General. An eligible Armed Forces member with one or more dependents may be permitted certain housing flexibility options while under a PCS order within the United States during a covered relocation period, as defined in subparagraph 10.13.3 (***DoDI 1315.18, Enclosure 3, paragraph 10***). One option is the equitable basic allowance for housing.

10.13.2. Eligibility. An Armed Forces member described in 10.13.1 is eligible for housing flexibility options if the Service member:

10.13.2.1. Has a spouse who is gainfully employed or enrolled in a degree, certificate or license granting program at the beginning of the covered relocation period;

10.13.2.2. Has one or more dependents attending an elementary or secondary school at the beginning of the covered relocation period;

10.13.2.3. Has one or more dependents enrolled in the Exceptional Family Member Program; or

10.13.2.4. Is caring for an immediate family member with a chronic or long-term illness at the beginning of the covered relocation period.

10.13.3. Covered Relocation Period. The covered relocation period begins 180 days before the date of the PCS, which is the date the Armed Forces member leaves the current PDS and ends 180 days after the date of the PCS. The Secretary concerned may lengthen or shorten the covered relocation period through the Secretarial Process based on the needs of the Armed Forces. See the ***Housing Flexibility Decision Support Tools***.

10.13.4. Equitable Basic Allowance for Housing Location Rate. The dependents of an Armed Forces member may perform PCS travel at a different time than the Service member once the PCS order has been issued. Unless otherwise authorized or approved, the Service member's basic allowance for housing at any point in time is based on the Service member's PDS at that time. However, if authorized or approved through the Secretarial Process, when dependents relocate in advance of or after the Service member, the housing allowance may be based on one of the following instead:

10.13.4.1. The new PDS;

10.13.4.2. The location where the dependents reside when the Service member departs for the new PDS, but only for the time the dependents reside in that area; or

10.13.4.3. The area of the member's former PDS, but only if different than the area where the dependents reside.

10.13.5. Expiration. If the Service member's eligibility expires for any reason during the covered relocation period, that period is terminated and housing allowances are paid based on the PDS where the Service member is assigned at that time. If the Service member departs the old PDS, and the persons who are the basis of the eligibility do not arrive at the new PDS within the covered relocation period, housing allowances are paid at the new PDS location rate beginning the day after the relocation period ends.

Table 26-1. Date to Start BAH or OHA for a Service Member With a Dependent

RULE	If a Service member	then BAH or OHA at the with-dependent rate begins on the date
1	enlists, or is called to extended AD and is not assigned Government quarters for self and any dependents on that date,	of enlistment or entry on AD.
2	is appointed to commissioned or warrant officer status and is not assigned Government quarters for self and dependents on that date,	AD pay begins.
3	occupies Government quarters with a dependent and the quarters assignment ends,	the quarters assignment ends.
4	occupies Government quarters with a dependent and the Service member and dependent depart the PDS pursuant to a PCS order,	the PCS departure date.
5	acquires a dependent, while in a duty status or on authorized leave, and is not assigned Government quarters on that date,	the dependent is acquired.*
6	acquires a dependent while in an unauthorized absence status and is not assigned Government quarters for self and dependents on that date,	the Service member returns to a pay status after apprehension or surrender.
7	claims an individual who has not yet been determined to be a dependent,	determined or approved by authority specified in paragraph 3.2, as applicable.

*Refer also to Table 26-21 and Table 26-22 for rules on when BAH and OHA start and stop when a Service member acquires a dependent.

Table 26-2. Date to Stop Housing Allowances Based on Change in a Sole Dependent's Status

RULE	If the sole dependent…	then stop the with-dependent housing allowance at midnight of the day…
1	and the member divorced,	of the final decree of divorce.
2	and the member are in a voidable, but not void marriage, which is dissolved by final annulment decree,	before the date of the decree. No BAH or OHA payment may be made on or after date of the decree, even amounts accrued and not paid. BAH or OHA paid before the date of decree may be retained.
3	and the member are in an invalid or void marriage,	before the member learns the marriage is invalid or void. No housing allowance payment may be made on or after that day, even amounts accrued and not paid. Retention of BAH or OHA paid before that date depends on validation specified under Chapter 12.
4	is a child who becomes of age, except if incapable of self-support due to mental or physical incapacity,	before the dependent's 21st birthday or 23rd birthday if a full-time student. See subparagraph 3.1.1.2 regarding children who are secondary dependents.
5	is a child who marries, regardless of age, or mental or physical incapacity,	of the dependent's marriage. This applies even when a dependent's marriage is to a Service member who is also authorized BAH or OHA on the dependent's behalf for that date.
6	is adopted by a third party by interlocutory order or decree that changes the legal relationship,	before date of adoption.*
7	is adopted by a third party and a final order or decree has been entered,	before the date of adoption.
8	enters military service,	before the date of entry into military service.
9	stops being dependent on the Service member,	before the date that dependency ceases.
10	dies,	of death, except as provided by subparagraph 10.2.4.

*For determination as to whether the order or decree caused a changed legal relationship between the member and dependents, an Army, Air Force, or Space Force case must be sent to DFAS-IN, a Navy case to DFAS-CL, and a USMC case to Commandant of the Marine Corps. A case involving a USPHS member must be sent to the Director, Division of Commissioned Corps Personnel and Readiness, to the attention of "DEERS Determination."

Table 26-3. Date to Stop BAH or OHA—Other Changes

RULE	If a Service member	then stop BAH or OHA at midnight the day
1	is furnished Government quarters at the PDS, adequate for the Service member and any dependents,	before quarters are assigned or, if definite assignment was not made, the day before occupancy begins.*
2	is furnished quarters, whether by cash or in kind, on behalf of the United States, adequate for the Service member and any dependents,	before quarters are furnished.
3	and a dependent occupy rehabilitated Government quarters that were inadequate but are now designated as adequate,	before the effective date of re-designation as adequate Government quarters.
4	is discharged or released from AD,	of discharge or release.
5	retires,	before the retirement effective date.
6	dies,	of death.

*When a dependent is prevented from occupying the assigned quarters due to an order from an appropriate authority, BAH or OHA continues until transportation is arranged for Household Goods (HHG) and is available for the dependent (if prompt application is made) plus the normal travel time for a dependent to reach the Service member's station using a direct route. See subparagraph 10.2.2.1.

Table 26-4. Army: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the Disbursing officer or designee makes the determination. In the case of an Army Reserve Component member, the initial determination can be made by the Reserve Component unit commander or servicing Military Pay Office.
2	a child born out of wedlock,	not doubtful,	the Disbursing officer or designee makes the determination. In the case of an Army Reserve Component member, the initial determination can be made by the Reserve Component unit commander or servicing Military Pay Office.
3	a child born out of wedlock,	doubtful,	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160 makes the determination.
4	adopted,	doubtful,	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160 makes the determination.
5	a stepchild under age 21, and the Service member is a Reserve Component member,	not doubtful,	the initial determination can be made by the Reserve Component unit commander or servicing Military Personnel Officer.
6	a stepchild under age 21, and the Service member is not a Reserve Component member,	not doubtful,	the Disbursing Officer or designee makes a determination, and sends the claim electronically to DFAS through the ***Ask DFAS*** website.
7	a stepchild under age 21, and the Service member is a member of Reserve Component,	doubtful,	if the Reserve Component unit commander or servicing Military Personnel Office cannot make a determination, the claim is sent electronically to DFAS-IN, Military Pay Operations, (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249-0855.
8	a stepchild under age 21, and the Service member is not a member of Reserve Component,	doubtful,	the Disbursing Officer or designee makes a determination, and sends the claim electronically to DFAS through the ***Ask DFAS*** website and go to the Secondary Dependency Claims (SDC) location. Only if electronic submission is unavailable may requests be submitted to the U.S mail address: DFAS-IN, Military Pay Operations (ATTN: JFLAKA), 8899 East 56th Street, Indianapolis, IN 46249- 0855.

Table 26-5. Navy: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the Disbursing Officer makes the determination.
2	a child born out of wedlock,	not doubtful,	the Disbursing Officer makes the determination.
3	a child born out of wedlock,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.
4	adopted,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.
5	a stepchild under age 21,	not doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination.
6	a stepchild under age 21,	doubtful,	the Disbursing Officer or the commanding officer of a battalion, squadron, or separate detached command makes the determination. Submit questionable cases to the Navy CHNAVPERS N130, Military Pay and Compensation.

Table 26-6. Department of the Air Force (DAF): Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	FSO or designee makes the determination.
2	a child born out of wedlock,	not doubtful,	FSO or designee or AF DEERS Project Office makes the determination.
3	a child born out of wedlock,	doubtful,	FSO or designee makes the determination, and the claim must be sent to Air Force Personnel Center-Operating Location (AFPC-OL)/DPP or AF DEERS Project Office for a decision.
4	adopted,	doubtful,	FSO or designee makes the determination, and the claim must be sent to AFPC-OL/DPP or the DOHA*, or AF DEERS Project Office for a decision.
5	a stepchild under age 21,	not doubtful,	FSO or their designee makes the determination, and the claim must be sent to AFPC-OL/DPP and sends the claim electronically to DFAS through the Ask DFAS website for a decision.
6	a stepchild under age 21,	doubtful,	FSO or their designee makes the determination, and the claim must be sent to AFPC-OL/DPP, and sends the claim electronically to DFAS through the Ask DFAS website for a decision.

Table 26-7. USMC: Unmarried Child Claimed as Dependent

RULE	If the child is	and the relationship is	then
1	a legitimate child under age 21,	not doubtful,	the commanding officer of a battalion, squadron or separate detached command, or the Installation Personnel Administration Center Officer in Charge makes the determination.
2	a child born out of wedlock,	not doubtful,	the commanding officer of a battalion, squadron or separate detached command, or the Installation Personnel Administration Center Officer in Charge makes the determination.
3	a child born out of wedlock,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.
4	adopted,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.
5	a stepchild under age 21, and the Service member,	not doubtful,	either the commanding officer of a battalion, squadron or separate detached command, the Commandant of the Marine Corps, (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143, or the Installation Personnel Administration Center Officer in Charge makes the determination.
6	a stepchild under age 21, and the Service member,	doubtful,	Submit questionable cases to the Commandant of the Marine Corps (MFP-1) 2008 Elliot Road, Quantico, VA 22134-5143.

Table 26-8. Spouse is the Dependent Claimed

RULE	Service	If the marriage is	then
1	Army	lawful,	the Army disbursing officer or designee makes the determination. In the case of an Army RC member, the RC unit commander or servicing Military Personnel Officer can make the initial determination.
2	Navy	lawful,	the Disbursing Officer makes the determination.
3	DAF	lawful,	the USAF FSO or designee makes the determination.
4	USMC	contracted with states or territories by a legal, civil, or religious ceremony and neither has been previously married, or one spouse has been previously married and that prior marriage was dissolved by death, final decree of divorce, or by annulment that did not prohibit remarriage,	the commanding officer of a battalion squadron or separate detached command makes the determination.

Table 26-9. Determination When Dependency Questionable

RULE	Service or Agency	Determining Office
1	Army, Air Force, and Space Force	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
2	Navy	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
3	USMC	DFAS-IN, Office of General Counsel, Military & Civilian Pay, 8899 E. 56th Street, Indianapolis, IN 46249-0160.
4	Coast Guard	Commanding Officer (LGL), Coast Guard Pay and Personnel Center, Federal Building, 444 S.E. Quincy Street, Topeka, KS 66683-3591.
5	NOAA	Director, Commissioned Personnel Center, 8403 Colesville Road, Suite 500, Silver Spring, MD 20910-6333.
6	USPHS	Office of Commissioned Corps Support Services, Attention: Compensation Branch, 5600 Fishers Lane, Room 4-50, Rockville, MD 20857-0001.

Table 26-10. Unmarried Child Over 21 and has not Attained the Age of 23 Pursuing a Full-Time Course of Study

RULE	If Service member is	then
1	Army,	the Personnel Officer makes the determination, if the dependent is a student.
2	Navy,	student determinations are made at the local Personnel Support Detachment or by the Personnel Officer for the Navy.
3	Air Force or Space Force,	AFPC-OL makes the determination for full-time student qualifying for BAH. Student determinations for the DEERS program are made at the local Military Personnel Flight or Personnel Activity for the Air Force and Space Force.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination, including if the dependent is a student.

Table 26-11. Dependent Claimed is a Parent

RULE	Service	Authority Who Determines Dependency
1	Army	Army disbursing officer or designee
2	Navy	DFAS-CL
3	DAF	FSO or designee
4	USMC	Commandant of the Marine Corps

Table 26-12. Legal Ward

RULE	If Service member is	then
1	Army,	DFAS-IN, Secondary Dependent Claims Division makes the determination.
2	Navy,	DFAS-CL, Secondary Dependent Claims Division makes the determination.
3	Air Force or Space Force,	AFPC-OL, Secondary Dependent Claims Division makes the determination.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination.

Table 26-13. Incapacitated Child Over Age 21

RULE	If Service member is	then
1	Army,	DFAS-IN, Secondary Dependent Claims Division makes the determination.
2	Navy,	Bureau of Naval Personnel (BUPERS) in Millington, TN makes the determination.
3	Air Force or Space Force,	AFPC-OL, Secondary Dependent Claims Division makes the determination.
4	Marine Corps,	the Commandant of the Marine Corps makes the determination.

Table 26-14. Special BAH-Partial for Navy Barracks Privatization Test

RULE	Starting Date	Location	Housing Type Occupied	Special BAH-Partial Percentage
1	October 1, 2006	San Diego, California	existing dormitory-style unaccompanied housing:	
			a. double occupancy	34
			b. single occupancy	68
2	October 1, 2013	San Diego, California	Pacific Beacon market-style housing:	
			a. double occupancy	41
			b. single occupancy	82
3	April 1, 2007	Hampton Roads, Virginia*	existing unaccompanied housing	66
			new construction, privatized housing (two bedroom, two bath market style)	74

*Including Hampton/Newport News and Norfolk/Portsmouth MHAs

Table 26-15. Climate Code Utility Points

Utility	Code 3 – Hot	Code 2 – Moderate	Code 1 – Cold
Electricity	3	3	3
Heating	1	2	3
Air Conditioning	3	2	1
Water	1	1	1
Trash Disposal	1	1	1

Table 26-16. Utility and Recurring Maintenance Allowance Payment Percentage

Total Utility Points	Applicable Percentage
0	0
1-2	25
3-4	65
5-9	100

Table 26-17. MIHA/Miscellaneous Expense Items

RULE	Expense Type	Description
1	Reportable MIHA/ Miscellaneous Expense Item	a. Cabinets (for example, kitchen, medicine, bathroom). b. Plumbing and plumbing installation, hookups. c. Gas or electrical installation. d. Supplementary heating equipment. e. Painting, papering, and plastering (upon arrival only). f. Light fixtures, permanently installed. g. Wardrobes. h. Shelving. i. Telephone installation. j. Range, refrigerator, freezer, washer, or dryer. k. Air conditioners, dehumidifiers, fans. l. Screening. m. Transformers and voltage regulators. n. Commodes and sinks, when ordinarily not furnished. o. Burglar alarm, security bars, and supplementary door locks, when locally required. p. Water purification filters, when locally required. q. Pest fumigation, if required when housing is first occupied, otherwise include in r. Recurring maintenance expenses. s. Repair of drainpipes and gutters.
2	Non-Reportable MIHA/ Miscellaneous Expense Items	a. Rugs, carpets, curtains, and drapes. b. Lawn and gardening maintenance expenses. c. Dishwashers, microwave ovens, and other small, personal appliances. d. Televisions, cable TV installation, antennas, and similar expenses. e. Any recoverable deposit, such as a security deposit. f. Lightbulbs. g. Taxes of any kind, unless specifically required by the lease. h. Fencing, yard-related items. i. Any personal labor costs.

*Table 26-18. Conditions Affecting FSH

RULE	When an eligible Service member	Then FSH
1	arrives at a PDS outside the CONUS,	starts when private-sector housing is acquired.
2	departs upon reassignment from a PDS OCONUS,	continues through whichever day occurs first, the day: a. before the Service member departs on a PCS. b. the Service member's lease ends.
3	no longer has an eligible dependent,	continues through the day before the date that the Service member no longer has an eligible dependent.
4	is assigned Government quarters,	continues through the day before the day that Government quarters become available for assignment.
5	enters a non-pay status,	continues through the day before the date that the Service member enters the non-pay status.
6	is in one of the following statuses for 60 or fewer days: a. on a TDY away from the Service member's PDS, including a TDY in the United States, b. hospitalized at or away from PDS, including hospitalization in the United States, c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States, d. military confinement or otherwise restricted by military authority,	continues for 60 or fewer days without a certificate from the Service member that they maintained private-sector housing at the PDS.
7	is in one of the following statuses for 61 or more days: a. on a TDY away from the Service member's PDS, including a TDY in the United States, b. hospitalized at or away from PDS, including hospitalization in the United States, c. on authorized leave, whether accrued or advance, at or away from the PDS, including leave in the United States, d. in military confinement or otherwise restricted by military authority,	continues if payment is supported by the Service member's certification that the Service member maintained private-sector housing at the PDS.

Table 26-18. Conditions Affecting FSH (Continued)

RULE	When an eligible Service member	Then FSH
8	under a PCS or permanent change of assignment for a period of at least 140 days but fewer than 365 days for the purpose of participating in PME or training classes provided: a. Government quarters are not available at the training location, b. the dependent(s) do not accompany the Service member to the training location PDS, and c. the member is not authorized the lodging portion of per diem.	starts when private-sector housing is acquired.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay

RULE	If a Service member is	then BAH or OHA accrues
1	assigned to a PDS,	a. while on a short period of special alert duty during which the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment. b. while on a short training period during which, due to military necessity, the Service member is furnished sleeping accommodations at the PDS where Government quarters are unavailable for assignment.
2	initially assigned to AD and is on a TDY at other than indoctrination or basic training location pending receipt of an order designating a PDS to which the Service member is to report upon TDY completion,	when Government quarters are not available for assignment and per diem is not payable.
3	in the accession pipeline,	between the initial TDY and the initial PDS. An RC member is authorized BAH or OHA based on the primary residence location at the time called or ordered to AD while attending accession training. See paragraph 10.10 for transit rules.
4	ordered home or to a place other than a military organization awaiting another order in connection with Physical Evaluation Board proceedings,	on and after the departure day from the hospital or old PDS through the discharge day, or day before retirement effective date.
5	ordered to report for a TDY in connection with the fitting out or conversion of a ship, then to permanent duty aboard the same ship when placed in commission,	if the Service member is not assigned to Government quarters at the old PDS or aboard ship (the new PDS), but BAH or OHA does not accrue if the Service member is assigned to Government quarters at the old PDS or aboard ship (the new PDS).
6	on field duty and no PCS is involved,	if the Service member is receiving BAH or OHA at the PDS, but BAH or OHA does not accrue if assigned or occupying Government quarters at the PDS.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay (Continued)

RULE	If a Service member is	Then BAH or OHA accrues
7	assigned to PCS to a unit on field duty,	if the commander certifies that the Service member was required to procure Government quarters at personal expense at the initial field duty site, but BAH or OHA does not accrue for the initial field duty in progress at the time of the PCS, unless the Service member is required to procure quarters at personal expense at the field duty site.
8	being treated at hospital TDY en route during a PCS,	if the Service member is not assigned Government quarters, but BAH or OHA does not accrue if the Service member is assigned Government quarters in the hospital.
9	assigned to PCS directly to a hospital for treatment,	if the Service member is not assigned Government quarters, but BAH or OHA does not accrue if the Service member is assigned Government quarters in the hospital.
10	in travel status during a PCS, including a non-travel status under a permissive travel authorization, a TDY en route, leave en route, and proceed time,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.
11	assigned PCS and is on authorized leave or duty at the old or new PDS,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue if the Service member is assigned Government quarters while at the old or new PDS.
12	assigned PCS and is on authorized leave or duty at the old or new PDS,	if the Service member is not assigned Government quarters while at the old or new PDS, but BAH or OHA does not accrue for the Government quarters occupancy period not due to a PCS.
13	training for, attending, or participating in Pan Am or Olympic games, or any other international amateur sports competition,	if not furnished quarters by the Government or by an agency sponsoring the Service member's participation, but BAH or OHA does not accrue if furnished quarters by the Government or by an agency sponsoring participation.
14	a medical officer on AD in an intern or resident physician status at a state, county, municipal, or private hospital,	if not furnished Government quarters without charge, but BAH or OHA does not accrue if furnished quarters without charge by the hospital. Such Government quarters are considered furnished on behalf of the United States.

Table 26-19. BAH or OHA Accrual for Service Member Without-Dependent Entitled to Basic Pay (Continued)

RULE	If a Service member is	then BAH or OHA accrues
15	a Nurse Corps officer or Nurse Corps candidate attending a course of instruction or affiliation with a state, county, municipal, or private hospital,	if not furnished Government quarters without charge, but BAH or OHA does not accrue if furnished quarters without charge by the hospital. Such Government quarters are considered furnished on behalf of the United States
16	a student training on a fellowship, scholarship, or grant,	if not furnished Government quarters by the college, university, or research facility, but BAH or OHA does not accrue if furnished Government quarters by the college, university, or research facility. Such quarters are considered furnished on behalf of the United States.
17	in a hospital or on sick leave from a hospital and a PCS is not involved,	continues if the Service member is receiving BAH or OHA at the PDS.

Table 26-20. BAH or OHA for a Service Member Entitled to Basic Pay With-Dependent

RULE	If a Service member is	then BAH or OHA
1	in a duty status or on authorized leave status not due to a PCS (includes accrued, advanced, or convalescent leave),	a. authorization continues when they are authorized BAH or OHA at the PDS. b. is not authorized when they are not authorized BAH or OHA at the PDS.
2	not authorized BAH or OHA at the PDS,	is not authorized.
3	in a duty, travel, or leave status due to a PCS, including a TDY en route, and such status is under a permissive travel authorization, *	is authorized unless permanent Government quarters are assigned or occupied.
4	on a TDY not due to a PCS, including when the status is under a permissive travel authorization,*	authorization continues as long as the PDS remains unchanged when they are authorized BAH or OHA at the PDS, except as restricted by paragraph 8.2.
5	absent due to disease (as distinguished from injury) from alcohol or drugs, causing loss of pay	a. authorization continues when they are authorized BAH or OHA at the PDS. b. is not authorized when they are not authorized BAH or OHA at the PDS. However, if quarters assignment at the PDS ends during an absence, BAH or OHA accrues on and after the end date.
6	home on a PCS awaiting further orders in connection with physical evaluation board proceedings,	authorization continues until the Service member's retirement or discharge.

*Includes status under a permissive travel authorization.

Table 26-21. Changes in Housing Allowance When a Service Member Assigned in the CONUS Acquires a Dependent

RULE	If a dependent is located	And Government quarters are	then
1	in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
2	in the CONUS, Alaska, or Hawaii (BAH area) and at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
3	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
4	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
5	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	available for the Service member,	start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.
6	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the PDS as of the date the dependent is acquired.

Table 26-22. Changes in Housing Allowance When a Service Member Assigned OCONUS Acquires a Dependent

RULE	If a dependent is located	And Government quarters are	then
1	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	a. available for the Service member,	start BAH at the with-dependent rate based on the dependent's location as of the date the dependent is acquired.
2	in the CONUS, Alaska, or Hawaii (BAH area) and not at or near the PDS	b. not available for the Service member,	(1) stop BAH at the without-dependent rate the day before the dependent is acquired. (2) start BAH at the with-dependent rate based on the dependent's location on the date the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.
3	outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS	a. available for the Service member,	start OHA at the with-dependent rate based on the PDS the date the dependent is acquired.
4	outside the CONUS, Alaska, or Hawaii (OHA area) and at or near the PDS	b. not available for the Service member,	(1) start OHA at the with-dependent rate based on the PDS the date the dependent is acquired. (2) stop the without dependent allowance on the day before the dependent is acquired.
5	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	a. available for the Service member,	start OHA at the with-dependent rate based on the dependent's location on the date the dependent is acquired.
6	outside the CONUS, Alaska, or Hawaii (OHA area) and not at or near the PDS	b. not available for the Service member,	(1) start OHA at the with-dependent rate based on the dependent's location on the date the dependent is acquired. (2) stop the without-dependent allowance on the day before the dependent is acquired. (3) start FSH-B or FSH-O based on the PDS on the date the dependent is acquired.

*Table 26-23. FSH Eligibility

RULE	If	then
1	Service member is assigned to a PDS OCONUS and the dependent resides in the PDS vicinity OCONUS,	an FSH is not authorized and the Service member is only authorized the with-dependent housing allowance based on the PDS OCONUS, if otherwise meeting criteria.
2	single-type Government quarters are not available for a Service member assigned to a PDS OCONUS and the dependent does not reside in the PDS vicinity,	FSH is authorized (see Note).
3	a Service member assigned to a PDS OCONUS is residing in private-sector quarters, and single-type Government quarters are available at the Service member's PDS OCONUS,	FSH is not authorized.
4	a Service member is assigned to a PDS in the CONUS,	FSH is not authorized unless the Service member is assigned to a PDS to which dependent travel is delayed or restricted (see JTR, Chapter 5).
5	a Service member is assigned to a PDS in the CONUS for participation in PME or training for a period of at least 140 days but fewer than 365 days	FSH is authorized, provided: a. the lodging portion of per diem is not authorized, b. dependent(s) do not reside in the PDS vicinity, c. Government quarters are not available for assignment to Service member, and d. dependent(s) do not accompany the member at the PDS.

Note: This table assumes that all other eligibility requirements for FSH are met when it states FSH is authorized.

Table 26-24. Dependent Visits Service Member who is Serving an Unaccompanied or Dependent-Restricted Tour

RULE	If Government quarters are not available and the dependent	then
1	makes a bona fide social visit to the PDS for 90 or fewer days,	there is no change to the with-dependent basic housing allowance and FSH, if applicable, continues.
2	stays at the PDS for 91 or more days,	a. stop the with-dependent allowance based on the dependent's location/RC member primary residence on the 90th day. b. stop FSH on the 90th day. c. start the with-dependent allowance based on the PDS on the 91st day.
3	departs the PDS after 91 or more days to take up residence elsewhere,	a. stop the with-dependent allowance based on the PDS on the day before the dependent departs. b. reinstate the with-dependent allowance based on the dependent's location/RC member primary residence and FSH as of the departure day.

Table 26-25. Dependent Retains Permanent Residence When Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States

RULE	If the dependent retains the permanent residence in the United States and	then
1	remains at the Service member's old PDS,	continue to pay BAH based on the old PDS.
2	is at a U.S. location other than the old PDS, and the Service member is receiving BAH based on a Secretarial waiver,	continue the BAH previously being paid.
3	is at a U.S. location other than the old PDS that is not a location for which the Service member had a Secretarial waiver,	stop old PDS-based BAH the day before the Service member's departure. Pay BAH-Transit starting on the Service member's departure day until the day before the Service member's reporting day at the new PDS. Start BAH based on the dependent's location the day the Service member arrives at the new PDS.
RULE	**If the dependent retains the permanent residence outside the United States and**	**then**
4	remains at the Service member's old PDS,	continue to pay OHA based on the old PDS.
5	is at a location OCONUS other than the old PDS and the Service member is receiving OHA based on a Secretarial waiver,	continue the OHA previously paid.
6	is at a location OCONUS other than the old PDS that is not a location for which the Service member had a Secretarial waiver,	stop OHA the day before the Service member's departure. Pay BAH-Transit starting on the Service member's departure day until the day before the Service member's reporting day at the new PDS. Start OHA based on the dependent's location the day the Service member arrives at the new PDS.

Note: For RC members, the with-dependent housing allowance is generally paid based upon the member's primary residence, regardless of the location of the dependents, so long as the dependents are not residing in the PDS vicinity.

Table 26-26. Dependent Relocates When Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States

RULE	If the dependent	and	then
1	relocates the permanent residence from the United States to another location in the United States at Government expense	travels with the Service member,	start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location and stop BAH-Transit the day before the dependent arrives.
2	relocates the permanent residence from the United States to another location in the United States at Government expense	travels after the Service member,	a. stop BAH based on the old PDS the day before the Service member departs. b. start BAH-Transit the day the Service member departs and pay it through the day before the Service member's reporting day at the new PDS. c. start BAH based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent arrives at the new residence location. d. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.
3	relocates the permanent residence at Government expense from outside the United States to the United States	travels in advance of the Service member,	start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location. OHA based on the old PDS or BAH-Transit continues through the day before the dependent arrives.
4	relocates the permanent residence at Government expense from outside the United States to the United States	travels with the Service member,	a. stop OHA the day before the Service member departs. b. start BAH-Transit on the day the Service member departs and continue it through the day before the dependent arrives at the new location. c. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.
5	relocates the permanent residence at Government expense from outside the United States to the United States	travels after the Service member,	a. stop OHA based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs and continue it through the day before the Service member's reporting date at the new PDS. c. start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs. d. start BAH based on the dependent's location, the day one or more dependents arrive at the new residence location.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States (Continued)

RULE	If the dependent	and	then
6	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels in advance of the Service member,	start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence. OHA based on the old PDS or BAH-Transit continues through the day before OHA based on the dependent's location begins.
7	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels with the Service member,	a. stop OHA based on the old PDS the day before the Service member departs. b. start BAH-Transit the day the Service member departs the old PDS. c. start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. d. stop BAH-Transit the day before OHA based on the dependent's location begins.
8	relocates the permanent residence at Government expense from a location outside the United States to another location outside the United States	travels after the Service member,	a. stop OHA based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs and continue it through the day before the Service member's reporting day at the new PDS. c. start OHA based on the old PDS, the day the Service member reports to the new PDS and continue it until the day before the dependent departs. d. start OHA based on the dependent's location, the day the dependent starts incurring permanent lodging costs at the new residence location.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or "Unusually Arduous Sea Duty" Outside the United States (Continued)

RULE	If the dependent	and	then
9	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels in advance of the Service member,	start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. BAH based on the old PDS, or BAH-Transit continues through the day before OHA based on the dependent's location begins.
10	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels with the Service member,	a. stop BAH based on the old PDS, the day before the Service member departs. b. start BAH-Transit the day the Service member departs the old PDS. c. start OHA based on the dependent's location, the day the dependent incurs permanent lodging costs at the new residence location. d. stop BAH-Transit the day before OHA based on the dependent's location begins.
11	relocates the permanent residence at Government expense from the United States to a location outside the United States	travels after the Service member,	a. stop BAH based on the old PDS, the day before the Service member departs. b. start BAH-Transit on the day the Service member departs and continue it through the day before the Service member's reporting day at the new PDS. c. start BAH based on the old PDS, the day the Service member reports to the new PDS. d. start OHA based on the dependent's location, the day the dependent starts incurring permanent lodging costs at the new residence location. e. stop BAH based on the old PDS, the day before OHA based on the dependent's location begins.

Table 26-26. Dependent Relocates when Service Member Assigned to Unaccompanied or Dependent-Restricted Tour at a PDS OCONUS or Unusually Arduous Sea Duty Outside the United States (Continued)

RULE	If the dependent	and	then
12	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	moves to an OHA area,	pay the rate for where the dependent retains the permanent residence (in or outside the United States) through the day before a dependent arrives at the new permanent residence location. OHA authority at the rate applicable to the new permanent residence location begins the day a dependent arrives at that location.
13	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	relocates between BAH location,	continue BAH based on the rate for the previously authorized location—either the old PDS or the dependent's location—before the move.
14	relocates the residence at personal expense while the Service member is serving an unaccompanied or dependent restricted tour,	relocates from a designated place outside the United States (OHA area) to a U.S. location,	discontinue OHA based on the previously authorized location the day before the dependent departs. Start BAH based on the new permanent residence location, the day a dependent arrives at that location.

Note: For RC members, the with-dependent housing allowance is generally paid based on the member's primary residence, regardless of the location of the dependents, so long as the dependents are not residing in the PDS vicinity.

Table 26-27. Changes When Government Defers Dependent Travel to Duty Station OCONUS

RULE	If	and	then
1	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	arrives within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance based on the old PDS the day before the dependent arrives. e. start OHA or BAH in Alaska or Hawaii at the with-dependent rate on the dependent's arrival date.
2	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance, based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance to the rate based on the new PDS on the 61st day.
3	the expected travel delay is 20 or more weeks, the dependent did not relocate at Government expense,	arrives within 60 days of being given authorization to travel to the PDS OCONUS	a. continue the with-dependent allowance based on the old PDS upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH and the with-dependent allowance the day before the dependent arrives. d. start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member's PDS.
4	the expected travel delay is at least 61 days but less than 20 weeks, the dependent did not relocate at Government expense,	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. continue the with-dependent allowance based on the old PDS, upon the Service member's departure. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance to the rate based on the new PDS on the 61st day.

Table 26-27. Changes When Government Defers Dependent Travel to Duty Station OCONUS (Continued)

RULE	If	and	then
5	the dependent is relocated at Government expense	arrives within 60 days of being given authorization to travel to the PDS OCONUS,	a. rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-O or FSH-B the day private-sector housing is acquired at the PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance, based on the dependent's location, the day before the dependent arrives at the Service member's PDS. e. start OHA, or BAH in Alaska or Hawaii, at the with-dependent rate the day the dependent arrives at the Service member's PDS.
6	the dependent is relocated at Government expense	does not arrive within 60 days of being given authorization to travel to the PDS OCONUS,	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-O or FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-O or FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from the rate of the old PDS to the rate of the new PDS on the 61st day.

Table 26-28. Government Defers Dependent's Travel to PDS in the CONUS for 139 or Fewer Days and Old PDS is in the United States

RULE	If the dependent is not relocated at Government expense and	then
1	arrives within 60 days of travel authorization,	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH the day before the dependent arrives. d. stop the with-dependent allowance based on the old PDS the day before the dependent arrives. e. start BAH at the with-dependent rate the day the dependent arrives at the Service member's PDS.
2	does not arrive within 60 days of travel authorization,	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day.

Table 26-29. Government Defers Dependent's Travel to PDS in the CONUS When the Old PDS is Outside the United States *or* the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks)

RULE	If the dependent is not relocated at Government expense, and	then
1	arrives within 60 days of travel authorization	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B on the day private-sector housing is acquired at the new PDS. c. stop FSH on the day before dependent arrival. d. stop the with-dependent allowance based on the old PDS on the day before the dependent arrives. e. start BAH at the with-dependent rate as of the day the dependent arrives at the Service member's PDS.
2	does not arrive within 60 days of travel authorization	a. upon the Service member's departure, continue the with-dependent allowance based on the old PDS. b. start FSH-B on the date private-sector housing is acquired at the PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the old PDS to being based on the new PDS on the 61st day.

Table 26-29. Government Defers Dependent's Travel to PDS in the CONUS When the Old PDS is Outside the United States *or* the Old PDS is in the United States and the Expected Travel Delay is 140 or More Days (20 Weeks) (Continued)

RULE	If the dependent is relocated at Government expense, and	then
3	arrives within 60 days of travel authorization	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. stop the with-dependent allowance based on the dependent's location, the day before the dependent arrives at the Service member's PDS. e. start BAH at the with-dependent rate for the Service member's PDS the day the dependent arrives at the Service member's PDS.
4	does not arrive within 60 days of travel authorization	a. change the rate of the with-dependent allowance from the rate of the old PDS to the rate of the designated location, the day the dependent arrives at the designated location. b. start FSH-B the day private-sector housing is acquired at the new PDS. c. stop FSH-B at 24:00 on the 60th day from the date travel is authorized to begin. d. change the with-dependent allowance from being based on the dependent's location to being based on the new PDS on the 61st day.

Table 26-30. Advance Dependent Travel When Service Member's Old PDS and New PDS Are in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start BAH at the with-dependent rate based on the dependent's location on whichever is later: a. The arrival date. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH at the with-dependent rate based on the dependent's location on whichever is later: (1) The arrival date. (2) The effective date specified by the authorizing or approving document. b. stop BAH based on the current PDS as of the day before BAH starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue BAH based on the current PDS until the Service member's departure.

Table 26-31. Advance Dependent Travel When Service Member's Old PDS is in the United States (BAH Area), New PDS is Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start OHA at the with-dependent rate based on the dependent's location on whichever is later: a. The date private-sector housing is obtained at the new PDS. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start OHA at the with-dependent rate based on the dependent's location on whichever is later: (1) The date private-sector housing is obtained at the new PDS. (2) The effective date specified by the authorizing or approving document. b. stop BAH based on the current PDS, the day before OHA starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue BAH based on the current PDS until the Service member's departure.

Table 26-32. Advance Dependent Travel When Service Member's Old PDS is Outside the United States (OHA Area), New PDS is in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start BAH at the with-dependent rate based on the dependent's location on whichever is later: a. The arrival date. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH at the with-dependent rate based on the dependent's location on whichever is later: (1) The arrival date. (2) The effective date specified by the authorizing or approving document. b. stop OHA based on the current PDS, the day before BAH starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue OHA based on the current PDS, until the Service member's departure.

Table 26-33. Advance Dependent Travel When Service Member's Old and New PDS are Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	start OHA at the with-dependent rate based on the dependent's location on whichever is later: a. The date private-sector housing is obtained at the new PDS. b. The date Government quarters assignment terminates. c. The effective date specified by the authorizing or approving document.
2	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start OHA at the with-dependent rate based on the dependent's location on whichever is later: (1) The date private-sector housing is obtained at the new PDS. (2) The effective date specified by the authorizing or approving document. b. stop OHA based on the current PDS, the day before OHA starts based on the dependent's location.
3	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	continue OHA based on the current PDS until the Service member's departure.

Table 26-34. Delayed Dependent Travel When Service Member's Old PDS and New PDS Are in the United States (BAH area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the higher of either the old PDS or the dependent's location on whichever is later: (1) The day Government quarters assignment terminates. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
2	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	start BAH based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit.
3	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. continue BAH based on the higher of either the old PDS or on the dependent's location on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the current PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop BAH as of the day before the Service member's departure.

Table 26-35. Delayed Dependent Travel When Service Member's Old PDS in the United States (BAH Area), New PDS Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the highest of either the old PDS or the dependent's location on whichever is later: (1) The day Government quarters assignment terminates. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived to the new PDS or change it to BAH-Transit if the Service member is still in transit.
2	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	a. start OHA based on the new PDS, the day Government quarters assignment terminates if the Service member has arrived at the new PDS. b. start BAH-Transit if the Service member is still in transit.
3	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. start BAH based on the highest of either the old PDS or the dependent's location on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. base the allowance on the new PDS the day the dependent departs if the Service member has arrived at the new PDS or change it to BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop BAH the day before the Service member's departure.

Table 26-36. Delayed Dependent Travel When Service Member's Old PDS Outside the United States (OHA Area), New PDS in the United States (BAH Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to the new PDS after Government quarters terminates,	start BAH based on the new PDS, if the Service member has arrived at the new PDS, or start BAH-Transit if the Service member is in transit.
2	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to private-sector housing at the old PDS after Government quarters terminates,	a. start OHA based on the old PDS on whichever is later: (1) The day Government quarters terminates. (2) The date private-sector housing is obtained. (3) The effective date specified by the authorizing or approving document. b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit.
3	is assigned Government quarters	has not been approved by the Secretarial Process for the dependent's location	start BAH based on the new PDS when Government quarters terminates, if the Service member has arrived at the new PDS or start BAH-Transit if the Service member is still in transit.
4	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location,	a. continue OHA based on the old PDS on whichever is later: (1) The day the Service member departs from the old PDS. (2) The effective date specified by the authorizing or approving document. b. change to BAH based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is still in transit.
5	is not assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location,	stop OHA the day before the Service member's departure.

Table 26-37. Delayed Dependent Travel When Service Member's Old and New PDS are Outside the United States (OHA Area)

RULE	If the Service member	and a housing allowance	then
1	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to the new PDS after Government quarters terminates,	start OHA based on the new PDS if the Service member has arrived, or BAH-Transit if in transit.
2	is assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location and the dependent moves to private-sector housing after Government quarters terminates,	a. start OHA based on the old PDS on whichever is later: (1) The date Government quarters terminates. (2) The date private-sector housing is obtained. (3) The effective date specified by the authorizing or approving document. b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit.
3	is assigned Government quarters at the old PDS	has not been approved through the Secretarial Process for the dependent's location	start OHA based on new PDS if the Service member has arrived, or BAH-Transit if in transit, when the Government quarters assignment terminates.
4	is not assigned Government quarters at the old PDS	has been approved through the Secretarial Process for the dependent's location	a. continue OHA based on old PDS on whichever is later: (1) The Service member's departure date from the old PDS. (2) The effective date specified by the authorizing or approving document. b. change to OHA based on new PDS, the day the dependent departs if the Service member has arrived to the new PDS or to BAH-Transit if the Service member is in transit.
5	is not assigned Government quarters at the old PDS	has not been approved by the Secretarial Process for the dependent's location	stop OHA on the day before the Service member's departure.

Table 26-38. Housing Allowance for Service Member in Transit on a PCS

RULE	If the Service member is en route	and	then
1	from a PDS in the United States,	Government quarters at the old PDS were not assigned	a. continue BAH based on the old PDS through the day before the Service member reports to the new PDS, to include TDY en route. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
2	from a PDS outside the United States,	Government quarters at the old PDS were not assigned	a. start BAH-Transit the day the Service member departs the OHA area through the day before the Service member reports to the new PDS, to include TDY en route. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
3	from a PDS in the United States,	was not paid BAH at the old PDS because Government quarters were assigned,	a. start BAH based on the old PDS the day the Service member terminates Government quarters. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.
4	from a PDS outside the United States,	was not paid OHA at the old PDS because Government quarters were assigned,	a. start BAH-Transit the day the Service member departs the old PDS through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the new PDS the day the Service member reports to the new PDS.

Table 26-39. Housing Allowance for Service Member in Transit for New Accession

RULE	If the Service member is	and the Service member	then
1	newly inducted, enlisted, reenlisted, or an officer candidate	has a dependent located in the United States,	a. start BAH based on the dependent's location beginning the date of enlistment, entry on AD, or the date AD pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks. b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS.
2	newly inducted, enlisted, reenlisted, or an officer candidate	has a dependent located outside the United States,	a. start BAH based on the training location beginning the date of enlistment, entry on AD, or the date AD pay begins through the day before the day the Service member reports to the first PDS, including a training location for 20 or more weeks. b. start BAH or OHA based on the PDS on the day the Service member reports to the first PDS.
3	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS	has no dependents,	a. start BAH-Transit when the Service member is in a travel status between duty or training stations and start the new BAH or OHA based on the PDS the day the Service member reports to the new PDS, including a training location for 20 or more weeks. b. for an RC member, pay BAH or OHA based on the primary residence location at the time called or ordered to AD for the accession training duration, if the Service member maintains a residence and continues to be responsible for rent or owns the residence.
4	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS	has a dependent in the United States,	a. continue BAH based on the dependent's location in the United States through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS.

Table 26-39. Housing Allowance for Service Member in Transit for New Accession (Continued)

RULE	If the Service member is	and the Service member	then
5	in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, and to the first PDS l	has a dependent outside the United States,	a. continue BAH based on the training site through the day before the Service member reports to the new PDS. b. start BAH or OHA based on the first PDS the day the Service member reports to the first PDS.
6	an Academy or ROTC graduate remaining at the graduation or commission location awaiting follow-on training and not assigned Government quarters	has no dependents,	a. pay BAH based on the graduation or commission location through the day before departure en route to the training location. b. apply BAH-Transit thereafter. See rule above for a Service member in the pipeline in a travel, leave en route, or proceed time status while transferring from the initial training location, between training locations, to the first PDS, and has no dependents.
7	a new accession Service member at a training site	who pays child support but does not have physical custody of the child and has no other dependents	Pay BAH-Diff if the child support meets or exceeds the BAH-Diff rate.

Table 26-40. Housing Allowance for Service Member in Transit for Final Discharge, Separation, or Retirement

RULE	If the Service member is	from	then
1	in a leave status away from the PDS awaiting final discharge	a PDS in the United States,	continue BAH based on the old PDS through the date of discharge.
2	processing for separation or retirement	a PDS in the United States,	continue BAH based on the old PDS through the date of separation or the day before the effective date of retirement.
3	processing for separation or retirement	a PDS outside the United States with a processing location in the United States,	a. start BAH based on the retirement or separation processing location beginning the day the Service member departs the PDS, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or b. continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before effective date of retirement, then stop the allowance.
4	processing for separation or retirement	a PDS outside the United States and returns to the United States after processing OCONUS,	a. start BAH based on the leave address provided as part of the final out-processing, beginning the day the Service member departs the PDS, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or b. continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before the effective date of retirement, then stop the allowance.
5	processing for separation or retirement	a PDS outside the United States and remains at the PDS,	continue OHA based on the PDS through the date of separation or the day before the effective date of retirement, provided the Service member continues to occupy private-sector leased or owned housing, then stop the allowance.

Table 26-40. Housing Allowance for Service Member in Transit for Final Discharge, Separation or Retirement (Continued)

RULE	If the Service member is	from	then
6	processing for separation or retirement	a PDS outside the United States and the Service member remains OCONUS but moves to a different country,	a. stop OHA based on the PDS when the Service member stops paying rent or when the Service member departs the PDS area, and either: b. start OHA based on the location OCONUS the Service member moves to establish a residence on the day the Service member obtains private-sector housing, pay through the date of separation or the day before the effective date of retirement, then stop the allowance; or **c.** continue housing allowance based on a dependent's location, if applicable, through the date of separation or the day before the effective date of retirement, then stop the allowance.

Table 26-41. Examples of BAH-RC or BAH/OHA Changes for an RC Member

RULE	If	and	then
1	a member is an AGR or is on orders for a contingency operation,	blank	BAH or OHA would begin on day 1 through the end of the orders.
2	a member is on orders for 15 days,	the orders are not extended or amended,	BAH-RC would begin on day 1 through the end of the orders.
3	a member is on orders for 15 days,	on day 9 the orders are extended or amended to add an additional 16 days,	BAH-RC would end on day 8 and BAH or OHA would begin on day 9 then continue through day 31.
4	a member is on orders for 15 days,	on day 11 a new set of 16-day orders are received commencing immediately following the first with no break,	BAH-RC would end on day 10 and BAH or OHA would begin on day 11 then continue through day 31.
5	a member is on orders for 15 days,	on day 7 a new set of 16-day orders are received to commence 2 days after the first orders end (2-day break),	BAH-RC continues through day 15 of initial orders; BAH-RC commences on day 1 of the new orders through day 16.

*REFERENCES

CHAPTER 26 – Housing Allowances

1.0 – GENERAL

	37 U.S.C. § 403

2.0 – INTRODUCTION

2.1	DSSR § 130

3.0 – DETERMINING DEPENDENCY

3.3.1.	26 C.F.R. § 1.152-1(a)(2)
3.4.2.1.1.	42 U.S.C., Chapter 7
	26 C.F.R. § 1.152-1(a)(2)
3.4.2.1.2.	IRS Publication 501 (2023)
3.6	59 Comptroller General Decision (Comp. Gen.) 681 (1980)

4.0 – IMPACT OF CERTAIN CHILD CUSTODY AND FAMILY ARRANGEMENTS ON HOUSING ALLOWANCE

	37 U.S.C. § 421
4.3.2.	70 Comp. Gen. 703
4.5.2.2.	58 Comp. Gen. 100
4.5.2.3.	Comp. Gen. B-217665
	Comp. Gen. B-180328
	Comp. Gen. B-270432
4.5.2.3.1.	54 Comp. Gen. 665
4.5.3.1.5.	64 Comp. Gen. 121

5.0 – BASIC ALLOWANCE FOR HOUSING (BAH)

5.5.2.	37 U.S.C. § 1009(c)(2)
5.3	National Defense Authorization Act for Fiscal Year 2020, Public Law 116-92, Section 605, December 20, 2019
	37 U.S.C. § 403(b)(7)
	37 U.S.C. § 403(b)(8)
5.4	37 U.S.C. § 403(a)
5.5	10 U.S.C. § 2881
	37 U.S.C. § 403(n)
	37 U.S.C. § 403(o)

References (continued)

6.0 – OVERSEAS HOUSING ALLOWANCE

6.1	Office of the Assistant Secretary of Defense (OASD) Manpower and Reserve Affairs (M&RA) Memo, March 17, 2021
6.4.3.4.3.	JTR, Chapter 5, Section 0519
6.8	DSSR § 130
	DoDI 1400.25, Volume 1250, February 23, 2012

7.0 – FAMILY SEPARATION HOUSING (FSH) ALLOWANCE

	JTR, Chapter 5, Section 0504, paragraph 050405
	DoDI 1315.18, October 28, 2015, Incorporating Change 3, Effective June 24, 2019
	OASD (M&RA) Memo, August 12, 2020
	OASD (M&RA) Memo, January 5, 2020
	37 U.S.C. § 403(d)(1)
	OASD (M&RA) Memo, August 8, 2024

8.0 – GOVERNMENT QUARTERS

	10 U.S.C. § 1077
	10 U.S.C. § 2830

9.0 – PRIVATIZED HOUSING

	10 U.S.C. §§ 2871-2885

10.0 – ASSIGNMENT SITUATIONS

10.2.4.2.2.	37 U.S.C § 453(c)
10.5	DoDI 1241.01, April 19, 2016
	OASD (M&RA) Memo, October 29, 2020
	37 U.S.C. § 204(g) and (h)
	37 U.S.C. § 403(g)(6)(C)(iii)
	OASD (M&RA) Memo, August 8, 2024
	37 U.S.C. § 403(g)(3)
10.7	OASD (M&RA) Memo, August 12, 2020
10.8	OASD (M&RA) Memo, May 5, 2020
10.13	37 U.S. § 403
Table 26-17	OASD (M&RA) Memo, May 5, 2020
Table 26-18	OASD (M&RA) Memo, August 8, 2024

References (continued)

Table 26-19	OASD (M&RA) Memo, May 5, 2020
Table 26-23	OASD (M&RA) Memo, August 8, 2024

VOLUME 7A, CHAPTER 27: "FAMILY SEPARATION ALLOWANCE (FSA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.2	Clarified the definition of a child.	Revision
2.3	Clarified Family Separation type T.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 27

FAMILY SEPARATION ALLOWANCE (FSA)

1.0 GENERAL

1.1 Purpose

The chapter provides policy for FSA. FSA provides compensation for added expenses incurred because of an enforced family separation under one of the conditions in subparagraphs 2.3.1.1 through 2.3.1.3. FSA is payable to qualified members serving inside or outside the United States. It is not authorized when a member performs duty at any station under permissive orders (except when subparagraph 4.1.3 applies).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 427 (***37 U.S.C. § 427***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT PROVISIONS

2.1 Types Authorized

FSA is payable to members with dependents and a member married to another member of the uniformed services regardless of any other dependency status. FSA is payable in addition to any other allowance or per diem, to which a member may be entitled. The member, however, may not receive more than one payment of FSA for the same period, even though qualified for FSA-Restricted (FSA-R), FSA-Ship (FSA-S), and FSA-Temporary (FSA-T). Members must complete a DoD ***(DD) Form 1561*** (Statement to Substantiate Payment of Family Separation Allowance) to substantiate entitlement to FSA.

*2.2 Definitions

2.2.1. Dependents. The term "dependents" has the same meaning as defined in the Volume 7A, Definitions and is further defined in subparagraphs 2.2.1.1 through 2.2.1.4:

2.2.1.1. Child. A dependent child(ren) is an unmarried child(ren) of the member as defined in the Volume 7A, Definitions, who is in the legal custody of the member. For the purposes of FSA, legal custody includes a circumstance in which the member shares joint physical, and legal custody of a dependent child(ren) and that the child(ren) physically reside(s) with the member on an equal basis (no less than 14 days during a month) as compared to the time the child(ren) reside(s) with the former spouse, biological mother, or other legal guardian. In such instances, FSA eligibility is based on the fact that the member's actual physical custody of the

child(ren) is precluded due to an enforced family separation described under paragraph 2.3. Such custody arrangements must be stipulated in a signed court order, divorce decree, or a signed affidavit of custody (signed and sworn by a notary and shared guardian), subject to verification of the Secretary of the Military Department concerned. See subparagraph 3.1.3.

2.2.1.2. Parents. The term "Parents" is defined in the Volume 7A, Definitions.

2.2.1.3. Spouse. An individual who is legally married to the Service member.

2.2.1.4. Ward. The term "Ward" is defined in the Volume 7A, Definitions.

2.2.2. Duty Station. The term "duty station" is defined in the Volume 7A, Definitions.

2.2.3. Permanent Duty Station (PDS). The term "PDS" is defined in the Volume 7A, Definitions.

2.2.4. Household. The term "household" means the same as "home" or "family." It applies to a collection of persons living under one roof, having one head or manager who controls and supervises the affairs of the family. For FSA purposes, this applies only to secondary dependents.

*2.3 FSA

2.3.1. When Payable. FSA is payable to a member serving in any grade as a member with dependents. The member must meet all general requirements and one of the following conditions:

2.3.1.1. FSA - R

2.3.1.1.1. The member's dependents, including dependents acquired after the effective date of Permanent Change of Station (PCS) orders (see Table 27-1 (FSA Commencement Dates), rules 8 and 9), do not live in the vicinity of the member's homeport/PDS, and their transportation to or near the PDS is not authorized at government expense (see paragraph 4.1).

2.3.1.1.2. Transportation of dependents is authorized at government expense, but member elects an unaccompanied tour of duty because a dependent cannot accompany the member to, or at that homeport/PDS due to certified medical reasons, regardless of the date on which the member first made the election to serve an unaccompanied tour.

2.3.1.2. FSA - S. The member is on duty aboard a ship:

2.3.1.2.1. and the ship is away from the homeport continuously for more than 30 days: or

2.3.1.2.2. under orders to remain on board a ship while at homeport and whose duty on board the ship is for a continuous period of more than 30 days. When a member is

under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.

NOTE: The dependents are not required to reside in the vicinity of the homeport.

2.3.1.3. FSA - T. The member is on Temporary Duty (TDY) or Temporary Assigned Duty (TAD) away from their PDS or homeport continuously for more than 30 days, and the member's dependents do not reside at or near the TDY or TAD station. This includes members who are required to perform a period of the TDY or TAD before reporting to their initial station of assignment. Members on an unaccompanied tour are entitled to FSA-T for TDY or TAD periods of over 30 continuous days if the member's dependents do not reside at or near the TDY or TAD station and they do not reside near the PDS as defined in paragraph 3.3.

NOTE: If a member is able to commute daily or actually commutes daily to the location of the dependents, then the member's dependents are considered to be at or near the temporary duty location. A member is considered to be able to commute daily if conditions in section 3.3.1 are met. In the case of a Reserve Component (RC) member, other than an RC member executing permanent change of station orders, member of the Active Guard and Reserve or an RC member activated for a period of a such duration that the activation results in a permanent change of station the PDS is considered to be the location from which the RC member is ordered to active duty or the member's place of entry to active duty.

2.3.2. Amount Payable

Effective October 1, 2002, FSA is payable in a monthly amount of $250.

2.3.3. Conditions:

2.3.3.1. For specific commencement dates, see Table 27-1;

2.3.3.2. For overseas eligibility, see Table 27-2;

2.3.3.3. For specific dates to stop FSA, see Table 27-3; and

2.3.3.4. For specific conditions of entitlement, see Table 27-4.

2.3.4. Member Married to Member

2.3.4.1. FSA is payable to a member married to another member regardless of whether the member has any non-active-duty dependents, when all other general conditions are met, and provided members were residing together immediately before being separated by reason of execution of military orders.

2.3.4.1.1. Except as provided in subparagraph 2.3.4.2, not more than one monthly FSA may be paid with respect to a married military couple for any month. Each member

may be entitled to FSA within the same month, but both cannot simultaneously be entitled. Payment will be made to a member whose orders resulted in the separation. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

2.3.4.1.2. If a member meets the requirements for credit of FSA, but entitlement is precluded by an existing entitlement status of the spouse, then the second member may, if still qualified, immediately become entitled to FSA upon termination of the spouse's status. The couple may qualify for sequential entitlements to FSA, provided military orders keep them continuously separated.

2.3.4.1.3. In order to qualify for a subsequent entitlement to FSA, a married member couple, no longer separated by reason of military orders, must reestablish a joint household and reside together.

2.3.4.2. FSA is payable to both married members when they reside together with their dependents immediately before being separated from dependents, by competent orders to assignments prescribed in subparagraphs 2.3.1.1 through 2.3.1.3. Each member's entitlement is determined individually based on assignment and separation from dependents. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments. This is true even when both members are assigned to the same duty location away from their dependents.

2.3.4.3. In the case of a member married to another member, and the couple has a child, one member may claim the child for entitlement to Basic Allowance for Housing and the other member, when otherwise entitled, may claim the child for entitlement to FSA. The FSA entitlement may alternate between members based on the same dependent. However, FSA may not be paid simultaneously to both members on behalf of the same dependent, except as provided in subparagraph 2.3.4.2. See subparagraph 4.1.4.

3.0 DEPENDENTS SEPARATION REQUIREMENTS

3.1 Dependents

A member is not considered "a member with dependents" for FSA entitlement when:

3.1.1. The sole dependent is placed in an institution for a known period of over 1-year or for an indefinite period, which may be expected to exceed 1-year;

3.1.2. The sole dependent is a spouse legally separated or child(ren) in the legal custody of another person. An exception occurs when the member has joint physical and legal custody of the child(ren) and the child(ren) otherwise would reside with the member at least 14 days each month, for the current assignment. In such assignment, the member will be considered as a "member with dependents" for FSA entitlement;

3.1.3. The member has been awarded joint legal and physical custody of the child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member less than 14 days during the month;

3.1.4. The member's dependent parent does not reside in the home, which the member controls, supervises, and maintains for mutual use when circumstances permit; or

3.1.5. A dependent is entitled to active-duty basic pay. This does not negate an entitlement to FSA to a couple comprised of a member married to another member with no other dependents. Such a couple is entitled to FSA.

3.2 Temporary Social Visits by Dependents

3.2.1. FSA-R. Credit continues to accrue while the member's dependents visit at or near the member's PDS, but for no longer than 3 continuous months. Facts clearly must show that the dependents merely are visiting (not changing residence) and that the visit is temporary and not intended to exceed 3 months. If, for unforeseen reasons (due to illness or other emergency), a bona fide social visit extends beyond 3 months, then stop credit for FSA at the end of the 3-month period. If the visit initially is intended to exceed 3 months, then stop FSA credit the day before the dependents arrive at the member's PDS. Credit is again authorized on and after the day that the dependents depart from the PDS. A member is entitled to FSA-R, even though one or more (but not all) dependents visit for longer than 3 months if the member is entitled on behalf of the dependents who are not visiting the member.

3.2.2. FSA-S. Credit continues to accrue to the member whose dependents are visiting at or near the duty station (or any port) continuously for 30 days or less. Facts must show that the dependents merely are visiting. If the visit exceeds 30 days, then entitlement to FSA-S ends on the day preceding the date of dependent arrival, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of FSA-S is limited to 30 days. Entitlement to FSA-S exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled to FSA-S on behalf of the dependents who are not visiting the member.

3.2.3. FSA-T. Credit continues to accrue to a member whose dependents visit at or near the TDY or TAD continuously for 30 days or less. Facts must show that the dependents are merely visiting. If the visit exceeds 30 days, then the member is not entitled to FSA-T for any part of the period, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of the allowance is limited to 30 days. Entitlement to FSA-T resumes on the day that the dependents depart the TDY or TAD, if the member's TDY or TAD extends for more than 30 days from that date. Entitlement to FSA-T exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled on behalf of the dependents who are not visiting the member.

3.3 Dependents Reside Near Duty Station

3.3.1. FSA does not accrue to a member if all of the dependents reside at or near the duty station. If some (but not all) of the dependents voluntarily reside near the duty station, then FSA may accrue on behalf of those dependents who do not reside at or near the duty station. Consider dependents as residing near a duty station if the member actually commutes daily, regardless of distance. Also, consider dependents as residing near a duty station if they live within a reasonable commuting distance of that station, whether or not the member commutes daily. A distance of 50 miles, one way, is normally considered to be within a reasonable commuting distance of a PDS (see subparagraph 2.3.1.3 Note for RC members), but the 50-mile rule is not inflexible.

3.3.2. Unusual conditions may permit a determination that dependents do not live within a reasonable commuting distance, even though the distance involved is less than 50 miles one way. In a situation where the distance is less than 50 miles, but the time required to commute one way by commonly used route and method of transportation would exceed one and a half hours, the dependents may be considered as not residing near the member's duty station, unless the member actually commutes daily.

3.3.3. If dependents are authorized concurrent travel with the member to the duty station and are subsequently authorized to reside at a point over 50 miles from the member's duty station for personal reasons, rather than as a result of military restriction on dependents' travel, then FSA entitlement does not accrue.

3.3.4. In questionable cases, commanders may submit requests for determination through channels to the appropriate office listed:

3.3.4.1. Army:
Deputy Chief of Staff, G-1
ATTN: DAPE-PRC
300 Army Pentagon
Washington, DC 20310

3.3.4.2. Navy:
Chief of Naval Operations, (N130)
701 South Courthouse Rd
Arlington, VA 22204-2472

3.3.4.3. Air Force:
Commander, Air Force Personnel Center
550 C Street West
Randolph AFB, TX 78150-6421

3.3.4.4. Marine Corps:
Commandant of the Marine Corps (RFF)
James W. Marsh Center
3280 Russell Road
MCB Quantico, VA 22134

4.0 CONDITIONS OF ENTITLEMENT

4.1 Entitlement Incident to PCS Reassignments

4.1.1. Continental United States (CONUS) Assignments. Conditions of FSA entitlement incident to regular CONUS PCS reassignments and permissive PCS reassignments are detailed in subparagraphs 4.1.1.1 through 4.1.1.3.

4.1.1.1. Entitlement to FSA upon regular PCS is authorized only when movement of a member's dependents to the new PDS is not authorized at government expense.

4.1.1.2. A member who is otherwise entitled to transportation of dependents at government expense, but whose dependent cannot accompany the member to or at that homeport/PDS due to certified medical reasons, is entitled to FSA under this subparagraph.

4.1.1.3. A member who otherwise is authorized movement of dependents at government expense to PDS is not so authorized when he or she is voluntarily reassigned on PCS under permissive orders. Separation from dependents under these circumstances is not an enforced separation due to government requirements. The member, therefore, is not entitled to FSA under this subparagraph.

4.1.2. Waiver Provision. See subparagraph 4.1.4 for circumstances in which waivers may be granted.

4.1.3. Overseas Assignments. Dependents are permitted in some areas overseas and not permitted in others (dependent-restricted areas). A member selected for PCS overseas to an area where his or her dependents are permitted must elect to serve either an unaccompanied or an accompanied tour.

4.1.3.1. Except as waived by the Secretary of the Military Department concerned, a member electing to serve an unaccompanied tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. A member who is in receipt of accompanied tour orders, and subsequently requests to serve an unaccompanied tour, to include a dependents-restricted tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. Secretarial waiver of this policy may be granted in situations where it would be inequitable to deny FSA-R to a member because of the unusual family or operational circumstances.

4.1.3.2. See applicable procedures for tour elections and secretarial waiver in the appropriate individual Military Service regulation.

4.1.3.3. Refer to Table 27-2 (FSA-R, Overseas Assignment) for FSA entitlement for otherwise eligible members assigned PCS overseas.

4.1.3.4. A member who voluntarily is reassigned PCS (overseas) under permissive orders from the station where he or she already is entitled to FSA-R remains entitled if reassigned

to an area overseas where dependents are not permitted (dependent-restricted tour) or under circumstances authorized by secretarial waiver.

4.1.4. Unusual Family or Operational Circumstances Defined. Unusual family or operational circumstances are defined as those in which the Secretary of the Military Department concerned determines that it is in the best interest of the government to permit payment of FSA to members who, through no fault of their own, must relocate in an unaccompanied status under certain circumstances.

4.1.4.1. The Military Services may waive provisions of subparagraphs 4.1.1.1, 4.1.1.2, and 4.1.1.3 when it is in the best interest of the government to permit payment to members who, through no fault of their own, must relocate in an unaccompanied status for reasons of equity in the unusual family or operational circumstances. Waiver under these circumstances is effective upon the date granted. This approval authority is hereby granted to:

4.1.4.1.1. Service Secretaries or their designated representatives at the headquarters level which governs compensation policy; or

4.1.4.1.2. Combatant commands and Service major commands.

4.1.4.2. Waiver authority should be used prudently.

4.1.4.3. Waiver under these circumstances is effective upon the date granted:

4.1.4.3.1. When ordered to a new overseas duty station where terrorist activity would make it inappropriate for dependents to accompany the member; or

4.1.4.3.2. When ships in overhaul make temporary homeport changes.

4.1.4.4. Provided the requirements of subparagraph 2.3.1 are met, other than the requirement that the member's dependents reside at the homeport or PDS, a waiver issued by the Secretary of the Military Department concerned will apply to the entire period of the deployment, an interim period, and redeployment.

4.1.5. Delays Caused by the Government (Table 27-2, Note 4). The following are examples of delays in transportation of dependents due to government reasons:

> Example 1: On July 1, a member's advance application for concurrent travel of dependents to the overseas station was disapproved by the CONUS commander due to lack of available government-owned transportation facilities. The commander's disapproval contained a statement that the anticipated delay for movement of dependents is more than 60 days. The member departed the old station on July 6 and arrived at the overseas station on July 7 where government quarters were not available. Dependents joined the member on September 26 having performed travel under orders dated September 10. The member was entitled to FSA for the period July 6 through September 25.

Example 2: The member applied for a dependency determination for his or her dependent mother on June 3 and was transferred overseas on September 14. After arrival overseas, the member received approval of the dependency application for his or her dependent mother retroactive to May 1. The mother was not authorized concurrent travel to the member's PDS because the determination of dependency had not been made on the effective date of those orders. Delay in processing the dependency application was caused by the government. Before the transfer overseas, the member had maintained quarters to be shared with his or her mother. An enforced separation resulted upon transfer overseas. Credit for FSA accrues from the date the member departed from the PDS or the first day of authorized travel time, whichever is later, through the day before the date that his or her dependent mother arrived at the overseas station.

4.1.6. Changes in Tour Elections. See Table 27-2, rules 12 and 13.

4.1.7. Dependents Evacuated. A member is entitled to FSA if separated from dependents as a result of either an authorized evacuation or an ordered evacuation, provided that the requirements for FSA are otherwise met. Payment does not begin until the 31st day of an ordered evacuation. FSA is not payable when evacuation is due to member or dependent misconduct.

NOTE: Once the authorized evacuation is approved, FSA is paid retroactively to when dependents are evacuated.

4.1.8. Dependents' Travel Prohibited Under Immigration Laws. No entitlement to FSA-R accrues if a dependent is authorized transportation at government expense but is not eligible under immigration laws for entry into the United States before a member reports to the new PDS. (Entitlement to FSA-T or FSA-S is not affected by this subparagraph.)

4.2 Unit Ordered on Exercise for More Than 30 Days

Otherwise, qualified members of a unit are entitled to FSA-T when the unit is ordered on an exercise for more than 30 days.

4.3 FSA During a Missing Status

FSA-T continues to accrue to a qualified member while in a missing status unless there is a change in the status of the dependents, which would terminate entitlement. See Table 27-3 (Date to Stop FSA). A member may qualify for FSA-T while in a missing status if a continuous period of more than 30 days is completed after entry into the missing status. See paragraph 4.4.

Example: A member departed the PDS on TDY or TAD August 9, was downed by hostile fire while flying over enemy territory on September 2, remained in a missing status until November 4, and returned to PDS on November 10. The member qualified for FSA-T on September 8. If otherwise qualified, then entitlement exists for FSA-T for the period August 9 to November 9.

4.4 Computation of Single or Multiple Periods of More Than 30 Days

4.4.1. FSA-T for Single Periods. Credit for FSA-T may not be applied until the member has been on TDY or TAD away from his PDS continuously for more than 30 days. Compute this period as follows:

4.4.1.1. Count actual number of days in the month, including the day the member departs the PDS on TDY or TAD and the day of return to the PDS. Include the 31st day of the month in this computation, even though payment is made on a 30-day month basis, as prescribed in Chapter 1, section 2.0.

4.4.1.2. Include days of authorized travel time to and from the TDY or TAD station. When there is no delay en route chargeable as leave, count the day of departure from the PDS and the day of return to the PDS. When delay en route chargeable as leave is authorized, count the constructive day of departure and the constructive day of return. Compute these days as follows:

4.4.1.2.1. Constructive day of departure from the PDS either is the actual date of detachment plus days of authorized leave, proceed time, and permissive travel days used or the first day of authorized travel, whichever is later.

4.4.1.2.2. Constructive day of return to the PDS is the actual date of return minus number of days leave authorized and used, minus the number of permissive travel days actually used.

Example 1: The member permanently stationed at site A is ordered TDY or TAD to site B for training of approximately 30 days. Training is to begin June 1. The member is authorized travel by privately owned conveyance (POC) as more advantageous to the government, and 5 days of leave en route. The member departs from site A on May 25 and uses 5 days of leave en route to site B. The member completes the training on June 27, departs from site B on June 28, and returns to duty at site A on June 30. Constructive day of departure is May 30. The period of absence is 32 days (May 30 - June 30). If a member qualifies under paragraph 2.3, then entitlement exists to FSA-T for 30 days (i.e., there is no entitlement for May 31 and June 30).

Example 2: Circumstances are the same as in Example 1, except that the member uses 5 days of leave after completion of training. The member departs from site A on May 30, completes training on June 27, departs from site B on June 28, and returns to duty at site A on July 5. The constructive day of return is June 30. The period of absence is 32 days, computed as in Example 1. If the member otherwise qualifies, then entitlement exists to FSA-T for 30 days.

4.4.1.3. When TDY or TAD is authorized in conjunction with PCS, include days of authorized travel time to the TDY or TAD station and from the TDY or TAD station to the new duty station. When there is no delay en route or proceed time involved, count the day of departure

from the old duty station and the day of arrival at the new duty station. When delay en route and proceed time are authorized and used, the day of departure from the old station and the day of arrival at the new station will be constructed in the manner indicated in subparagraphs 4.4.1.2.1 and 4.4.1.2.2. Proceed time authorized and used will be included with the delay when making the computation. Consecutive assignments to TDY or TAD in conjunction with PCS may be combined in determining the 30-day period.

4.4.1.4. Under specific circumstances, when travel in connection with TDY or TAD is performed by POC for the convenience of the traveler, payment based on actual travel expenses may be more economical to the government than payment based on constructive travel time over a usually traveled route. In that case, the Joint Travel Regulations (JTR) authorizes travel payment based on the actual mode of transportation. In computing the more than 30 days required for entitlement to FSA-T under these circumstances, ensure that the computation is based on the mode of transportation, which governed payment of a particular member's travel allowance. Computation for FSA-T entitlement under this subparagraph is not necessarily based on constructive travel time.

4.4.1.5. If a member's TDY or TAD status is interrupted, then do not combine days before the interruption with those after the interruption to compute a continuous period of more than 30 days. Periods of leave, hospitalization, military confinement in a pay status, or short visits to the PDS do not interrupt the period unless the member is relieved from the attachment to the TDY or TAD station. A member who returns to the PDS to assume a duty status (such as participation in official flights) does interrupt a period of TDY or TAD. If leave en route is authorized after detachment from the TDY or TAD station, then add constructive travel time from the TDY or TAD station to the PDS to the period of TDY or TAD in determining the 30-day period.

4.4.2. FSA-T for Multiple Periods of Deployment. Provided the conditions of subparagraph 2.3.1.3 are met, the periods of FSA-T eligibility for multiple periods of TDY or TAD deployment, including the periods between such deployments, are calculated as follows:

4.4.2.1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month, to include the 31st day of the month, as one of the actual days.

4.4.2.2. Computation. Calculate the FSA-T period of the initial TDY or TAD deployment to determine the initial deployment period as described in subparagraph 4.4.1.

4.4.2.3. Interim and Redeployment Period

4.4.2.3.1. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

4.4.2.3.2. The redeployment period begins the day that the member departs the PDS and ends upon return to the PDS. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 45 days, with departure from PDS on January 2 and return to PDS on February 15. The member departs from PDS on March 18 for redeployment of 35 days. Since the member qualified for FSA-T for the initial deployment, he or she is eligible for continued FSA-T for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 60 days, with departure from PDS on March 1 and return to PDS on April 29. The member departs from PDS on May 31 for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, he or she is ineligible for the interim period. The actual interim period is 31 days (April 30 - May 30). The member would be entitled to FSA-T for the actual redeployment period (40 days).

Example 3: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 31 days, with departure from PDS on June 1 and returns to the PDS on July 1. The member departs from PDS on July 2 for redeployment of 41 days. Since the member qualified for FSA-T for the initial deployment of 31 days, he or she is eligible for the continued FSA-T for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

4.4.3. FSA-S for Single Periods. Credit for FSA-S may not be applied until the member has been on duty onboard a ship away from the homeport of the ship for a continuous period of more than 30 days. However, if a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons. Periods of leave, TAD, hospitalization, military confinement in a pay status, or short visits by the member (not the ship) to the homeport of the ship do not interrupt the qualifying period unless the member is detached (PCS) from the ship. Consecutive assignments to duty onboard two or more ships away from the homeport may be combined to meet this requirement. See Example 5. In computing the continuous period of more than 30 days, count the actual number of calendar days (including the 31st day of the month) that the member was on duty onboard a ship while it was away from its homeport. Include in this computation the day of departure onboard a ship from its homeport (or the day the member joins or rejoins a ship away from its homeport, if applicable) and the day of return onboard a ship to its homeport. The following examples show how to compute the more-than-30-day period and the related amount of FSA-S payable.

Example 1: A member onboard a ship that departs its homeport on June 15 and returns on July 15 is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

Example 2: A member onboard a ship that departs its homeport on October 5 and returns on November 4 is entitled to FSA-S in the amount of $241.83 (actual

period of 27 days in October and 4 days in November = 31 days; 26 days in October and 3 days in November = 29 days for payment).

Example 3: A member onboard a ship that departs from its homeport on February 25 (non-leap year) and returns on March 26 is not entitled to FSA-S since the absence is not more than 30 days (actual period of 4 days in February and 26 days in March).

Example 4: A member who reports onboard a ship on May 25 while it is away from the homeport and returns with the ship to the homeport on June 30 is entitled to FSA-S in the amount of $291.67 (actual period of 7 days in May and 30 days in June = 37 days; 6 days in May and 29 days in June = 35 days for payment).

Example 5: A member onboard a ship A that departed from its homeport on August 2 was transferred (PCS) to ship B on August 18 (detached and attached the same day) while ship B was away from its homeport. The member remains aboard ship B until it returns to the homeport on September 6. The member is entitled to FSA-S in the amount of $283.33 (actual period of 30 days in August and 6 days in September = 36 days; 29 days in August and 5 days in September = 34 days for payment).

Example 6: A member onboard a ship departs its homeport on June 15 and returns to homeport on June 19 and the member is under orders to remain on board the ship for 14 days while at homeport beginning June 19. The ship departs homeport on July 3 and returns on July 15. Member is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

4.4.4. FSA-S for Multiple Periods of Deployment. Provided the conditions of subparagraph 2.3.1.2 are met, the periods of FSA-S eligibility for multiple periods of TDY or TAD deployment aboard a ship, including the period between such deployments, are calculated as follows:

4.4.4.1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

4.4.4.2. Computation. Calculate the FSA-S period of the initial deployment aboard a ship as described in subparagraph 4.4.3.

4.4.4.3. Interim and Redeployment Period

4.4.4.3.1. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

4.4.4.3.2. The redeployment period begins on the day that the member departs the ship's homeport and ends upon returning to the homeport. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: A member is onboard a ship that departed from the homeport on January 2 and returned to the homeport on February 15. The same member is onboard a ship that departed from the homeport on March 18 for a redeployment of 35 days. Since the member qualified for FSA-S for the initial deployment, the member is eligible for continued FSA-S for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: A member is onboard a ship that departed from the homeport on March 1 and returned to the homeport on April 29. The member also was onboard a ship that departed the homeport on May 31 for a redeployment of 40 days. Although the member qualified for the initial 60-day deployment, the member is ineligible for the interim period. Consequently, the actual interim period is 31 days (April 30 through May 30). The member would be entitled to FSA-S for the actual redeployment (40 days).

Example 3: A member is onboard a ship that departed from the homeport on June 1 and returned to the homeport on July 1. The same member was onboard a ship that departed the homeport July 2 for a redeployment of 41 days. Since the member qualified for FSA-S for the initial deployment of 31 days, the member is eligible for the continued FSA-S for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

4.4.5. Restrictions. The following restrictions apply to subparagraphs 4.4.1 and 4.4.2:

4.4.5.1. There are separate 30-day requirements to qualify for FSA-T or FSA-S, and periods of TDY or TAD and duty aboard ship while away from homeport may not be combined for the purpose of FSA entitlement.

4.4.5.2. Periods of hospitalization or TDY or TAD for more than 30 days by the member at a place residing with his or her dependents may not be included when calculating whether the 30-day requirement was met.

4.5 Ship Moves From Homeport

4.5.1. When a ship moves from its homeport to another port within 50 miles of the homeport (or one and a half hours travel time as prescribed in paragraph 3.3), those members attached to the ship, whose dependents do not reside at or near such homeport under the criteria of paragraph 3.3, do not become entitled to FSA-S.

Example 1: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours travel time) limit from the homeport of the ship. When the movement of the ship is less than 50 miles (or one and a half hours travel time) from the homeport, FSA-S is not payable to those members. If, however, the ship moves more than 50 miles (or one and a half hours travel time) from the homeport, then FSA-S is payable if members otherwise are entitled.

Example 2: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the ship's homeport of the ship. Subsequently, the ship moves from the homeport and, on the 29th day, docks at a port inside the 50-mile (or one and a half hours travel time) limit of the homeport for 5 days. The ship then returns to the homeport. The docking of the ship within the 50-mile limit would, for purposes of this example, have the same consequence as if the ship had returned to its homeport since (a) the member's dependents do not reside at or near the homeport, and (b) the ship did not move to a location more than 50 miles (or one and a half hours travel time) from the port. Therefore, entitlement to FSA-S does not accrue.

Example 3: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the homeport of the ship, but actually commutes. The movement of the ship from the homeport results in the member being unable to commute. In this example, the member's dependents would be considered as being in the area of the homeport. Since, after movement of the ship to a new location, the member is unable to commute, the member would meet the requirement for FSA-S, provided the dependents resided more than 50 miles (or one and a half hours travel time) from the new location.

Example 4: A member, upon reassignment to a ship, moves the family to a location within the 50-mile (or one and a half hours travel time) limit, the movement of the ship resulting in the residence being located outside the 50-mile (or one and a half hours travel time) limit for some of the members, but not all. Those members whose dependents reside more than 50 miles (or one and a half hours travel time) from the ship's new location and who do not commute, would fulfill the vicinity requirement for entitlement to FSA-S. Those members whose dependents reside within 50 miles (or one and a half hours travel time) of the ship's new location of the ship would not become entitled to FSA-S by virtue of the ship's movement.

4.5.2. Members are entitled to FSA-S when performing duty onboard a ship if the ship is away from the homeport for more than 30 continuous days. If, however, the ship arrives and remains at a port other than the homeport for a period of more than 30 days at a location where the member's dependents reside, then payment of the FSA-S is precluded if the member resides with the dependents. A member is entitled to FSA-S for redeployment if the member returned to the homeport after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

4.6 Specific Conditions of Entitlement to FSA

See Tables 27-1, 27-2, 27-3, and 27-4.

Table 27-1. FSA - Commencement Dates

RULE	When an eligible member	and the member	then FSA credit
1	departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)	is not authorized proceed time or leave en route	starts on date of detachment from old station (note 1).
2	departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)	is authorized proceed time or leave en route	starts on the constructive date of detachment from the old PDS (either the actual date of detachment plus days of authorized leave and/or proceed time, or the first day of authorized travel, whichever is later) (note 1).
3	departs homeport aboard ship, including a ship in an inactive status (note 2)	remains in this status continuously for more than 30 days	starts on date of departure (notes 2 and 3).
4	joins or rejoins a ship away from homeport	remains on duty onboard a ship away from its homeport continuously for more than 30 days (note 2)	starts on first day that member boards ship away from its homeport (note 3).
5	acquires an initial dependent after the date of departure from old station en route to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 4 and 5)	meets conditions of Table 27-2, rule 1	starts on the date that a member acquires a dependent or the constructive date of detachment from old station (Table 27-2, rule 2), whichever is later.
6	acquires an initial dependent after the date of departure from old station en route to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 4 and 5)	meets conditions of Table 27-2, rule 13, note 3, or rule 14	(if any) starts according to Table 27-2, rule 13, note 3, or rule 14.

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
7	acquires an initial dependent after the date of departure from old station en route to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 4)	is on TDY or TAD en route with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date the member acquires dependent (FSA-T) (note 1).
8	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is not on TDY or TAD	starts FSA-R on date member acquires dependent.
9	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on leave (co-resident with dependent or not)	starts FSA-R on date member acquires dependent.
10	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD not within commuting distance of dependent's residence	starts FSA-T on date member acquires dependent.

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
11	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD within commuting distance of dependent's residence (paragraph 3.3)	starts FSA-R on member's date of return to PDS.
12	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is on TDY or TAD with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date that the member acquires a dependent (FSA-T) (note 1).
13	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	remains away from homeport aboard ship for more than 30 days after the date the dependent is acquired	starts on the date that the member acquires a dependent (FSA-S) (note 1).
14	has newly acquired dependent who joins member at duty station at member's expense	confirms whether dependent is making change of residence or temporary social visit	is based on paragraph 3.2 or subparagraph 3.3.3.
15	has newly acquired dependent who joins member at duty station at member's expense	relocates dependent away from duty station at member's expense	starts FSA-R on the date of a dependent's departure from the duty station (note 6).

Table 27-1. FSA - Commencement Dates (Continued)

RULE	When an eligible member	and the member	then FSA credit
16	has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of the Secretary concerned as being in national interest, or for other emergency reasons not personal or caused by dependent's misconduct		starts on the 31st day of a dependent's departure from the duty station.
17	reports onboard a ship after a change of homeport has been declared	does not reside with dependents at or near the current homeport of the ship	starts on the date the member reports onboard a ship (note 7).

NOTES:

1. Do not pay FSA-T or FSA-S until the member has been on TDY or TAD or on duty aboard ship away from homeport continuously for more than 30 days (or, if applicable, for more than 30 days after the date that a dependent is acquired). In computing the amount payable, the 31st day of any month should be excluded from the computation and February should be treated as if it actually had 30 days. (See paragraph 4.4.)
2. If the ship returns to homeport and a member is under orders to remain on board a ship while at homeport the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.
3. Does not apply if the ship is in a port (other than its homeport) located within commuting distance of the residence of the member's dependents continuously for more than 30 days. Also, see paragraph 4.5.
4. The effective date of PCS orders is the date a member is required to begin travel from the old PDS or the last TDY or TAD, in order to arrive at the new PDS on the date authorized by the mode of transportation authorized. (JTR, Appendix A, Effective Date of PCS Order)
5. A member who acquired an initial dependent after the date of departure from old station en route PCS to CONUS from overseas or en route PCS within CONUS, but no later than the effective date of the PCS order, is entitled to travel for dependent at government expense based on JTR, Chapter 5. Therefore, the member is not entitled to FSA-R. (In this case, no tour election provision exists to overcome the travel provision.)
6. If already started under paragraph 3.2, the entitlement continues upon departure of dependents from the duty station.

Table 27-1. FSA - Commencement Dates (Continued)

7. FSA-R does not accrue if the member was onboard a ship when the change in homeport was declared, except under paragraph 4.1.

Table 27-2. FSA-R - Overseas Assignment

RULE	If an eligible member is	and	and	then the member('s)
1	selected for PCS overseas	the accompanied tour is not authorized		is entitled to FSA-R for the entire unaccompanied tour (notes 1 and 2).
2	selected for PCS overseas	elects the unaccompanied tour instead of the authorized accompanied tour		is not entitled to FSA-R for the length of such tour, including tour extensions (note 3).
3	selected for PCS overseas	elects the accompanied tour	concurrent travel is authorized, and dependents travel with member	is not entitled to FSA-R.
4	selected for PCS overseas	is assigned to an automatic concurrent travel area or an advance application area	application for concurrent travel has been approved by the area commander	is entitled to FSA-R if dependents do not travel with the member for government reasons (notes 4 and 5).
5	selected for PCS overseas	in status covered by rule 4	dependents arrive at member's overseas station	FSA-R stops the day before date dependents arrive.
6	selected for PCS overseas to an advance application area	application for concurrent travel is disapproved by area commander		is entitled to FSA-R until dependents arrive at overseas station. (This rule is qualified by rules 7 and 8.)
7	selected for PCS overseas to an advance application area		member fails to comply with area regulations for entry of the dependents	FSA-R is stopped when timely action is not taken under applicable regulations (note 6).

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	If an eligible member is	and	and	then the member('s)
8	selected for PCS overseas to an advance application area		there is a delay of more than 60 days in dependent's arrival (60-day period begins on date of orders)	entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).
9	assigned overseas	one or more of the dependents live at or near the overseas station	member qualifies for FSA-R for the dependents who are not authorized to travel to the overseas station	is entitled to FSA-R.
10	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member elects the accompanied tour		entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).
11	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member does not elect the accompanied tour		entitlements to FSA-R continues based on original assignment under rule 1.

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	If an eligible member is	and	and	then the member('s)
12	assigned overseas	has previously elected the accompanied tour, but concurrent travel is not performed	the member reelects the unaccompanied tour before dependents depart CONUS	is not entitled to FSA-R on and after the date reelection is approved (note 3).
13	assigned overseas	has failed to make a tour election before arrival at new duty station	makes unaccompanied tour election after arrival at the overseas station	is not entitled to FSA-R for the entire unaccompanied tour (note 3).
14	assigned overseas	has failed to make a tour election before arrival at new duty station	elects accompanied tour after arrival at the overseas station	is entitled to FSA-R for the period starting with the date the tour is approved through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).

NOTES:
1. In all cases, entitlement exists only if dependents do not live at or near the duty station. (See paragraph 3.3.) In areas where dependents are not permitted, member does not have to apply for transportation of dependents or to elect type of tour.
2. These tours include dependent restricted tours and situations where the member is not authorized to serve an accompanied-with-dependents tour in those locations where such tours are authorized.
3. The Secretary of the Military Department concerned may waive the provision in this rule to authorize FSA-R in cases where unusual family or operational circumstances exist for the member. See subparagraph 4.1.4 for conditions subject to waiver and individual Military Service regulations for procedures for requesting a waiver from the Secretary of the Military Department concerned.

Table 27-2. FSA-R - Overseas Assignment (Continued)

4. Where dependents' travel delay is not due to government reasons, but member is required to perform TDY or TAD en route, family separation for period of TDY or TAD is considered to be due to military requirements and member is entitled to FSA-R under Table 27-4, rule 11.
5. Delays due to government reasons include:
   a. lack of transportation facilities,
   b. disapproval by CONUS commanders,
   c. disapproval for reasons of health (i.e., pregnancy of wife), and
   d. insufficient service retainability or time remaining in the overseas tour.
6. FSA-R continues if member acted timely to apply for transportation of the dependents and the application was disapproved because of the lack of service retainability or time remaining in the overseas tour.

Table 27-3. Date to Stop FSA

RULE	If a member	then FSA credit continues through the
1	has dependents who arrive at the duty station with intent to establish a residence	day before dependents arrive (note 1).
2	on next reassignment, arrives at a station where member does not qualify for FSA	day before the date on which the member arrives at new station (note 2).
3	returns from TDY or TAD of more than 30 days	day before date of the member's return from TDY or TAD (notes 3 and 4).
4	is in a non-pay status for any period	day before the date entering such status, except as provided in Chapter 1, paragraph 4.2.
5	has a sole dependent in an institution, and if the stay in the institution continues	day before 1-year from the date that the member's sole dependent entered an institution (note 5).
6	is onboard a ship away from its homeport	day before ship returns to homeport or date of detachment from ship, whichever is earlier (note 6).
7	reports onboard a ship after a change of homeport has been declared	effective date of the change of homeport.
8	has only secondary dependents who reside with relatives or friends	day before the date the dependents move to home of relatives or friends.
9	completes period of TDY or TAD of more than 30 days in conjunction with PCS	day before the date the member arrives at the new station (note 3).
10	has dependent(s) who return to the PDS after departing in conjunction with authorized or ordered evacuation	day before the date dependent(s) return.

NOTES:
1. See paragraph 3.2 for temporary social visits.
2. If a delay en route and/or proceed time is authorized and used, then use a constructive date of arrival. Constructive date will be computed by deducting the number of days' leave and/or proceed time authorized and used from the actual date of arrival.
3. If delay en route and/or proceed time is authorized, then use the constructive date. (See subparagraph 4.4.1.)
4. See Table 27-4, rule 20 and subparagraph 4.4.2.3 for interim and redeployment periods.
5. Applies when stay in the institution is initially not expected to exceed 1-year.

Table 27-3. Date to Stop FSA (continued)

6. FSA-S continues if the member is detached and attached the same day to another ship away from its homeport. However, if a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.

Table 27-4. FSA - Conditions of Entitlement

RULE	If a member	and	and	then
1	is on TDY or TAD, including TDY or TAD within the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during TDY or TAD.
2	is hospitalized at or away from member's PDS including hospitalization in the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during period hospitalized.
3	is in military confinement or otherwise restricted by military authority	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during period confined or restricted.
4	is on authorized leave (accrued or advance) at or away from member's PDS, including leave in the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during leave.
5	is on authorized leave (accrued or advance) at residence where member's dependents reside	the member is entitled to FSA-R when entering such status (note 1)	member's leave is followed by a period of TDY or TAD (any number of days) within commuting distance of residence where member's dependents reside (paragraph 3.3)	FSA-R credit continues during leave but is suspended during period of TDY or TAD.
6	is on any status covered by rules 1 through 4, or enters such status		member's PDS changes	FSA-R credit stops (note 2).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
7	is reassigned PCS from a PDS in the United States to a hospital for observation or treatment	the member's application for transportation of dependents to the hospital is disapproved by the hospital commander upon determination that prolonged treatment is not expected (note 3)	member meets requirements in note 1	the member is entitled to FSA-R.
8	enters any status covered by rules 2, 3, and 4	the member is entitled to FSA-T when entering such status	member is not relieved from attachment to the TDY or TAD station	member continues to receive FSA-T.
9	is ordered to a hospital as a patient in attached status			the member is not entitled to FSA-T.
10	is on TDY or TAD for more than 30 days from member's PDS	the member does not qualify for FSA-R at PDS	member's PDS remains unchanged	the member is entitled to FSA-T for authorized travel time to and from TDY or TAD station and for duty at that station (note 4).
11	is performing recruit/basic training, pipeline school, Officer Candidate School (OCS), travel or TDY or TAD en route to initial PDS	the member is entitled to FSA-R at new PDS (notes 1 and 4)		the member is entitled to FSA-R for recruit/basic training, pipeline school, OCS, travel or TDY or TAD and authorized travel period (note 4).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
12	is on TDY or TAD for more than 30 days en route to a new permanent assignment	the member does not qualify for FSA-R at this new station		the member is entitled to FSA-T for authorized travel time to and from the TDY or TAD station and for duty at that station (note 4).
13	is on TAD	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during the entire period of TDY or TAD (notes 5 and 6).
14	is hospitalized away from the ship	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during the period of hospitalization (note 6).
15	is on authorized leave	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during period of leave (note 6).
16	is in military confinement on or away from the ship or otherwise restricted by military authority from performing duty			FSA-S accrues during the period that the member is confined or restricted.
17	is in any status covered by rules 13 through 16		the ship returns to homeport	entitlement to FSA-S ends on the day before ship returns to homeport (note 5).
18	is in any status covered by rules 13 through 16		member is detached from the ship while it is away from homeport	entitlement to FSA-S ends on date of detachment from ship (note 7).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	If a member	and	and	then
19	is in any status covered by rules 13 through 16		member is detached from ship while it is away from homeport and is later reassigned to ship while it is away from its homeport	FSA-S accrues from date of reassignment to ship provided ship does not return to homeport in less than 31 days (notes 5 and 6).
20	is on TDY or TAD redeployment of more than 30 days	current TDY or TAD follows earlier TDY or TAD of more than 30 days which qualified member for FSA-T	period between deployments is 30 days or less	member's entitlement to FSA-T continues.
21	is onboard a ship redeployed for more than 30 days	redeployment follows earlier deployment of more than 30 days which qualified member for FSA-S	period between deployments is 30 days or less	member's entitlement to FSA-S continues.
22	meets the qualifying requirements of any of the rules 1 through 21	member is married to another active-duty member	the couple was residing together immediately before being separated by reason of military orders	member is entitled to FSA under the subparagraph 2.3.1.3.
23	executes PCS orders causing a separation from the member's spouse			member is entitled to FSA-R under subparagraph 2.3.1.1.
24	meets the qualifying requirements of any of the rules 1 through 21	the member is married to another active-duty member and the couple has dependents	the couple and dependents were residing together immediately before each member is separated by reason of military orders	each member is entitled to FSA under the specific rule(note 8).

Table 27-4. FSA - Conditions of Entitlement (Continued)

NOTES:
1. Must meet the requirements of paragraph 2.3.
2. A new determination of entitlement is required if member's PDS changes.
3. More than 90 days is prolonged hospitalization.
4. Members are not entitled to FSA-R or FSA-T during authorized leave en route or proceed time (see Table 27-1, rules 1 and 2). See Table 27-3, rule 9 for date to stop FSA.
5. If the ship returns to homeport and a member is under orders to remain on board a ship while at homeport, the days on the ship while at homeport will count towards the more than 30 continuous days, except when a member is required to stay on board for disciplinary reasons.
6. If the dependent's residence is within commuting distance of the place where member is in such status, then FSA-S will continue for 30 days only.
7. Does not apply if member is detached and attached the same day to another ship away from its homeport (subparagraph 4.4.2.).
8. Not more than one monthly allowance may be paid with respect to each member of a married military couple for any month. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments.

*REFERENCES

CHAPTER 27: - FAMILY SEPARATION ALLOWANCE (FSA)

2.0 - ENTITLEMENT PROVISIONS

2.1	37 U.S.C. § 427 DoD Instruction, 1340.24, June 15, 2023 47 Comptroller General (Comp Gen) 788
2.2.1.	51 Comp Gen 116 37 U.S.C. §§ 401, 421
2.2.4.	46 Comp Gen 148
2.3.1.	37 U.S.C. § 427
2.3.2.	37 U.S.C. § 427(b)
2.3.2.3.	37 U.S.C. § 427(a)
2.3.4.	37 U.S.C. § 427(d)
2.3.4.3.	60 Comp Gen 154

3.0 - DEPENDENTS SEPARATION REQUIREMENTS

3.1.1.	51 Comp Gen 97
3.1.2.	43 Comp Gen 332, (Question 23) MS Comp Gen B-213658, June 26, 1984 MS Comp Gen B-211693, July 15, 1983 MS Comp Gen B-179976, November 7, 1974
3.1.3.	45 Comp Gen 170 46 Comp Gen 148
3.2.1.	43 Comp Gen 596
3.2.2. and 3.2.3.	43 Comp Gen 332
3.3	43 Comp Gen 332, (Question 26) 44 Comp Gen 572 44 Comp Gen 217 MS Comp Gen B-182098, October 9, 1975 52 Comp Gen 912 55 Comp Gen 991

4.0 - CONDITIONS OF ENTITLEMENT

4.1	37 U.S.C. § 427(d)
4.1.1.2.	37 U.S.C. § 427 43 Comp Gen 527
4.1.1.3.	37 U.S.C. § 427
4.1.1.4.	37 U.S.C. § 427(c)
4.1.3. (Example 2)	44 Comp Gen 434
4.1.4.3.	37 U.S.C. § 427(c)
4.1.5.	43 Comp Gen 332

4.1.7.	43 Comp Gen 332
4.2	43 Comp Gen 596
4.3.2.	45 Comp Gen 633
4.4.1.1.	43 Comp Gen 596
	44 Comp Gen 537
4.4.1.2.	44 Comp Gen 537
4.4.1.2.2. (Example 1)	44 Comp Gen 537
4.4.1.5.	43 Comp Gen 755
	43 Comp Gen 748
4.4.2.	45 Comp Gen 838
	43 Comp Gen 748
	52 Comp Gen 912
	55 Comp Gen 991
Table 27-1	37 U.S.C. § 427
Rule 5	47 Comp Gen 67
Rule 7	43 Comp Gen 596
Rule 8	43 Comp Gen 332
Rule 9	43 Comp Gen 596
Rules 12-17	43 Comp Gen 332
Notes 4 and 5	43 Comp Gen 332
Table 27-3	
Rule 1	43 Comp Gen 332
Rule 5	43 Comp Gen 596
Rule 10	43 Comp Gen 332
Note 3	43 Comp Gen 332
Table 27-4	
Note 4	45 Comp Gen 838

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 28: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 29: "CLOTHING MONETARY ALLOWANCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.5	Added Special Initial Clothing Allowance for Air Force and Space Force.	Revision
Table 29-1A & B; Table 29-2A & B; Table 29-3A & B; Table 29-5A & B; Table 29-6A & B; Table 29-7A & B; Table 29-8A & B; Table 29-9A & B	Updated with the Fiscal Years 2023 and 2024 Clothing Monetary Allowances.	Revision
Table 29-1C Table 29-2C Table 29-5C	April 2024: Inserted table for the U.S. Navy clothing rate changes effective April 1, 2024, in accordance with the Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024.	Revision
Table 29-1D Table 29-5D	May 2024: Inserted table for the U.S. Air Force and U.S. Space Force clothing rate changes effective May 1, 2024, in accordance with the Department of the Air Force AF/A1 Memo, April 22, 2024.	Revision
Table 29-1E; Table 29-2D; Table 29-3C; Table 29-5E; Table 29-6C; Table 29-7C; Table 29-8C; Table 29-9C	November 2024: Updated tables with FY 2025 Clothing Allowances.	Addition
Table 29-7C	March 2025: Table updated Rule 15 in according with Department of the Air Force AF/A1 memo, February 7, 2025.	Revision

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CHAPTER 29

CLOTHING MONETARY ALLOWANCES

1.0 GENERAL

1.1 Purpose

The Secretary of Defense (SecDef) may, on an annual basis by law and under Presidential Executive Order, prescribe the quantity and kind of clothing to be furnished to an enlisted member of the Military Services and may prescribe the amount of cash allowance to be paid if the clothing is not furnished. It is DoD policy that the quantities and kinds of items of individual clothing to be furnished will be prescribed by the Service Secretary or the Commandant of the Marine Corps, under the parameters set by the Deputy Under Secretary of Defense – Military Personnel Policy (DUSD MPP).

1.2 Authoritative Guidance

The clothing monetary allowances policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, section 418 (***37 U.S.C. § 418***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ALLOWANCES

2.1 Initial Clothing Allowance

Enlisted members receive the initial clothing allowance upon initial enlistment or upon other special qualification for entitlement to a prescribed outfitting of uniforms. The initial issue may be an in-kind issue or a combination of in-kind issue and cash payment.

2.2 Cash Clothing Replacement Allowance

Enlisted members receive the cash clothing replacement allowance, upon the anniversary month, each successive year following the provision of an initial clothing allowance. Cash clothing replacement allowances are for replacement of required uniform items based on a normal wear rate.

2.3 Extra Clothing Allowances

Extra clothing allowances are additional to initial and replacement allowances and do not reduce, replace, or otherwise affect them. Extra clothing allowances provide for unusual circumstances when:

2.3.1. An enlisted member may require additional uniform items; or

2.3.2. An officer (with a permanent duty station outside the United States) or enlisted member may require civilian clothes to perform their assigned duties.

3.0 INITIAL CLOTHING ALLOWANCES

3.1 Standard Initial Clothing Allowance – General Provisions

The standard initial clothing allowance is an in-kind issue, although a cash payment may be made for items not furnished in-kind. Each Service, as approved by the DUSD MPP, may prescribe cash payments for items specifically designated to be purchased by the member, rather than to be furnished in-kind. Additionally, if any of the items of clothing normally prescribed to be furnished in-kind are not available for issuance, then the initial allowance may be completed by paying the member the cash value of the balance remaining. The standard initial clothing allowance rates, including prescribed cash payments for personal purchase of specified items, are in Tables 29-1A, 29-1B, 29-1C, 29-1D and 29-1E. For the most current rates, see the ***Standard Initial Clothing Allowances*** table.

3.1.1. The total monetary value of items furnished in-kind, plus any cash payments, may not exceed the amounts for the total value of the applicable standard initial clothing allowance as established in Tables 29-1A, 29-1B, 29-1C, 29-1D and 29-1E. For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

3.1.2. If a Service member dies, is discharged, or is released from active-duty within 6 months of entitlement to an initial allowance, then the value of the initial allowance must be reduced to the items of clothing already supplied or amount credited up to that date.

3.1.3. Army and Marine Corps members, entitled to a standard initial clothing allowance, are furnished the allowance on an item or issue in-kind basis without establishing a monetary credit. Payment of the amount prescribed in the initial allowance as a cash allowance may be made immediately. Shortages of items being furnished on an in-kind basis must be recorded and issued when available to the Service member.

3.1.4. Navy, Air Force, and Space Force members, entitled to a standard initial clothing allowance, are credited with the amount of the allowance against which the authorized clothing is furnished. A member will receive the amount prescribed in the initial allowance as a cash payment for personal purchase of specified items. At the conclusion of the basic training period or within a period the Service considers appropriate, if any of the prescribed items of clothing to be furnished in-kind against the established credit are not available for issuance, then the initial allowance may be completed by paying the member the remaining balance in cash.

3.2 Standard Initial Clothing Allowance – Entitlement Criteria

Enlisted personnel (except those entitled to a special initial clothing allowance) must be furnished a standard initial clothing allowance under one or more of the following circumstances:

3.2.1. Upon first enlistment in the Service, or reenlistment in the same branch of the regular Military Service, if 3 months has expired from the date of last discharge or release from active-duty and the member is not reporting from a Reserve component that requires the member to maintain uniform clothing;

3.2.2. Upon enlistment or reenlistment in a Service, other than the one from which last discharged;

3.2.3. Upon reporting for or upon recall to active-duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active-duty with the clothing required for service in a Reserve Component. In these cases, the initial allowance must be reduced to a partial standard initial clothing allowance under regulations of the appropriate Service, to account for clothing required to be in the person's possession upon call or recall to active-duty;

3.2.4. Upon being restored to duty, after being sentenced to confinement and punitive discharge, to the extent needed to fill the individual's clothing requirement;

3.2.5. Upon reenlisting within 3 months of last discharge or release from active-duty, when the Service member did not receive the complete initial allowance or was required to turn in issued clothing. The amount allowed, will be the difference between the current initial clothing allowance and the current value of issued clothing that remained in the member's possession upon the date of last discharge or release from active-duty, further reduced by any prior cash clothing payments toward the initial clothing allowance. Replacement allowances, issues, or payments are not considered the last authorization of the initial allowance;

3.2.6. Upon recall to active-duty after 3 months from the date of the last release from active-duty or retired enlisted personnel (including Service members of the Fleet Reserve and the Fleet Marine Corps Reserve) recalled to active-duty after 3 months from the date of the last release from active-duty or retirement. Only one such allowance will be authorized during any period of four consecutive years;

3.2.7. Upon reversion to service on active-duty for commissioned officers, or warrant officers, under temporary appointments who enlisted or reenlisted, or who reverted to service on active-duty in an enlisted (other than Chief Petty Officer) status, except for purposes of retirement. Only one such allowance is authorized in any period of 4 consecutive years; or

3.2.8. Upon reversion to enlistment in or reenlistment in the regular Navy, Naval officer candidates, and Naval Reserve Chief Petty Officers, who revert to or are enlisted or reenlisted in the regular Navy in pay grade E-6 or below, except for purposes of retirement, provided they previously have not received a standard initial clothing allowance during their current period of continuous active-duty.

3.3 Special Initial Clothing Allowance – General Provisions

Enlisted members assigned to a tour of duty, or who attain a status, requiring the wear of uniform clothing (other than special dress uniforms), may be authorized a special initial clothing

allowance. Special initial clothing allowance is authorized only once during any period of continuous active-duty. The special initial clothing allowance rates are in Tables 29-2A, 29-2B, 29-2C and 29-2D and Tables 29-3A, 29-3B and 29-3C. For the most current rates, see the Special Initial Clothing Allowances – ***Navy*** and ***AirForce and Space Force*** tables.

NOTE: Special Initial Clothing Allowance does not apply to the Army or Marine Corps.

3.3.1. The special initial clothing allowance is provided in lieu of the standard initial clothing allowance when it is the first initial allowance qualified for and issued. The special initial clothing allowance supersedes and replaces the standard initial clothing allowance and is considered the last authorization of an initial clothing allowance for a member who previously received a standard initial clothing allowance and subsequently qualifies for and is provided a special initial clothing allowance. The special initial clothing allowance may be issued in-kind, paid as a monetary payment, or provided as a combination, as established by the Service concerned.

3.3.2. Examples of uses for special initial clothing allowance are when members in an enlisted status enter an officer training program, are advanced to Chief Petty Officer in the Navy, or are assigned to a military band with uniform styles different than those for others in their pay grade.

3.4 Special Initial Clothing Allowance Navy – Eligibility Criteria

The Navy will furnish enlisted members with a special initial clothing allowance under one or more of the following circumstances:

3.4.1. Upon selection and acceptance for specified officer-training programs;

3.4.2. In pay grade E-6 or below, upon assignment to either the U.S. Naval Academy Band, U.S. Navy Band, Washington, DC, or selection for appointment as a Limited Duty Officer or Warrant Officer 1 in the Navy;

3.4.3. Upon first advancement to or first enlistment as a Chief Petty Officer in the Navy, while serving on active-duty, unless special initial clothing allowance was previously paid. Effective October 1, 2009, Chief Petty Officers of the Naval Reserve assigned to Selected Reserve and Voluntary Training Units are entitled to a full special initial clothing allowance upon first advancement to Chief Petty Officer;

3.4.4. For Chief Petty Officers in the Naval Reserve who were advanced before October 1, 2009, upon first reporting for active-duty for a period of 6 months or greater as a Chief Petty Officer of the Naval Reserve, provided no special initial clothing allowance has been previously paid either on active or inactive-duty. If a special initial clothing allowance has been previously paid on inactive-duty, then the Chief Petty Officer is entitled to a partial special initial clothing allowance in accordance with the Note at Tables 29-2A, 29-2B, 29-2C and 29-2D. See the Special Initial Clothing Allowances – Navy table on DFAS.MIL; or

3.4.5. Upon active-duty reenlistment or receipt of orders to active-duty as a Chief Petty Officer in the Navy, provided all of the following requirements are met:

3.4.5.1. Over 3 months have expired from the date of last discharge, release from active-duty or retirement;

3.4.5.2. The enlistment or reenlistment period is for a period of more than 6 months;

3.4.5.3. Appointment to temporary officer status is not coincident with the enlistment or reenlistment; and

3.4.5.4. The member has not received a special initial clothing allowance within the last 4 years while on inactive-duty.

*3.5 Special Initial Clothing Allowance Air Force and Space Force – Eligibility Criteria

The special initial clothing allowance is provided to Air Force and Space Force members upon selection and acceptance for specified officer-training programs and those assigned to a tour of duty, or status, requiring the wear of uniform clothing (other than special dress uniforms) of a style different from uniforms customary for most enlisted members of the Air Force and Space Force. Only one Special Initial Allowance is authorized during any period of continuous active-duty. See Tables 29-3A, 29-3B and 29-3C.

3.6 Partial Initial Clothing Allowances

Enlisted members will be paid a reduced or partial initial clothing allowance when payment of a full standard initial clothing allowance or full special initial clothing allowance is not warranted, due to an enlisted member reporting for or being recalled to active-duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active-duty with the clothing required for service in a Reserve component.

4.0 CASH CLOTHING REPLACEMENT ALLOWANCES

4.1 General

Enlisted members receive cash clothing replacement allowances for uniform items for the replacement of military unique items required for wear. Enlisted members engaged in officer training programs or who are attending academy preparatory schools are not eligible for cash clothing replacement allowances. See Table 29-4 for specific entitlement rules. See Tables 29-5A, 29-5B, 29-5C, 29-5D and 29-5E for the cash clothing replacement allowance rates. For the most current rates, see the ***Cash Clothing Replacement Allowances***.

4.2 Basic Cash Clothing Replacement Allowance

Basic cash clothing replacement allowance is a preliminary replacement allowance for uniform items. It is used during the first 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance.

4.2.1. Basic cash clothing replacement allowance accrues to each enlisted member, beginning the first day of the month following the date of completion of 6 months of active-duty without regard to time lost. At the end of the member's anniversary month completing 1-year of uninterrupted active military service, the first payment is equal to one-half the applicable fiscal year rate then in effect.

4.2.2. When authorized under regulations of the Service concerned, enlisted members of a Reserve Component who received a reduced or partial standard initial clothing allowance may be authorized to accrue the basic cash clothing replacement allowance, beginning with the first day of the month following the date of call or recall to active-duty in a pay status.

4.2.3. The basic cash clothing replacement allowance continues for the first 3 years of continuous active-duty. It is payable for the second and third years at the end of the member's anniversary month, using the applicable rate then in effect.

4.3 Standard Cash Clothing Replacement Allowance

Standard cash clothing replacement allowance provides for replacement of uniform items after completion of 3 years of active service subsequent to receipt of a standard initial clothing allowance or a reduced or partial standard initial clothing allowance. It is the preliminary replacement allowance during the first 3 years of active service, subsequent to receipt of a reduced or partial or special initial clothing allowance.

4.3.1. When used as the follow-on to the basic cash clothing replacement allowance, the standard cash clothing replacement allowance accrues beginning with the first day of the month following the date the member completes 36 months active-duty, without regard to time lost. It continues during the remaining period of continuous active-duty and is payable annually at the end of the Service member's anniversary month, using the applicable rate then in effect.

4.3.2. When used as the preliminary replacement allowance for the special initial clothing allowance, the standard cash clothing replacement allowance accrues, beginning with the first day of the month following the date the special initial clothing allowance or a reduced or partial special initial clothing allowance was authorized without regard to time lost. It is payable annually, for the first 3 years of continuous active-duty, at the end of the Service member's anniversary month, using the applicable rate then in effect.

4.4 Special Cash Clothing Replacement Allowance

Special cash clothing replacement allowance provides for replacement of uniform items, after completion of 3 years of active service, subsequent to receipt of a special initial clothing

allowance. It accrues beginning with the first day of the month following the date the member completes 36 months active-duty, subsequent to receiving a special initial clothing allowance or a reduced or partial special initial clothing allowance, without regard to time lost, and continues during the remaining period of continuous active-duty. It is payable annually at the end of the Service member's anniversary month, using the applicable fiscal year rate then in effect. During the period for which the special cash clothing replacement allowance is payable, the Service member is not entitled to any other cash clothing replacement allowance.

5.0 EXTRA CLOTHING ALLOWANCES

5.1 General

Members may receive extra clothing allowances, in addition to any other entitled clothing allowance. Entitlement to or payment of an extra clothing allowance does not replace or reduce any other clothing allowance.

5.2 Supplementary Clothing Allowances

In addition to any other clothing allowance authorized, an enlisted member may become entitled to a supplementary clothing allowance. Supplementary clothing allowances may be authorized only for an enlisted member, assigned to duty in a special organization or detail, where the nature of the duty necessitates that he or she have, as a military requirement, additional quantities or special items of individual uniform clothing normally not required for most enlisted members in the same Service. Except for maternity uniforms, supplementary clothing allowances may not exceed 30 percent of the current value of the standard initial clothing allowance.

5.2.1. Entitlement

5.2.1.1. A supplementary clothing allowance may be issued in-kind, as a cash payment, or as a combination of issued in-kind and a cash payment. Generally, supplementary clothing allowances are cash payments to Navy, Air Force and Space Force members, while Army and Marine Corps members receive in-kind issues.

5.2.1.2. A member scheduled to serve in a qualifying assignment for at least 6 additional months, may receive a subsequent supplementary clothing allowance, on the anniversary of the initial supplementary clothing allowance. A Service member who has received a supplementary clothing allowance may not be authorized a subsequent supplementary allowance for the same items upon reassignment to duty if less than 12 months have elapsed since the last payment. Under circumstances deemed appropriate, the Service Secretary or the Commandant of the Marine Corps may waive this restriction.

5.2.1.3. As an exception to subparagraph 5.2.1.2., an otherwise qualified member may not receive the supplementary clothing allowance for maternity uniforms more often than once every 3 years.

5.2.2. Rates Payable

5.2.2.1. The Army provides supplementary clothing allowances as in-kind issues as described in ***Army Regulation 700-84***.

5.2.2.2. See Tables 29-6A, 29-6B and 29-6C for the Navy supplementary clothing allowance rates. For the most current rates, see the ***Supplementary Clothing Allowances – Navy*** tables.

5.2.2.3. See Tables 29-7A, 29-7B and 29-7C for the Air Force and Space Force supplementary clothing allowance rates. For the most current rates, see the ***Supplementary Clothing Allowances – AirForce and Space Force*** tables.

5.2.2.4. The Marine Corps provides supplementary clothing allowances as a combination of in-kind issues and cash payments. See Tables 29-8A, 29-8B and 29-8C for the Marine Corps supplementary clothing allowance cash payments. For the most current rates, see the ***Marine Corps Supplementary Clothing Allowances*** tables.

5.3 Civilian Clothing Allowances for Officers and Enlisted Personnel

In addition to any other clothing allowance authorized, Service members (officer or enlisted) directed by competent authority to dress in civilian clothing more than half the time when performing official duty, as a military requirement, may be authorized a civilian clothing allowance. In accordance with ***37 U.S.C. § 419***, an officer is authorized a civilian clothing allowance only if his or her permanent duty station is outside the United States. During any period in which an enlisted member is on an assignment requiring the wear of civilian clothing, the applicable replacement allowance for uniform items continues to accrue. The Service Secretary or the Commandant of the Marine Corps may prescribe reduced civilian clothing allowances, as appropriate for their respective Service, for personnel serving under conditions where the full authorized civilian clothing allowances in Tables 29-9A, 29-9B and 29-9C are not required. For the most current rates, see the ***Civilian Clothing Allowances for Officer and Enlisted*** tables.

5.3.1. Permanent Duty Civilian Clothing Allowances. The permanent duty civilian clothing allowance has two parts: the initial civilian clothing allowance; and the replacement civilian clothing allowance. The initial civilian clothing allowance is payable upon assignment to qualifying permanent duty when authorized by the Service concerned. When entitled, the replacement civilian clothing allowance is payable annually at the end of the service member's anniversary month using the applicable rate then in effect. The rates payable for the permanent duty civilian clothing allowances are in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

5.3.1.1. Initial Civilian Clothing Allowance. An initial civilian clothing allowance is paid only once in any 3-year period. It is not paid if the member has been out of a qualifying assignment for less than 12 months. If the member receives a follow-on permanent assignment requiring the wear of civilian clothing within 3 years of receiving an initial civilian clothing

allowance, or within 12 months of occupying a qualifying assignment, then he or she will receive the replacement civilian clothing allowance at the end of the original anniversary month.

5.3.1.2. Replacement Civilian Clothing Allowance. At the end of the anniversary month of the member commencing the qualifying assignment, a replacement civilian clothing allowance is payable if it is projected that he or she will serve at least 6 additional months in a qualifying assignment. The member becomes entitled, upon authorization of the Service concerned. A replacement civilian clothing allowance is not payable if it is projected the member will remain in the assignment less than 6 months beyond the anniversary month. A replacement civilian clothing allowance is payable, if the member actually serves 6 or more months in the assignment past the anniversary month.

5.3.1.3. Lump-Sum Payments. A member who will continue to meet the eligibility criteria for a civilian clothing allowance, on a career basis, may receive the initial civilian clothing allowance, and up to two replacement civilian clothing allowance payments, in an up-front lump-sum payment. The member may receive payment at the time of eligibility and only once in their career. During the member's first or second anniversaries after a lump-sum initial payment, if it is determined the member will not be remaining in a qualifying position for at least the next 6 months, the annual unearned portion for the year(s) not served will be recouped from the member. At the end of the anniversary months for the third and subsequent years of eligibility, the member will receive their replacement civilian clothing allowance payment.

5.3.1.4. Prior Civilian Clothing Payments. A member, authorized to receive permanent duty civilian clothing allowance, will have that allowance reduced by the prevailing value of any temporary duty civilian clothing allowance received within the preceding 12 months.

5.3.2. Temporary Duty Civilian Clothing Allowances. Generally, the temporary duty civilian clothing allowance is used when the permanent duty civilian clothing allowance is not applicable. The total amount of all temporary duty civilian clothing allowances payable in any 36-month period will not exceed the maximum allowed for temporary duty of at least 30 days. The amounts authorized by the Service concerned will be within the rates established in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL. The temporary duty civilian clothing allowance has two maximum rates based on the number of days the member is on temporary duty.

5.3.2.1. 15 Days. When competent authority determines the member will be on temporary duty at least 15 consecutive or accumulative days within a 30-day period, the maximum amount payable is found in Tables 29-9A, 29-9B and 29-9C. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL. The 15-day threshold requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog Personnel on U.S. Secret Service Support Duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may receive the maximum payment for temporary duty of at least 30 days, upon their initial temporary duty assignment, regardless of the length of their temporary duty.

5.3.2.2. 30 Days. When competent authority determines that a member will be on temporary duty at least 30 consecutive or accumulative days within a 36-month period, the maximum amount payable will be found in Table 29-9, less any amount paid within the past 36-month period. For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

5.3.3. Additional Temporary Duty Payments. In exceptional circumstances, the appropriate official, or the designated official, may make an exception to the maximum allowance permitted in a 36-month period and may authorize an additional payment of a 15-day or 30-day allowance or some lesser amount. The Assistant Secretaries of the Army, Navy and Air Force for Manpower and Reserve Affairs (M&RA), or the Deputy Chief of Staff for M&RA in the Marine Corps, may approve the additional allowance. They cannot delegate their authority.

6.0 MISCELLANEOUS CLOTHING PROVISIONS

6.1 Reserve Component Allowances

Reserve Component personnel on active-duty for periods of less than 6 months, or while on inactive-duty, are generally furnished the required individual clothing items as in-kind issues. Reserve Component personnel may receive the standard initial clothing allowance cash portion for items designated to be personally procured and not issued in-kind. Members of Reserve Components on active-duty for periods of less than 6 months or on inactive-duty are not entitled to any civilian clothing allowances. Further guidance for payment of clothing allowances for Reserve members is set forth in Chapters 57 and 58.

6.2 Lost or Damaged Clothing

The Service concerned will compensate an enlisted member for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, by an incident to military training or service, not caused by any fault or negligence of the member.

6.3 Clothing Price Adjustments

Enlisted members of the Navy, Air Force, and Space Force, entitled to an initial or partial initial clothing monetary allowance upon entering the Service, may require an adjustment to their pay records. A member's pay record is adjusted to reflect the difference between the old and the new fiscal year prices for items not issued, if the entitlement date is on or before September 30, for all clothing items not issued prior to October 1.

6.4 Settlement of Cash Clothing Allowances

A member will receive the cash clothing replacement allowance on the last day of their anniversary month. A member will receive a prorated cash clothing replacement allowance when discharged before the end of their anniversary month. The authorizing official approves payment for supplementary clothing allowances. See Table 29-10 for settlement of other cash clothing allowances.

*Table 29-1A. Standard Initial Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,799.23	$0
2		Female	$2,171.63	$406.60
3	Navy (E1-E6)	Male	$2,039.31	$125.26
4		Female	$2,203.04	$346.76
5	Air Force/	Male	$1,825.53	$0
6	Space Force	Female	$2,220.46	$494.09
7	Marine Corps	Male	$2,395.10	$0
8		Female	$2,326.09	$175.00

*Table 29-1B. Standard Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,190.74	$129.23
4		Female	$2,299.46	$336.22
5	Air Force/	Male	$1,954.43	$0
6	Space Force	Female	$2,325.59	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1C. Standard Initial Clothing Allowances - Effective April 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,210.16	$129.23
4		Female	$2,318.88	$336.22
5	Air Force/	Male	$1,954.43	$0
6	Space Force	Female	$2,325.59	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1D. Standard Initial Clothing Allowances - Effective May 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$1,895.33	$0
2		Female	$2,269.60	$406.60
3	Navy (E1-E6)	Male	$2,210.16	$129.23
4		Female	$2,318.88	$336.22
5	Air Force/	Male	$2,077.84	$0
6	Space Force	Female	$2,459.67	$505.94
7	Marine Corps	Male	$2,690.06	$0
8		Female	$2,656.64	$175.00

*Table 29-1E. Standard Initial Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Standard Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Standard Initial Clothing Allowance is	and the prescribed cash payment portion for purchase of specified items is
1	Army	Male	$2,060.93	$0
2		Female	$2,395.48	$400.50
3	Navy (E1-E6)	Male	$2,307.23	$139.49
4		Female	$2,476.78	$348.41
5	Air Force	Male	$2,223.27	$0
6		Female	$2,641.09	$520.36
7	Marine Corps	Male	$2,881.00	$0
8		Female	$2,927.80	$175.00
9	Space Force	Male	$2,223.27	$0
10		Female	$2,641.09	$520.36

*Table 29-2A. Navy Special Initial Clothing Allowances – Effective October 1, 2022
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,243.85	$1,243.85	$0
2		Female	$1,214.26	$1,214.26	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,243.85	$1,243.85	$1,243.85
4		Female	$1,214.26	$1,214.26	$1,214.26
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,077.85	$2,077.85	$0
6		Female	$2,228.49	$2,228.49	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2B. Navy Special Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,280.38	$1,280.38	$0
2		Female	$1,239.46	$1,239.46	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,280.38	$1,280.38	$1,280.38
4		Female	$1,239.46	$1,239.46	$1,239.46
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,140.35	$2,140.35	$0
6		Female	$2,305.26	$2,305.26	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2C. Navy Special Initial Clothing Allowances - Effective April 1, 2024
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,280.38	$1,280.38	$0
2		Female	$1,239.46	$1,239.46	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,280.38	$1,280.38	$1,280.38
4		Female	$1,239.46	$1,239.46	$1,239.46
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,159.77	$2,159.77	$0
6		Female	$2,324.68	$2,324.68	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-2D. Navy Special Initial Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Navy Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is	and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active-duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band, or selected for appointment as a Limited Duty Officer in the Navy or Warrant Officer One in the Navy	Male	$1,324.18	$1,324.18	$0
2		Female	$1,265.60	$1,265.60	$0
3	eligible to wear the uniform of a Chief Petty Officer (E7-E9) (See Note)	Male	$1,324.18	$1,324.18	$1,324.18
4		Female	$1,265.60	$1,265.60	$1,265.60
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	Male	$2,252.10	$2,252.10	$0
6		Female	$2,432.48	$2,432.48	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009, are entitled to the full special initial clothing allowance. Chief Petty Officers in the Navy Reserve, who were advanced before October 1, 2009, were only paid a partial special initial clothing allowance and are entitled to a partial initial clothing allowance when called to active-duty for 6 months or more.

*Table 29-3A. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,022.56	$1,022.56
2		Female	$1,323.85	$1,323.85
3	an enlisted accession student to the AFOTS	Male	$428.56	$428.56
4		Female	$428.56	$428.56
	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,124.42	$1,124.42
6		Female	$1,124.42	$1,124.42

*Table 29-3B. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,047.10	$1,047.10
2		Female	$1,355.62	$1,355.62
3	an enlisted accession student to the AFOTS	Male	$438.85	$438.85
4		Female	$438.85	$438.85
	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,151.41	$1,151.41
6		Female	$1,151.41	$1,151.41

*Table 29-3C. Air Force and Space Force Special Initial Clothing Allowances - Effective October 1, 2024

For the most current rates, see the Air Force and Space Force Special Initial Clothing Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the total value of the Special Initial Clothing Allowance is	and the prescribed cash payment portion to be paid is
1	a direct civilian accession student to the Air Force Officer Training School (AFOTS)	Male	$1,070.14	$1,070.14
2		Female	$1,385.47	$1,385.47
3	an enlisted accession student to the AFOTS	Male	$758.71	$758.71
4		Female	$707.17	$707.17
5	assigned to the U.S. Air Force Academy Preparatory School	Male	$1,176.74	$1,176.74
6		Female	$1,176.74	$1,176.74
*7	an enlisted accession student to the Warrant Officer Training School	Male	$758.71	$758.71
*8		Female	$707.17	$707.17

Table 29-4. Entitlement to Cash Clothing Replacement Allowances

RULE	When a member	and is not	then the member is entitled to an annual
1	completes 6 months of active-duty after last entitlement to a standard initial, partial standard initial, or reduced standard initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active-duty through the end of 36 months of active-duty. On completion of 12 months of uninterrupted active-duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).
2	completes 6 months of active-duty as an officer candidate (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active-duty through the end of 36 months of active-duty. On completion of 12 months of uninterrupted active-duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

Table 29-4. Entitlement to Cash Clothing Replacement Allowances (Continued)

RULE	When a member	and is not	then the member is entitled to an annual
3	becomes entitled to a special initial, partial special initial, or reduced special initial clothing allowance	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	standard cash clothing replacement allowance accruing from the first day of the month following the date the special initial clothing allowance is awarded and continuing for the first 36 months of such active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).
4	completes 36 months of active-duty after last entitlement to a standard initial, partial standard initial, or a reduced standard initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	standard cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

Table 29-4. Entitlement to Cash Clothing Replacement Allowances (Continued)

RULE	When a member	and is not	then the member is entitled to an annual
5	completes 36 months of active-duty after last entitlement to a special initial, partial special initial, or a reduced special initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	special cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active-duty. Annual payments will be made at the end of the member's anniversary month of active-duty (Note 3).

NOTES:

1. The time period is computed without regard to lost time.
2. The term “approved sentence” means the date the sentence was approved by the convening authority.
3. If a member serves on this active-duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month or fractional month served. Example: A member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days. The final payment would be an amount equal to 7/12 of the annual amount.

*Table 29-5A. Cash Clothing Replacement Allowances - Effective October 1, 2022
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$362.14	$517.34	N/A	N/A
2		Female	$369.48	$527.84	N/A	N/A
3	Navy (Note 1)	Male	$352.80	$504.00	$684.00	$132.12 (Note 2)
4		Female	$338.40	$482.40	$561.60	$101.10 (Note 2)
5	Air Force/	Male	$326.55	$466.50	N/A	N/A
6	Space Force	Female	$334.62	$478.03	N/A	N/A
7	Marine Corps	Male	$517.32	$738.84	N/A	N/A
8		Female	$513.48	$733.68	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5B. Cash Clothing Replacement Allowances - Effective October 1, 2023
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$374.40	$536.40	$712.80	$128.30 (Note 2)
4		Female	$370.80	$529.20	$698.40	$125.70 (Note 2)
5	Air Force/	Male	$346.68	$495.24	N/A	N/A
6	Space Force	Female	$351.12	$501.60	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5C. Cash Clothing Replacement Allowances - Effective April 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$381.60	$543.60	$716.40	$129.00 (Note 2)
4		Female	$374.40	$532.80	$702.00	$126.36 (Note 2)
5	Air Force/	Male	$346.68	$495.24	N/A	N/A
6	Space Force	Female	$351.12	$501.60	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5D. Cash Clothing Replacement Allowances - Effective May 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$381.07	$544.38	N/A	N/A
2		Female	$388.86	$555.52	N/A	N/A
3	Navy (Note 1)	Male	$381.6	$543.60	$716.40	$129.00 (Note 2)
4		Female	$374.40	$532.80	$702.00	$126.36 (Note 2)
5	Air Force/	Male	$371.43	$530.62	N/A	N/A
6	Space Force	Female	$378.92	$541.32	N/A	N/A
7	Marine Corps	Male	$571.56	$816.48	N/A	N/A
8		Female	$562.80	$803.52	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-5E. Cash Clothing Replacement Allowances - Effective October 1, 2024
For the most current rates, see the Cash Clothing Replacement Allowances table on DFAS.MIL.

RULE	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is	and the value of the Reserve Special Cash Clothing Replacement Allowance is 18% of the previous column
1	Army	Male	$403.07	$575.82	N/A	N/A
2		Female	$401.41	$573.45	N/A	N/A
3	Navy (Note 1)	Male	$392.40	$561.60	$745.20	$134.14 (Note 2)
4		Female	$399.60	$568.80	$727.20	$130.90 (Note 2)
5	Air Force/	Male	$397.20	$567.48	N/A	N/A
6	Space Force	Female	$408.00	$582.96	N/A	N/A
7	Marine Corps	Male	$601.44	$858.96	N/A	N/A
8		Female	$610.20	$869.04	N/A	N/A

NOTES:

1. Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive special cash clothing replacement allowances as follow-on to the special initial clothing allowances.
2. Reserve Chief Petty Officers will receive 18 percent of the Active-Duty Special Cash Clothing Replacement Allowance. This allowance will be paid annually during the anniversary month of the qualifying member.

*Table 29-6A. Navy Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$220.00	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$220.00	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$220.00	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$220.00	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$220.00	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$220.00	
7	the USS CONSTITUTION	$220.00	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$220.00	
9	duty with Naval Administrative Unit, Washington, DC	$125.00	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$120.00	
11	a unit of the Armed Forces police or permanent shore patrol	$50.00	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$15.00	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$15.00	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$472.84	once in 3 years.

Table 29-6A. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2022

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active-duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members assigned to the Bureau of Naval Personnel controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

*Table 29-6B. Navy Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$225.28	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$225.28	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$225.28	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$225.28	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$225.28	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$225.28	
7	the USS CONSTITUTION	$225.28	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$225.28	
9	duty with Naval Administrative Unit, Washington, DC	$128.04	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$122.88	
11	a unit of the Armed Forces police or permanent shore patrol	$51.20	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$15.36	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$15.36	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$435.88	once in 3 years.

Table 29-6B. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2023

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active-duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members assigned to the Bureau of Naval Personnel controlled recruiting billets or a recruit support billet upon initial assignment when specialized training is not required prior to the recruiting assignment.

*Table 29-6C. Navy Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Navy Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Navy enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$275.14	annual.
2	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 2)	$275.14	
3	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 2)	$275.14	
4	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$275.14	
5	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$275.14	
6	assigned to a recruiting billet or a recruiting support billet (Note 3)	$275.14	
7	the USS CONSTITUTION	$275.14	only upon assignment.
8	the U.S. Navy Ceremonial Guard	$275.14	
9	duty with Naval Administrative Unit, Washington, DC	$156.20	
10	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$149.30	
11	a unit of the Armed Forces police or permanent shore patrol	$62.46	
12	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$18.74	
13	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$18.74	
14	active-duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$502.55	once in 3 years.

Table 29-6C. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2024

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.
2. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.
3. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members in Bureau of Personnel controlled recruiting billets or a recruit support billet upon initial assignment, when specialized training is not required prior to the recruiting assignment.

*Table 29-7A. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$288.52	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$288.49	
3	duty as a Military Training Leader (Technical Training Schools)	$288.49	
4	duty as a professional military education instructor	$288.49	
5	duty as a basic military training instructor or manager	$288.49	
6	duty as an in-flight passenger service steward	$224.84	
7	Detachment 1, 4950th Test Wing	$224.84	
8	89th Air Wing Presidential Aircrew	$224.84	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$224.84	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$224.84	
11	a military entrance processing station	$186.65	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$177.35	
13	89th Air Wing as a member of the security police	$152.64	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$288.52	only upon assignment.
15	represent the Air Force as one of the 12 Outstanding Airmen of the Year	$288.52	
16	Hammer Ace	$224.89	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$152.64	
18	duty at a Major Command as a member of the security police Elite Guard	$152.64	
19	duty as a member of the security police Elite Gate Guards	$152.64	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$123.05	

*Table 29-7A. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2022

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$411.56	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$224.89	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$186.69	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$148.50	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-7B. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$295.44	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$295.41	
3	duty as a Military Training Leader (Technical Training Schools)	$295.41	
4	duty as a professional military education instructor	$295.41	
5	duty as a basic military training instructor or manager	$295.41	
6	duty as an in-flight passenger service steward	$230.24	
7	Detachment 1, 4950th Test Wing	$230.24	
8	89th Air Wing Presidential Aircrew	$230.24	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$230.24	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$230.24	
11	a military entrance processing station	$191.03	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$181.61	
13	89th Air Wing as a member of the security police	$156.30	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$295.44	only upon assignment.
15	represent the Air Force as one of the 12 Outstanding Airmen of the Year	$295.44	
16	Hammer Ace	$230.29	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$156.30	
18	duty at a Major Command as a member of the security police Elite Guard	$156.30	
19	duty as a member of the security police Elite Gate Guards	$156.30	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$126.00	

*Table 29-7B. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2023

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$421.44	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$230.29	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$191.17	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$152.06	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-7C. Air Force and Space Force Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Air Force and Space Force Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	a recruiting group or squadron	$301.94	annual.
2	duty as the Chief Master Sergeant of the Air Force and Space Force	$301.91	
3	duty as a Military Training Leader (Technical Training Schools)	$301.91	
4	duty as a professional military education instructor	$301.91	
5	duty as a basic military training instructor or manager	$301.91	
6	duty as an in-flight passenger service steward	$235.30	
7	Detachment 1, 4950th Test Wing	$235.30	
8	89th Air Wing Presidential Aircrew	$235.30	
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$235.30	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$235.30	
11	a military entrance processing station	$195.23	
12	USAF Honor Guard (Air Force Specialty Code 8G000)	$185.60	
13	89th Air Wing as a member of the security police	$159.74	
14	duty as the Chief Master Sergeant of the Air Force and Space Force Staff	$301.94	only upon assignment.
15	represent the Air Force as one of the Outstanding Airmen of the Year	$301.94	
16	Hammer Ace	$235.36	
17	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$159.74	
18	duty at a Major Command as a member of the security police Elite Guard	$159.74	
19	duty as a member of the security police Elite Gate Guards	$159.74	
20	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$128.77	

*Table 29-7C. Air Force and Space Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2024

RULE	When an Air Force enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
21	active-duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$430.71	once in 3 years.
22	The U.S. Air Force Band, The U.S. Air Force Academy Band, or a regional Air Force Band	$235.36	
23	duty as a U.S. Air Force Academy radio maintenance work center technician	$195.37	
24	active-duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g., hospital workers, Note 2)	$155.40	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-8A. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2022
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$56.99	only upon assignment.
2	female SNCO white skirt (note 2)	$69.99	
3	female SNCO white slacks (note 2)	$56.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,425.13	
5	duty as a female student at the Naval Academy Preparatory School	$1,444.11	
6	Sergeant Major of the Marine Corps	$263.90	
7	Recruiter (Vinyl Cover) (note 3)	$148.00	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-8B. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2023
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$61.99	only upon assignment.
2	female SNCO white skirt (note 2)	$73.99	
3	female SNCO white slacks (note 2)	$65.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,457.28	
5	duty as a female student at the Naval Academy Preparatory School	$1,482.23	
6	Sergeant Major of the Marine Corps	$280.90	
7	Recruiter (Vinyl Cover) (note 3)	$148.00	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-8C. Marine Corps Supplementary Clothing Allowances - Effective October 1, 2024
For the most current rates, see the Marine Corps Supplementary Clothing Allowances table on DFAS.MIL.

RULE	When a Marine Corps enlisted member is assigned to	then the Supplementary Clothing Allowance to be paid in cash is	and the frequency of payment is (Note 1)
1	male Staff Non-Commissioned Officer (SNCO) white trousers (note 2)	$61.99	only upon assignment.
2	female SNCO white skirt (note 2)	$73.99	
3	female SNCO white slacks (note 2)	$65.99	
4	duty as a male student at the Naval Academy Preparatory School	$1,489.86	
5	duty as a female student at the Naval Academy Preparatory School	$1,514.83	
6	Sergeant Major of the Marine Corps	$287.08	
7	Recruiter (Vinyl Cover) (note 3)	$151.25	
8	Female Marine (Pumps) Allowance (note 4)	$50.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment, provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active-duty within 1 year, except by special authority of the Service Secretary or designee.
2. This allowance is for Staff Non-commissioned officers (SNCO) that are required to wear the white skirt, slacks and/or Trousers and is authorized once every 3 years.
3. The Recruiter Commercial Vinyl Cover Allowance is for the commercial vinyl cap that recruiters are required to wear with their uniforms. A replacement is authorized once every 3 years for those who previously received a one-time automatic payment of this allowance and who are currently assigned to a specific recruiter billet military occupational specialty.
4. Female Marines are authorized a replacement, once every 3 years to purchase commercial black pump dress shoes. For Active-Duty, commercial black pump shoe allowance will be added to the Clothing Replacement Allowance Monthly Amount. For Reservists, the replacement In-kind allowance will need to be reported by the units' admin sections once every 3 years.

*Table 29-9A. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2022
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,171.80
2	permanent duty annual replacement payment	$391.32
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$391.32
4	temporary duty of at least 30 days in a 36-month period	$781.20

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

*Table 29-9B. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2023
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,200.24
2	permanent duty annual replacement payment	$401.04
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$401.04
4	temporary duty of at least 30 days in a 36-month period	$800.28

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

*Table 29-9C. Civilian Clothing Allowances for Officer and Enlisted Members - Effective October 1, 2024
For the most current rates, see the Civilian Clothing Allowances for Officer and Enlisted table on DFAS.MIL.

RULE	When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	then the amount of payment is (Notes 1 and 2)
1	permanent duty initial payment	$1,226.88
2	permanent duty annual replacement payment	$410.04
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$410.04
4	temporary duty of at least 30 days in a 36-month period	$817.92

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable, for all temporary duty performed in any 36-month period, will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum temporary duty civilian clothing allowance for 30 days upon their initial temporary duty travel requirement.

Table 29-10. Settlement of Cash Clothing Allowances
(See Note)

RULE	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Air Force and Space Force	Marine Corps		
1	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X			completed 6 months of active-duty (Note)	settle balance of allowance due.
2	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X	X		drawn clothing equaling or exceeding the allowance	settle amount, collect amount due from member, if appropriate.
3	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance			X		completed 30 days of active-duty (Note)	settle balance of allowance due.
4	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X			completed recruit training	settle balance of allowance due.

Table 29-10. Settlement of Cash Clothing Allowances (Continued)

RULE	When member is entitled to	and is a member of the				and has	then
		Army	Navy	Air Force and Space Force	Marine Corps		
5	a standard initial clothing allowance, a reduced or partial standard initial clothing allowance		X	X		reenlisted in the same branch of the Regular Service subsequent to expiration of 3 months from the date of last discharge or release from active-duty	pay or credit amount authorized immediately.
6	a special initial clothing allowance or a reduced or partial special initial clothing allowance		X	X			pay or credit amount authorized immediately.
7	an initial cash allowance for personal purchase of specified items	X	X	X	X	established entitlement to an initial clothing allowance	pay or credit amount authorized immediately.
8	a civilian clothing allowance	X	X	X	X		pay or credit amount authorized immediately.

NOTE:

On discharge, release from active-duty, or death, before completion of 6 months of active-duty (Navy), or 30 days (Air Force and Space Force), reduce the monetary clothing allowance to amount of clothing already supplied.

*REFERENCES

CHAPTER 29—CLOTHING MONETARY ALLOWANCES

1.0 – GENERAL

1.1	37 U.S.C. § 418

2.0 – CLOTHING ALLOWANCE ENTITLEMENT

	37 U.S.C. § 418
	DoD Directive 1338.05, January 12, 2005
	DoD Instruction (DoDI) 1338.18, January 7, 1998
	Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, April 18, 2008

3.0 – INITIAL CLOTHING ALLOWANCES

3.4.2	Department of the Navy Chief of Naval Operations Memo, March 12, 2002
3.5	Air Force Instructions 36-3012, August 2019, paragraph 6.3.7

4.0 – CASH CLOTHING REPLACEMENT ALLOWANCES

4.2.1.	DoDI 1338.18, January 7, 1998, paragraph 5.3.2
4.3.1.	DoDI 1338.18, January 7, 1998, paragraph 5.3.3

5.0 – EXTRA CLOTHING ALLOWANCES

5.2	Assistant Secretary of Defense – Force Management & Personnel Memo, March 31, 1998
	OUSD (P&R) Memo, March 25, 2003
5.3	37 U.S.C. § 419

6.0 – MISCELLANEOUS CLOTHING PROVISION

6.2	DoDI 1338.18, January 7, 1998, paragraph 5.1.7

*REFERENCES (Continued)

Table 29-1A – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2022
Department of the Army Office of the Deputy Chief of Staff G-4 Memo, November 1, 2022
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 26, 2022

Table 29-1B – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2023
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023
Department of the Air Force AF/A1 Memo, September 8, 2023

Table 29-1C – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-1D – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, April 22, 2024

Table 29-1E – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, August 22, 2024
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024
Department of the Air Force AF/A1 Memo, October 1, 2024

Table 29-2A – NAVY SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

*REFERENCES (Continued)

Table 29-2B – NAVY SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023

Table 29-2C – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-2D – STANDARD INITIAL CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, October 1, 2024

Table 29-3A – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo, September 26, 2022

Table 29-3B – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo, September 8, 2023

Table 29-3C – AIR FORCE AND SPACE FORCE SPECIAL INITIAL CLOTHING ALLOWANCE

Department of the Air Force AF/A1 Memo, October 1, 2024

Table 29-4 – ENTITLEMENT TO CASH CLOTHING REPLACEMENT ALLOWANCES

DoDI 1338.18, January 7, 1998

*REFERENCES (Continued)

Table 29-5A – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2022
Department of the Army Office of the Deputy Chief of Staff G-4 Memo, November 1, 2022
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 26, 2022

Table 29-5B – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, September 7, 2023
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022
Department of the Air Force AF/A1 Memo, September 8, 2022

Table 29-5C – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, March 24, 2024

Table 29-5D – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, April 22, 2024

Table 29-5E – CASH CLOTHING REPLACEMENT ALLOWANCES

Department of the Army Office of the Deputy Chief of Staff G-4 Memo, August 22, 2024
Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024
Department of the Air Force AF/A1 Memo, October 1, 2024

*REFERENCES (Continued)

Table 29-6A – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

Table 29-6B – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023

Table 29-6C – NAVY SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 24, 2024

Table 29-7A – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF-A1 Memo, September 26, 2022

Table 29-7B – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, September 8, 2023

Table 29-7C – AIR FORCE AND SPACE FORCE SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Air Force AF/A1 Memo, October 1, 2024

Rule 15 — Department of the Air Force AF/A1 Memo, February 7, 2025

Table 29-8A – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 30, 2022

Table 29-8B – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary Manpower and Reserve Affairs Memo, September 29, 2023

*REFERENCES (Continued)

Table 29-8C – MARINE CORPS SUPPLEMENTARY CLOTHING ALLOWANCES

Department of the Navy Office of the Assistant Secretary
Manpower and Reserve Affairs Memo, September 24, 2024

Table 29-9A – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 29, 2022

Table 29-9B – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 28, 2023

Table 29-9C – CIVILIAN CLOTHING ALLOWANCES FOR OFFICER AND ENLISTED MEMBERS

DoDI 1338.18, January 7, 1998
Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, October 1, 2024

Table 29-10 – SETTLEMENT OF CASH CLOTHING ALLOWANCES

DoDI 1338.18, January 7, 1998

VOLUME 7A, CHAPTER 30: "OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.3	Extended authorization date to September 30, 2025, per Public Law 118-31, section 628.	Revision
References	Updated to reflect current statutes and other supporting references.	Revision

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CHAPTER 30

OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE

1.0 GENERAL

1.1 Purpose

In accordance with guidance contained in this chapter, officers of the Armed Forces of the United States may be entitled to an initial uniform allowance and/or an additional active-duty uniform allowance as reimbursement for the purchase of required uniforms and equipment.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code, sections 415, 416, and 417 (37 U.S.C. §§ ***415***, ***416***, and ***417***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INITIAL UNIFORM ALLOWANCE

2.1 General

Officers of the Armed Forces of the United States are entitled to an initial uniform allowance as provided in this section.

2.2 When Payable

2.2.1. Except as provided in subparagraph 2.2.2, the initial uniform allowance is payable only once to an officer upon:

2.2.1.1. First reporting for active duty (other than for training) for a period of more than 90 days. A member entering active duty as an officer in a Regular Component or upon Reserve Officer Training Corps (ROTC) graduation is considered to have entered into active duty for more than 90 days;

2.2.1.2. Completing at least 14 days of active duty or active duty for training as a member of a Reserve Component;

2.2.1.3. Completing 14 periods of inactive-duty training as a member of the Ready Reserve. Each period of inactive-duty training must be of at least 2 hours duration; or

2.2.1.4. Reporting for the first period of active duty required of a member of the Armed Forces Health Professions Scholarship Program.

2.2.2. In the case where a Reserve officer transfers to another Reserve Component that requires a different uniform, that Reserve officer may receive another initial uniform allowance.

2.3 Amount Payable

All officer personnel, commissioned or appointed in the Regular or Reserve Components of the Army, Navy, Air Force, and Marine Corps, are authorized $400 as reimbursement for the purchase of uniforms and equipment, regardless the source of commission or previous enlisted status.

2.4 Restrictions

2.4.1. If a member has received an initial uniform allowance in any amount as an officer, under conditions other than those listed in subparagraph 2.2.1, then the member cannot be entitled to the initial uniform allowance again.

2.4.2. Regular officers may not receive this allowance when transferring to another Military Service.

2.4.3. Only periods of duty that require wearing of the uniform are counted for entitlement to the initial uniform allowance.

2.4.4. An officer must be determined physically qualified for active duty before entitlement to an initial uniform allowance accrues.

3.0 ADDITIONAL ACTIVE-DUTY UNIFORM ALLOWANCE

3.1 General

Officers of Reserve Components, officers of the Army or Air Force of the United States without specification of component, and ROTC graduates appointed in the Regular Components are entitled to an additional active-duty uniform allowance as provided in this section.

3.2 When Payable

3.2.1. The additional active-duty uniform allowance is payable for each instance of entry or reentry into active duty, or active duty for training (including authorized travel time) for more than 90 days. The period served may be under orders specifying active duty for more than 90 days, or under two or more orders requiring a continuous period of more than 90 days active duty.

3.2.2. An officer commissioned in a Regular Component, upon ROTC graduation, accrues entitlement to the allowance on commencement of duty as a Regular officer. The officer is considered to have entered on active duty for more than 90 days.

3.3 Amount Payable

The additional active-duty uniform allowance is payable to qualified officers in the amount of $200, as reimbursement for the purchase of required uniforms and equipment.

3.4 Restrictions

3.4.1. The additional active-duty uniform allowance is not payable if the officer has received an initial uniform allowance of more than $400 during the current tour of active duty, or within 2 years prior to entering the current tour.

3.4.2. The additional active-duty uniform allowance is not payable when the tour of duty for which payment is being considered began within 2 years after the end of a previous period of active duty, or active duty for training, of more than 90 days. This applies whether or not a uniform allowance was paid for the previous tour of duty. It applies only if the prior service was performed as a Reserve officer, as an officer of the Army or Air Force of the United States without specification of component, or as a Regular officer commissioned upon ROTC.

3.4.3. An officer of a Reserve Component or of the Army or Air Force of the United States, without specification of component, is not due this allowance solely because of appointment in or transfer to the Army, Air Force, or another Reserve Component.

3.4.4. A Reserve officer ordered to an indefinite tour of active duty, or active duty for training, is not entitled to this allowance until the member completes more than 90 days of that tour.

3.4.5. Only periods of duty requiring the wearing of the uniform are counted for entitlement to the allowance prescribed in this paragraph.

3.4.6. To be entitled under this paragraph, an officer must be determined physically qualified for active duty.

3.5 Computation of 2-Year Period

Compute the 2-year period during which no active duty or active duty for training was performed as follows:

3.5.1. When an officer is ordered to active duty, or active duty for training, for a period of more than 90 days, the 2-year period begins on the day following the day of release from active duty or active duty for training.

Example 1: A Reserve officer was ordered to active duty for training under orders specifying a 92-day tour of duty to begin March 1, 2016, and to end May 31, 2016. The officer was released from active duty for training May 31, 2016. The 2-year period began on June 1, 2016. Entitlement to the next additional active duty

uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after June 1, 2018.

Example 2: If the officer in Example 1 served 35 days of a tour of active duty under orders specifying duty of more than 90 days and was released from active duty for training April 4, 2016, then the 2-year period started April 5, 2016. Entitlement to the next additional active-duty uniform allowance accrues if the officer is called to active duty, or active duty for training for a period of more than 90 days, on or after April 5, 2018. Refund of allowance or any portion thereof is not required since entitlement was based on reporting for active duty for a period of more than 90 days.

3.5.2. When an officer is ordered to active duty for training for an indefinite period, and serves more than 90 days, the 2-year period begins on the day following the day of release from active duty.

Example 1: A Reserve officer was ordered to active duty for training for an indefinite period to begin March 1, 2016. The officer was released from active duty July 1, 2016. On the 91st day of duty (May 30, 2016), the officer was entitled to the allowance as of the first day of duty (March 1, 2016) if other conditions of entitlement were met. The 2-year period starts July 2, 2016. Entitlement to the next additional active-duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after July 2, 2018.

Example 2: If the Reserve officer in Example 1 (subparagraph 3.5.2) was released from active duty on April 4, 2016, after serving only 35 days, then the officer would not be entitled to the additional active-duty uniform allowance for that period of active duty for training.

3.5.3. When an officer is separated from a Regular Component and is later appointed as an officer in a Reserve Component and ordered to active duty, or active duty for training, for more than 90 days, the 2-year period restriction in subparagraph 3.4.2 does not apply. Exception: Regular officers appointed upon completion of ROTC training after October 12, 1994, are subject to the 2-year restriction.

Example: An officer was separated from a Regular Component on June 30, 2016, and was appointed an officer in a Reserve Component on July 1, 2016. The member reported for active duty for more than 90 days on May 1, 2018. The member was entitled to the additional active-duty uniform allowance when reporting on the present tour of active duty, since the previous tour was as a Regular officer.

4.0 DETERMINATIONS

4.1 First Time Reporting for Active Duty and Allowances

An officer reporting for active duty for the first time, who meets the requirements for entitlement to the initial uniform allowance and the additional active-duty uniform allowance, is entitled to receive both allowances subject to the restrictions of paragraphs 2.4 and 3.4.

4.2 Received Initial Uniform Allowance

An officer who receives, or has previously received, an initial uniform allowance as an officer, under any conditions other than those listed in subparagraph 2.2.1, is not eligible to receive the initial uniform allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component.

4.3 Reserve Officers' Uniform Allowance Entitlements

A Reserve officer who receives, or has previously received, an initial uniform allowance, under the conditions listed in subparagraph 2.2.1, and again qualifies for the initial uniform allowance and/or the additional active-duty uniform allowance by meeting the basic requirements, is eligible to receive the initial and/or the additional allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component, if the wearing of a different uniform is required.

4.4 Reserve Officers' Additional Allowance Entitlement

If otherwise eligible, a Reserve officer is entitled to be paid the additional active-duty uniform allowance, even if the member has not received an initial uniform allowance.

5.0 CIVILIAN CLOTHING MONETARY ALLOWANCE

5.1 Officers' Civilian Clothing Allowance

Officers assigned to a permanent duty station outside the United States, who are required to wear civilian clothing all or a substantial portion of the time in the performance of official duty, may be authorized an allowance for civilian clothing.

5.2 Entitlement and Rate for Civilian Clothing Allowance

Entitlement criteria for civilian clothing allowances are specified in Chapter 29, paragraph 5.3 and allowance rates are at ***DFAS.MIL***.

6.0 ONE-TIME UNIFORM ALLOWANCE FOR OFFICERS WHO TRANSFER TO THE SPACE FORCE.

6.1 General

The Secretary of the Air Force may provide an officer who transfers from the Army, Navy, Air Force, or Marine Corps to the Space Force an allowance of not more than $400 as reimbursement for the purchase of required uniforms and equipment.

6.2 Relationship to Other Allowances

The allowance under this section is in addition to any allowance available under any other provision of law.

*6.3 When Payable

The authority for an allowance under this section shall apply with respect to any officer described in paragraph 6.1 who transfers to the Space Force:

6.3.1. During the period beginning on December 20, 2019, and ending on September 30, 2025; and

6.3.2. On or after the date the Secretary of the Air Force prescribes the official uniform for the Space Force.

*REFERENCES

CHAPTER 30 – OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE

2.0 – INITIAL UNIFORM ALLOWANCE

2.2	37 U.S.C. § 415(a)
2.2.2.	37 U.S.C. § 417(b)
2.3	37 U.S.C. § 415(a)
2.4.1.	37 U.S.C. § 415(b)
2.4.3	37 U.S.C. § 417(c)
2.4.4.	33 Comptroller General (Comp Gen) 250

3.0 – ADDITIONAL ACTIVE-DUTY UNIFORM ALLOWANCE

3.2.1.	33 Comp Gen 250
3.3	37 U.S.C. § 416(a)
3.4.1.	37 U.S.C. § 416(b)
3.4.2.	43 Comp Gen 265
3.4.4.	33 Comp Gen 242
3.4.5.	37 U.S.C. § 417(c)
3.5	42 Comp Gen 550

4.0 – DETERMINATIONS

4.3	37 U.S.C. § 417(b)
4.4	43 Comp Gen 729

5.0 – CIVILIAN CLOTHING MONETARY ALLOWANCE

37 U.S.C. § 419

6.0 – ONE-TIME UNIFORM ALLOWANCE FOR OFFICERS WHO TRANSFER TO THE SPACE FORCE

Public Law 116-283 § 606
Public Law 117-263 § 616
Public Law 118-31 § 628

VOLUME 7A, CHAPTER 31: "PERSONAL MONEY ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Deleted statutes and supporting references no longer applicable.	Deletion

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CHAPTER 31

PERSONAL MONEY ALLOWANCE

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to Personal Money Allowance.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Officers

Officers, in the capacities listed in Table 31-1 (Personal Money Allowance - Amounts Payable) who are entitled to receive basic pay are also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

2.2 Enlisted Members

An enlisted member serving as the Senior Enlisted member of his or her Military Service is also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

3.0 MONTHLY AMOUNTS PAYABLE

See Table 31-1.

4.0 TAXABILITY AND WITHHOLDING TAX

Personal Money Allowance is subject to federal and state income tax withholding.

Table 31-1. Personal Money Allowance — Amounts Payable

RULE	If the member is serving	then the annual amount payable is	and is paid monthly at the rate of
1	as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force, Chief of Naval Operations, Commandant of the Marine Corps, Chief of Space Operations, Commandant of the Coast Guard, or Chief of the National Guard Bureau (note 1)	$4,000 (note 2)	$333.33
2	as a senior member of the Military Staff Committee of the United Nations and entitled to the grade, pay, and allowances of a lieutenant general or vice admiral (note 1)	$2,200 plus $500 authorized in rule 4	$225.00
3	in the grade of general or admiral	$2,200	$183.33
4	in the grade of lieutenant general or vice admiral	$500	$41.67
5	as the Senior Enlisted Advisor to the Chairman of the Joint Chiefs of Staff, Sergeant Major of the Army, the Master Chief Petty Officer of the Navy, the Chief Master Sergeant of the Air Force, the Sergeant Major of the Marine Corps, the Senior Enlisted Advisor of the Space Force, the Master Chief Petty Officer of the Coast Guard, or the Senior Enlisted Advisor to the Chief of the National Guard Bureau (note 1)	$2,000	$166.67

NOTES:

1. This allowance is based on a specific duty assignment, and it does not accrue before the date member starts or after the date member is released from such duty assignment.
2. This amount is in place of any other Personal Money Allowance authorized.

*REFERENCES

CHAPTER 31 – PERSONAL MONEY ALLOWANCE

2.0 – ENTITLEMENT

37 U.S.C., sections 413-414

4.0 – TAXABILITY AND WITHHOLDING TAX

Title 26, Code of Federal Regulations (CFR), section 1.62-2
26 CFR § 31.3401(a)-1
31 CFR § 215.8

Table 31-1 37 U.S.C. §§ 413-414

VOLUME 7A, CHAPTER 32: "ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

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CHAPTER 32

ADVANCE, LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAY

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to advance, local, partial, and emergency partial pay for members of the active and reserve components.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADVANCE PAYMENTS

2.1 Advance Pay for Permanent Change of Station (PCS)

2.1.1. Commander's Responsibility. The member's commander has a responsibility to ensure that the advance of pay is used only to help with the financial burden of a PCS.

2.1.1.1. This financial burden can be complicated when a member files for bankruptcy. Commanders should be aware that if a member has filed for bankruptcy and then makes a request for an advance pay, some bankruptcy court jurisdictions hold that a creditor does not have the authority to recoup any post-petition debt, including advance pay, without permission from the bankruptcy court. This is true in cases when a member has filed a Chapter 13 bankruptcy.

2.1.1.2. In such instances, the government may not be able to collect any amount of the advance pay unless the Defense Finance and Accounting Service (DFAS) receives approval from the court or after the bankruptcy is discharged or terminated. Additionally, in situations when DFAS has withheld funds for repayment of the advanced pay, DFAS may have to return the funds to the member. Accordingly, commanders should approach such advance pay requests fully aware that the government may not be able to collect the advance pay from the member, even though the advanced pay may have been issued after the member filed for bankruptcy.

2.1.2. Entitlement. The eligibility and amounts payable are contained in Table 32-1.

2.1.3. Repayment. Advances are repaid per Table 32-2.

2.1.4. Effect on Allotments. Do not pay an advance of pay in an amount that will require the stoppage of allotments for insurance or support of dependents. No allotment may be started after the advance is made if that allotment would prevent repayment of the advance of pay within

the allowed period. If the separation of a member from the Service is imminent, then stop all allotments necessary to collect the advance.

2.2 Advance of Pay and Allowances

An advance of pay is to ease hardships imposed by the lack of regular payments when a member is mobilized, ordered to duty at a distant station, or deployed aboard ship for more than 30 days.

2.2.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1.

2.2.2. Repayment. These advances are repaid per Table 32-2.

2.3 Advance Pay for Assignment of 1 Year or More to Hazardous Duty Pay Area

2.3.1. Entitlement. A member may be paid an advance of basic pay not to exceed 3 months less deductions. The conditions and amounts payable are contained in Table 32-1, rule 3.

2.3.2. Repayment. This advance is repaid based on Table 32-2, rule 11. However, advance pays not fully collected prior to the death of a member will not be collected against the estate of a deceased member.

2.4 Advance Pay When Ordered to Indoctrination Center

2.4.1. Entitlement. A member may be paid an advance of basic pay not to exceed 15 days. The conditions and amounts payable are contained in Table 32-1, rule 4.

2.4.2. Repayment. Collect the advance in full from the member's next available payday.

2.5 Advance of Basic Allowance for Subsistence (BAS)

2.5.1. Entitlement. An enlisted member may be paid an advance of BAS not to exceed 3 months if the member is entitled to BAS and the Commanding Officer (CO) authorizes the payment following a determination that it is necessary. Individual Military Service regulations may limit BAS advances to less than 3 months.

2.5.2. Repayment. This advance is repaid based on Table 32-2, rule 12.

2.6 Advance Pay Upon Evacuation of Members or Dependents

The purpose of this advance is to give funds to evacuated members or dependents to cover costs of travel, food, and other needs.

2.6.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1, rule 5.

2.6.2. Repayment. The advances are repaid per Table 32-2, rule 13.

2.7 Advance of Allotment(s) to Dependents

The purpose of this advance payment is to allow a member to be paid the amount of an allotment(s) to dependent(s) if the member is assigned or scheduled for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States and the allotment(s) is made by the member not more than 60 days before the scheduled date of the assignment of the member to this duty.

2.7.1. Entitlement. The eligibility and amounts payable are contained in Table 32-1, rule 6.

2.7.2. Repayment. This advance is repaid per Table 32-2, rule 14.

2.8 Advance Pay for Members of the Armed Forces Health Professions Scholarship Program (AFHPSP) on Active Duty

2.8.1. Entitlement. An advance of pay, not to exceed basic pay for 1 month, may be paid to a member of the AFHPSP when reporting for the annual 45-day active-duty tour.

2.8.2. Repayment. Collect the advance in full by the end of the 45-day active-duty tour.

2.9 Advance of Housing Allowances

An advance of Basic Allowances for Housing and overseas housing allowance may be authorized under the terms and conditions in Chapter 26.

2.10 Advance Pay for Senior Reserve Officer Training Corps (SROTC) Cadets and Midshipmen Ordered to Field Training or Practice Cruises

2.10.1. Entitlement. An advance of pay, not to exceed the entitlement for 1 month, or the amount the SROTC member will accrue for the training, whichever is less, may be paid to an SROTC member who is ordered to perform field training or a practice cruise.

2.10.2. Repayment. Collect the advance in full from the member's field training or practice cruise entitlement.

2.11 Military Paydays

2.11.1. Payday is the first calendar day of the month after the month in which the entitlement was earned.

2.11.2. Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays

recognized abroad by U.S. Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or federal legal holiday.

2.11.3. For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

3.0 LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAYMENTS

3.1 Local and Partial Payments

Local and partial payments are authorized only for overseas areas where on-base military banking facilities are not readily available. Exceptions may be granted for members assigned to classified or contingency operations where the exigencies of their assignments may require local cash or partial payments. In this circumstance, the member's commander may authorize immediate cash payments up to the amount of accrued entitlement to date, when deemed appropriate to the mission (see Table 32-3).

3.2 Emergency Partial Payment

3.2.1. For members residing or assigned within the United States (including Alaska and Hawaii), this is a payment deemed time sensitive and required within 24 hours due to an unforeseen set of circumstances or the resulting state that calls for immediate action (see Table 32-3). Payment will be made in an expeditious manner, e.g., Direct Deposit or check payment. The supporting DFAS site may be able to affect overnight Electronic Funds Transfer (EFT) payment if circumstances warrant.

3.2.2. The member's commander, in coordination with the supporting finance office, may authorize emergency payments, up to the amount of accrued entitlement to date in the following circumstances:

3.2.2.1. Emergency pay and allowances earned to date as reflected on the member's pay account, when no pay was received on a regular payday or when there is a major medical emergency or death in the member's immediate family and payment is needed within 24 hours;

3.2.2.2. Emergency travel advance, when a traveler does not have a government travel charge card;

3.2.2.3. Discharge gratuity (as required by Chapter 35, Table 35-6), when payment is needed within 24 hours;

3.2.2.4. Payment of military death gratuity benefit to a beneficiary, when payment is needed within 24 hours;

3.2.2.5. Payment to military member of advance pay and allowances and/or evacuation allowance, when dependents must be evacuated as a result of a natural disaster or life-threatening situations; or

3.2.2.6. Payment to dependents, when forfeiture of pay and allowances is waived under conditions defined in Chapter 48, subparagraph 4.7.3.

Table 32-1. Advance Payments - Eligibility and Amounts Payable

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
1	a PCS move, to include (note 2): a. between stations; b. to new station upon reenlistment (following a break in service); c. commencement of active duty by newly commissioned regular officer; d. change of home port; e. Reserve forces member in receipt of orders to active duty of 140 days or more; or f. extended active duty (Reserve or retired members)	the member signs a form confirming that the intended use of the funds is for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the Noncommissioned Officer (NCO) Academy) for grades E-3 and below (except as more restrictively prescribed in regulations of the Military Service concerned)	advance of basic pay	of 1 month of basic pay, less deductions (note 3)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 4) (note 5).
2	a PCS move, to include (note 2): a. between stations; b. to new station upon reenlistment (following a break in service); c. commencement of active duty by newly commissioned regular officer; d. change of home port; e. Reserve forces member in receipt of orders to active duty of 140 days or more; or f.extended active duty (Reserve or retired members)	the member signs a form confirming that the intended use of the funds is for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)	advance of basic pay	not to exceed 3 months of basic pay, less deductions, if warranted and justified (notes 3 and 6)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 4) (note 5).

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
3	assignment for duty (permanent or temporary) for 1 year or more (or extended beyond 1 year) to an area where the member would receive hazardous duty pay under Title 37, U.S.C., section 351		the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)	advance of basic pay	of 1 month of basic pay, not to exceed 3 months, less deductions (notes 3 and 7)	to member's financial institution (note 8).
4	a training or indoctrination center on induction or enlistment		the center commander (including enlisted commandant of the NCO academy)	advance of basic pay	not to exceed 15 days of basic pay (notes 9 and 10)	advances will be deposited, via Direct Deposit/EFT to the basic trainee's account at the designated financial institution.
5	evacuation of member or dependents from a place outside the United States or other place as the Secretary of Defense designates (note 11)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official		advance of basic pay, payable to the member or to the member's dependents, in one or more installments	as designated by the member, in a total amount of not more than 2 months of basic pay (net of any forfeiture and Montgomery G.I. Bill; no other deduction considered)	as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
6	assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 12)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official blank		advance of an allotment(s) for dependent(s)	equal to amount of the allotment(s) for 1 month (note 13)	as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.
7	the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304,12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712	has reported for duty but cannot be paid pay and allowances due within 14 days of reporting for that duty	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	not to exceed 3 months of pay and allowances less deductions (notes 3 and 4)	to member's financial institution or mailed from DFAS central site to an address.
8	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	of not more than 3 months of basic pay and allowances, less deductions (note 3)	to member's financial institution or mailed from DFAS central site to an address.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A member in receipt of orders for (to)	and	when approved in writing by	may be paid an	in an amount	to be paid by the supporting DFAS site (note 1)
9	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	of not more than 3 months of basic pay and allowances, less deductions, when approved by: Army or Air Force-Major Command; Navy-Office of Comptroller; USMC-Commandant of the Marine Corps (note 3)	to member's financial institution or mailed from DFAS central site to an address.
10	deployment aboard ship for more than 30 days (Navy-Marine Corps only)	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy.)	advance of pay and allowances	of not more than the basic pay (plus submarine and sea duty pay for members attached to submarines) and allowances that will accrue during the period of deployment, less deductions (note 3).	to member's financial institution or mailed from supporting DFAS site to an address.

NOTES:

1. For emergency payment exceptions, see paragraph 3.2.
2. Temporary duty enroute does not preclude payment. An advance payment for a PCS move in the same geographical area of the member's prior duty station or home port, or place from which ordered to active duty, is authorized only when movement of the member's household at government expense is authorized per JTR, Chapter 5, Part C.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

NOTES (Continued):

3. Deductions:
   a. For advance pay computation (rules 1 and 2), the following deductions will be made:
      1. Forfeitures;
      2. Montgomery G.I. Bill;
      3. Federal/state income tax;
      4. Federal Insurance Contribution Act;
      5. Servicemembers Group Life Insurance;
      6. Armed Forces Retirement Home;
      7. Dependent Dental Plan;
      8. TRICARE;
      9. Monthly repayment of a prior advance;
      10. Indebtedness to the United States or its instrumentalities, whether scheduled (monthly debt installment) or unscheduled (one-time collection);
      11. Garnishments;
      12. Statutorily required support allotments in force;
      13. Court-ordered bankruptcy payments; and
      14. Thrift Savings Plan (TSP) (basic pay designation only).
   b. For advance of pay and allowances computation (rules 6, 7, 8, 9), include total of all allotments in force and TSP designations, i.e., special pays, incentive pays, and bonuses (if paid monthly).
4. The "30-day window" may be expanded to not exceed 90 days prior, and the "60-day window" may be expanded to not exceed 180 days after, when justified for extenuating circumstances and approved by the member's commander (including enlisted commandant of the NCO academy). The member must provide written justification indicating the specific circumstances requiring the early or late advance payment.
5. The request for an advance of pay must be made not later than 60 days after effective date of change or 60 days after vessel arrives at new home port/home yard, whichever is later.
6. The member must provide written justification clearly showing that accrual or anticipated out-of-pocket PCS expenses equal or exceed the amount of advance requested; requires written approval of the member's commander. The advance payment may be made in 1, 2, or 3 installments.
7. Upon request, the member will be granted an advance payment equaling 1 month of basic pay. The Secretary concerned, at his discretion, may grant a request for up to 2 or 3 months of advanced basic pay if member can justify financial hardship.
8. The member may request the advance at any time during the period of assignment. The earliest that the member may apply and receive the advance is the effective or start date of the assignment, as specified in the member's orders. This is generally when the member is authorized to begin travel to comply with the assignment order.
9. This advance is collected in full when the member receives their first regular pay.
10. For Army members only. Advances will be paid using Service's Stored Value Cards. An exception to the 15-day limit is authorized and an Army member may be advanced up to 21 days of basic pay for the purpose of paying the cost of round-trip travel to the member's home during annual holiday leave period (mid-December through early January). Collection of the advance will be made in the January processing cycle.
11. This advance is not payable for evacuation of individual dependents.
12. The advance payment may not be made more than 60 days before the scheduled date of the duty assignment.
13. Establish an allotment(s) for dependents in the member's pay record simultaneous to paying the advance.

Table 32-2. Repayment of Advances

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
1	advance(s) of pay incident to a PCS		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
2	advance(s) of pay incident to a PCS	when justified by the member that repayment within 12 months would create severe hardship (note 5)	the first day of the month following payment of advance(s)	the member's commander (including enlisted commandant of the NCO academy	1/24 of the amount(s) advanced each month for the next 24 months (notes 2, 3, 6, and 7).
3	advance(s) of pay incident to a PCS	member's separation is imminent (includes members unexpectedly forced to retire under the Selected Early Retirement Board (SERB) (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted separation advanced travel allowance (notes 9, and 10).
4	advance(s) of pay incident to a PCS	member's orders are revoked/ cancelled	immediately the outstanding balance in full.		
5	advance(s) of pay incident to a PCS	member dies	immediately the outstanding balance in full.		
6	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
7	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	duty ends earlier than expected			equal monthly installments of not less than 1/12 of the unliquidated amount advanced per month for 12 months (notes 2 and 3).

Table 32-2. Repayment of Advances (Continued)

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
8	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member's separation is imminent (includes members unexpectedly forced to retire under the SERB (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted advanced travel allowance (notes 9 and 10).
9	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member's orders are revoked/cancelled	immediately the outstanding balance in full.		
10	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)	member dies	immediately the outstanding balance in full.		
11	advance of basic pay when deployed in a combat zone for 1 year or more		the advance on the first day of the first month beginning on or after the date on which the member receives the advance pay		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 11, and 12).
12	advance of BAS (enlisted members)		the first day of the first month beginning after the payment of the advance		the amount of BAS accruing to the member's credit. If entitlement to BAS ends before repayment, then collect the balance due as an overpayment.
13	advance pay for evacuation of member or dependents		the first day of the month following payment of advance(s) (note 13)		1/12 of the amount(s) advanced (or remaining amounts if waiver applies) each month for the next 12 months (notes, 2, 11, 13, and 14).

Table 32-2. Repayment of Advances (Continued)

RULE	When a member was paid an	and	begin collecting (note 1)	and when approved in writing by	at the rate of
14	advance payment in the amount of an allotment(s) to dependents		the advance in the month following the month payment was made		1/6 of the amount(s) advanced each month for the next 6 months (notes 2 and 3).
15	advance because of a call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. §§ 688, 12301(a), 12302, 12304,12304(a), 12304(b), 12305, 12406; 10 U.S.C. Chapter 15; or 14 U.S.C. § 712		the advance on the first day of the month after the payment of the advance		1/3 of the amount advanced each month for 3 months, or at the rate needed to repay the advance by the scheduled termination date of the orders, whichever is earlier.

NOTES:

1. In unusual circumstances, the initiation of collection action may be delayed if the delay is approved by the Secretary of the Military Department concerned, or designee. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
2. Upon the member's request, repayment may be made in lump-sum or increased monthly amounts.
3. The repayment period will be scheduled to repay the advance before the member's expected date of separation. Repayment should be scheduled for completion before the start of a subsequent PCS move.
4. When executing PCS orders of less than 12 months, Reserve Component recipients of advance pay must accept a repayment schedule that provides for repayment by termination date of orders.
5. The member must provide written justification clearly showing that a 12-month repayment schedule would create severe financial hardship. The request must be approved in writing by the member's commander (including enlisted commandant of the NCO academy).
6. When request is disapproved, collection will be at the rate specified in rule 1.
7. When the repayment period is extended after the repayment schedule of less than 24 months is operating, repayment will be prorated per Military Service regulations, not to exceed the 24 months from the initial collection month.
8. If the member immediately reenlists, then repayment of the advance pay may be continued into the new enlistment. To extend repayment of an advance into retired pay, projected SERB retirees must submit a written request to extend repayment into retired pay that clearly demonstrates the circumstances of their hardship. The requests will be submitted via the member's chain of command to the Secretary of the Military Department concerned, or designee for a decision. If the request is approved, this approval document will be forwarded by the Service, as a part of the member packet, to DFAS Retired and Annuitant Pay to ensure the collection of the Advance pay.
9. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.

Table 32-2. Repayment of Advances (Continued)

NOTES (Continued):

10. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.
11. If a member is entitled to separation payment under 10 U.S.C. §§ 1174, 1174a, 1175, or 1175a and has a separation payment pending equal to or greater than the outstanding advance pay balance at separation, then the member may request that the repayment rate not be accelerated, and the existing rate continue. That portion of the advance not collected prior to separation will be deducted from the separation payment.
12. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
13. The estate of a deceased member will not be required to repay any portion of the advanced pay paid to the member that is not repaid before the death of the member.
14. The Secretary of the Military Service concerned is authorized to waive recovery of an advance of not more than basic pay for 1 month when such recovery would be against equity and good conscience or against the public interest.
15. The Secretary of the Military Service concerned is authorized to extend repayment period up to a 24-month schedule.

Table 32-3. Payment Procedures

RULE	If payment type is a/an	then the payment practice for Overseas Command is (note 1)	then the payment practice for Continental United States (includes Alaska and Hawaii) is
1	local partial payment (note 2)	to pay bonuses, annual special pays, separation pay, death gratuity, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents.	not authorized.
2	emergency partial payment	to pay bonuses, annual special pays, separation pay, death gratuity, unpaid pay and allowances, health and comfort, waiver of forfeitures for dependents.	no local payment is made (note 3).
3	advance PCS	paid centrally via Direct Deposit/EFT, all pay grades 1 month pay (E-3 and below with CO's approval), max 3 months pay (E-4 and above) with CO's approval.	paid centrally via Direct Deposit/EFT.
4	advance basic pay	not applicable	to pay not more than 15 days basic pay at training or indoctrination center or centrally via Direct Deposit/EFT as systems become available (see paragraph 2.4).
5	advance BAS	a maximum of 3 months entitlement (note 2).	paid centrally via Direct Deposit/EFT a maximum of 3 months entitlement (note 2).
6	advance dependent evacuation allowance	a maximum of 2 months entitlement (note 2).	to pay a maximum of 2 months of basic pay paid locally as an emergency partial payment.
7	advance for an AFHPSP participant	not applicable	to pay a maximum of 1 month of basic pay when reporting for 45 days active-duty tour; paid centrally via Direct Deposit/EFT.
8	advance for a person in the SROTC	not applicable	to pay 1 month entitlement or the amount the member will accrue for the training; paid centrally via Direct Deposit/EFT.
9	advance overseas housing allowance	to pay 1 year accrued allowances determined on the basis of housing expenses, and the authorized overseas housing allowance and interim housing allowance may be paid locally if required.	not applicable
10	advance basic allowance for housing	not applicable	paid centrally via Direct Deposit/EFT.
11	advance for mobilization deployment of a member	to pay centrally via Direct Deposit/EFT a maximum of 3 months pay.	paid centrally via Direct Deposit/EFT a maximum of 3 months pay.

Table 32-3. Payment Procedures (Continued)

RULE	If payment type is a/an	then the payment practice for Overseas Command is (note 1)	then the payment practice for Continental United States (includes Alaska and Hawaii) is
12	advance for shipboard deployment of a member	to pay all pay due for Navy and Marine Corps members centrally via Direct Deposit/EFT. Not applicable to Army and Air Force members.	not applicable
13	advance for distant duty	to pay centrally via Direct Deposit/EFT a maximum of 3 months basic pay and allowances.	not applicable

NOTES:

1. Payments may be paid locally when consistent with mission requirements and nonavailability of DoD military banking facilities.
2. Local payments are authorized with commander's approval.
3. Emergency partial payment may be made when approved by the member's commander and coordinated with the local finance office for the following circumstances:
   a. Pay and allowances earned to date on the Master Military Pay Account when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member;
   b. Emergency travel advance when the traveler does not have a government travel charge card;
   c. Discharge gratuity (as required by Chapter 35 Table 35-7);
   d. Payment of death gratuity benefit to beneficiary;
   e. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life-threatening situation; or
   f. Payment to dependents when a member's forfeiture is waived in favor of those dependents.

REFERENCES

CHAPTER 32 – ADVANCE, LOCAL, PARTIAL AND EMERGENCY PARTIAL PAY

2.0 – ADVANCE PAYMENTS (3202)

2.1	37 U.S.C. § 1006(a) DoD Instruction (DoDI) 1340.18, September 11, 2012, Incorporating Change 1, Effective April 20, 2020
2.2	37 U.S.C. § 1006(b)
2.3	37 U.S.C. § 212
2.5	37 U.S.C. § 402(c)
2.6	37 U.S.C. § 1006(c)
2.7	37 U.S.C. § 1006(a) (2)
2.8	37 U.S.C. § 1006(i)
2.9	5 U.S.C. § 6103 37 U.S.C. § 1006(h)
2.10	37 U.S.C. § 403(a)
2.11	37 U.S.C. § 1006(j)

Table 32-1

Rule 3	37 U.S.C. § 212
Rule 5	37 U.S.C. § 1006(c)
Note 13	37 U.S.C. § 212

Table 32-2

Rule 5	37 U.S.C. § 1006(c)
Rule 10	37 U.S.C. § 1006(c)
Rule 11	37 U.S.C. § 212
Rule 13	37 U.S.C. § 1006
Note 1 & 8	DoDI 1340.18, September 11, 2012, Incorporating Change 1, Effective April 20, 2020
Note 6	Comptroller General B-144839, December 13, 1966
Note 12	37 U.S.C. § 212(d)
Note 13	37 U.S.C. § 1006(c)

VOLUME 7A, CHAPTER 33: "PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 33

PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy for members entitled to active duty pay and allowances while serving on active duty even though mentally incapable of managing their own affairs. This includes miscellaneous payments authorized on separation from the Military Service. See Chapter 35, section 7.0.

1.2. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PAYMENT

The appointment of a guardian, trustee, or other legal representative is a prerequisite to payment. For the designation of trustee and payment offices, see Table 33-1.

3.0 MEMBER MENTALLY INCAPACITATED BEFORE ENTRY ON ACTIVE DUTY

When it is shown that a member was judicially declared mentally incapacitated before induction or enlistment, the member is not entitled to pay and allowances. See Chapter 1, paragraph 5.5, and Table 1-15, rule 8.

4.0 FINALITY OF PAYMENTS TO TRUSTEE

Any payments on behalf of a mentally incompetent member to a designated trustee on behalf of a member to whom this Chapter applies are a complete discharge of the obligation of the United States as to amounts paid.

5.0 RESTRICTION AGAINST ACCEPTANCE OF FEES

A person serving in a legal, medical, fiduciary, or other capacity may not demand or accept a fee, commission, or other charge (except bonding fee) for any service performed in the administration of the account of a member to whom this Chapter applies.

Table 33-1. Payment of Mentally Incompetent Members

RULE	When	and member is in the	then the trustee is	and payment is made by
1	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	Army, Air Force, or Space Force	designated by the Director, Defense Finance and Accounting Service (DFAS) - Cleveland	DFAS-Indianapolis.
2	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	Navy or Marine Corps	designated by the Director, Defense Finance and Accounting Service (DFAS) - Cleveland	DFAS-Cleveland.
3	a court of competent jurisdiction has appointed a guardian, committee, or other legal representative	Army, Air Force, Space Force, Navy, or Marine Corps	not required	the appropriate office shown in rules 1 or 2, except as indicated in the note.

NOTE: Army Only: Local disbursing officer servicing the member's financial record may make payments.

REFERENCES

CHAPTER 33: PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

1.0 – GENERAL

Title 37, U.S.C, sections 601-604

3.0 – MEMBER MENTALLY INCAPACITATED BEFORE ENTRY ON ACTIVE DUTY

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

4.0 – FINALITY OF PAYMENTS TO TRUSTEE

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

5.0 – RESTRICTION AGAINST ACCEPTANCE OF FEES

Deputy Secretary of Defense Memo, November 7, 2022
DFAS Office of General Counsel (OGC) Memo, March 11, 2024

*Table 33-1

	Public Law 116-92, section 952, December 20, 2019
Rules 1, 2	Deputy Secretary of Defense Memo, January 29, 1991 Comptroller of the Department of Defense Memo, February 1, 1991 DFAS Memo, August 26, 2010 DFAS Memo, September 9, 2010 DFAS Memo, August 29, 2011 Deputy Secretary of Defense Memo, November 7, 2022 DFAS Office of General Counsel (OGC) Memo, March 11, 2024

VOLUME 7A, CHAPTER 34: "PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS"

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CHAPTER 34

PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy regarding pay entitlements of service members missing, MIA, interned, and payments to dependents. A member in a missing status is entitled to the pay and allowances to which the member was entitled when the missing status began, or to which the member later becomes entitled. The fact that the member did not receive payment before entering a missing status does not affect the right to a certain pay or allowance.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 26, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEPENDENT

See Volume 7A, Definitions for the general definition of a dependent. For the purposes of this chapter, the term dependent also means a person designated as a dependent in the "missing" member's official records, or a person determined to be a dependent of the "missing member" by the Secretary of the Military Service concerned.

3.0 MISSING PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

The Secretary of the Military Service concerned makes official determinations on missing status or death. The Director of the Defense Finance and Accounting Service (DFAS) makes determinations necessary for the administration of missing persons' accounts under the Missing Persons Act. These include determinations of facts of dependency, starting, stopping, or changing allotments of pay, waiving recovery of erroneous payment or overpayment, and settling accounts.

4.0 ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

4.1 General

See Table 34-1 for a list of all pay and allowances.

4.2 Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS)

Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. Payments of these allowances are authorized from the beginning of the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began.

5.0 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

Allotments in effect before a member enters a missing status may be continued. As directed by the Director of DFAS, allotments may be initiated, suspended, resumed, increased, decreased, or discontinued where circumstances so warrant in the interests of the missing member, the dependents, or the government.

6.0 TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

See Chapter 44 for tax withholding for members in missing status.

7.0 REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

7.1 Review of Case After 12 Months

When a 12-month period (starting from the date of the member's absence) is about to end and the member has not been reported officially as dead, imprisoned or interned, the case is fully reviewed. After this review and when the 12-month period has ended, or following any later review warranted by information received, or other circumstances, the Secretary of the Military Service concerned:

7.1.1. Directs continuance of the member's missing status, if the member reasonably may be presumed to be living; or

7.1.2. Makes a finding of death.

7.2 Continuance of Member's Missing Status

When a member continues in a missing status under subparagraph 7.1.1, credit pay and allowances to his or her account. Allotments are continued, discontinued, increased, or initiated as provided in Chapters 40 through 43. When the Secretary of the Military Service concerned officially reports that a missing member is alive and in the hands of a hostile force, or is interned in a foreign country, allotment payments are authorized. These payments on the member's behalf continue through the date on which the Secretary of the Military Department concerned receives evidence that the member is dead. When a member returns to Military Service control, the member resumes control of allotments.

7.3 Finding of Death

A finding of death includes the date upon which death is presumed to have occurred for the purposes of stopping pay and allowances, settlement of accounts, and payment of death gratuities. This date is the day following the day the member has been absent 12 months, unless the missing status continues beyond that day. In this case, the date of death is the date determined by the Secretary of the Military Department concerned.

7.4 Change in Date of Death

Payment of an account made following a report, determination, or finding of death may not be recovered, and the case may not be reopened, because of a later report or determination fixing an earlier date of death. If a later date of death is established, then the account is reopened and settled on the basis of the later date.

8.0 PAYMENT OF DEATH GRATUITY

See Chapter 36 for payments when a member in a missing status is reported dead, or for whom a finding of death is made.

9.0 ACCRUED LEAVE

9.1 Accumulation

Members, while in a missing status, can accumulate leave without regard to any leave accrual limitations stated in Chapter 35. However, a member whose death is determined under section 7.0 may, in addition to leave accrued before entering a missing status, accrue not more than 150 days of leave during the period of a missing status, unless the actual date of death is found to have occurred on a date when the member had accrued leave in excess of 150 days. Leave accumulated while in a missing status may not be taken, but will be paid.

9.2 Settlement

Leave accumulated while in a missing status will be accounted for separately and settled according to subparagraphs 9.2.1 and 9.2.2.

9.2.1. Return From Missing Status. Members will be paid for all leave accumulated while in a missing status as soon as possible after return from a missing status. Items to be included in the accrued leave payment are provided in Chapter 35, paragraphs 2.2 and 2.3. Computation will be based on the rates to which the member was entitled on the date that his or her name was removed from the missing status.

9.2.2. Death in a Missing Status. Notwithstanding the death of a member while in a missing status, leave will continue to accrue to his or her account through the date that the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead or

through the date of death as prescribed or determined under section 7.0. Although leave will accrue for the entire missing status period, the actual accrued leave settlement will vary according to circumstances.

9.2.2.1. Death Prior to Fifth Year MIA Status. Payment for unused leave accrued to the member's credit while in a missing status is for 150 days, providing that he or she was continued in a missing status for 5 or more years. Payment for 150 days is made even though it later is found that member's actual death occurred within the first 5 years after entry into missing status or upon entry into such status. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status and the 150 days of leave described in paragraph 9.1. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.2. Death Subsequent to Fifth Year MIA Status. When it is found that the member's actual death occurred subsequent to the fifth year after entry into a missing status, payment for unused leave accrued to his or her credit while in a missing status is for the total accrued until death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.3. Death, MIA Status Less Than 5 Years. Payment for unused leave accrued to a member's credit while in a missing status, when he or she was continued in a missing status for less than 5 years, is for the total accrued through the date that the Secretary of the Military Department concerned makes a finding of death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until finding of death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, paragraphs 2.2 and 2.3. Computation is based on the rates to which the member was entitled on the date of death.

9.2.2.4. Special Conditions of Entitlement. Settlement of accrued leave for a deceased member who was promoted while in a missing status is based on the amount of leave accrued to his or her credit before entering the missing status and the amount of leave accumulated in a missing status as provided in the applicable provisions of subparagraphs 9.2.2.1, 9.2.2.2, or 9.2.2.3. Computation is based on the grade to which promoted and rate of pay in effect on the date of the presumed finding or the date of the determination of death. This will apply even though the Secretary of the Military Department concerned later determines that the member died before the date of promotion. See Table 34-1, rule 6.

10.0 SERVICE GUIDANCE

10.1 Army

10.1.1. See ***Army Regulation 638-8*** for casualty accounting, reporting, and notification.

10.1.2. See ***Joint Travel Regulation (JTR)*** for transportation of dependents, household goods, and personal effects.

10.2 Navy

10.2.1. See Military Personnel Management ***(MILPERSMAN) 1770*** series for casualty accounting, reporting, and notification.

10.2.2. See ***MILPERSMAN 4050 and MILPERSMAN 4650*** series, and the JTR for transportation of dependents, household goods, and personal effects.

10.3 Air Force and Space Force

10.3.1. See ***Air Force Instruction 36-3002*** for casualty accounting, reporting, and notification.

10.3.2. See the JTR for transportation of dependents, household goods, and personal effects.

10.4 Marine Corps

10.4.1. See Marine Corps Order ***(MCO) 3040.4*** for casualty accounting, reporting, and notification.

10.4.2. See ***MCO 4600.7A*****,** Marine Corps Transportation Manual, and the JTR for transportation of dependents, household goods, and personal effects.

Table 34-1 Pay and Allowances Which Accrue to Missing Members

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
1	Army	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS- Indianapolis (IN)	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
2	Navy	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS- Cleveland (CL)	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
3	Air Force or Space Force	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS-IN	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
4	Marine Corps	missing, MIA, interned in a foreign country, captured, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing, Per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS-CL	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned, or date of return to Military Service jurisdiction (note 5).
5	Army, Navy, Air Force, Marine Corps or Space Force	officially determined to be absent without authority rather than in a missing status	not entitled to pay and allowances for any such period.		

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

RULE	When the member is	and is	then the member is	with accounts maintained in or administered by	And
6	Army, Navy, Air Force, Marine Corps or Space Force	an officer, warrant officer, or enlisted member who receives a promotion while in a missing status (note 6)	entitled to pay and allowances of the pay grade to which promoted from the date of orders announcing the promotion.		
7	Army, Navy, Air Force, Marine Corps or Space Force	in a missing status and has a change of conditions upon which pay and allowances are based	entitled to the pay and allowances based on the changed conditions (note 7).		
8	Army, Navy, Air Force, Marine Corps or Space Force	an enlisted member who continues in missing status after expiration of term of service	entitled to continuance of pay and allowances.		
9	Army, Navy, Air Force, Marine Corps or Space Force	in receipt of or has placed to member's credit pay, wages, allowances, or other compensation from the hostile force	not charged or debited with any such amount against member's pay and allowances.		

Table 34-1 Pay and Allowances Which Accrue to Missing Members (Continued)

NOTES:

1. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. See paragraph 4.2.
2. A member may qualify for FSA-Temporary while in a missing status if the continuous period of more than 30 days is completed after entering the missing status. (See Chapter 27, paragraphs 4.3 and 4.4.)
3. Travel per diem and clothing monetary allowances do not accrue during a missing status, even though member was entitled to them when missing status began.
4. See Chapter 44 to determine possible Combat Zone Tax Exclusion implications.
5. When facts or events warrant, the Secretary of the Military Department concerned may change or modify a prior determination.
6. This applies even though the Secretary of the Military Department concerned is later made aware that the member died before the date of promotion.
7. For example, if the sole dependent of a missing member dies, credit for BAH at the with-dependent rate ceases, and any allotment in force in the dependent's favor is stopped and deductions cease.

REFERENCES

CHAPTER 34 – PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION (MIA), INTERNED, AND PAYMENTS TO DEPENDENTS

3.0 – MISSING PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

DoD Directive (DoDD) 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

4.0 – ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

4.2	52 Comptroller General (Comp Gen) 23

5.0 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

DoDD 5118.03, April 20, 2012
DoDD 5118.05, April 20, 2012

6.0 – TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

26 U.S.C., section 112(d)(1)

7.0 – REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

37 U.S.C. §§ 555 and 556

9.0 – ACCRUED LEAVE

	10 U.S.C. § 701(f)
9.2.1.	37 U.S.C. § 501(h)
9.2.2.4.	51 Comp Gen 759

Table 34-1 – PAY AND ALLOWANCES WHICH ACCRUE TO MISSING MEMBERS

	37 U.S.C. §§ 452, 551, 552, 553, 555, 556, 558
Note 1	52 Comp Gen 23
Note 2	45 Comp Gen 633
Note 3	JTR, subparagraph 020315.B
	44 Comp. Gen. 657 (1965)
	37 U.S.C. § 551(3)
Note 7	52 Comp Gen 23

VOLUME 7A, CHAPTER 35: "SEPARATION PAYMENTS"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.1.1.3	Updated subparagraph for selling leave more than 90 days.	Revision
2.2	Modified Special Leave Accrual in accordance with DoD Instruction 1327.06, June 16, 2009, Incorporating change 5, August 25, 2023, and the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs memo September 5, 2023.	Revision
Table 35-6 Rules 5 and 6	April 2024: Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022, and Defense Finance and Accounting Service Office of General Counsel Memo, dated March 11, 2024.	Revision
References	March 2024: Updated to reflect current statutes and supporting references.	Revision

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CHAPTER 35

SEPARATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for entitlements that members may receive when separating from military service.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ACCRUED LEAVE PAY

2.1 General Entitlement

2.1.1. A member who is discharged or separated under honorable conditions is entitled to payment of unused accrued leave unless the member continues on active duty under conditions that require accrued leave to be carried forward, or in the case of a Reserve Component member, the member elects to have the leave carried forward to the member's next period of active service. An enlisted member who voluntarily extends their enlistment for the first time is also entitled to payment for unused accrued leave.

2.1.1.1. Conditions for Payment of Unused Accrued Leave. See Tables 35-1 through 35-4 for specific rules governing whether a member may be paid for unused accrued leave.

2.1.1.2. Career Leave Payment Limitation of 60 days

2.1.1.2.1. Generally, a Service member is entitled to receive payment for no more than 60 days of accrued leave during a military career. See subparagraph 2.1.1.4 for exceptions.

2.1.1.2.2. A Service member eligible for an unused accrued leave settlement is authorized an election regarding payment or carryover of the leave. The member may elect to receive payment for a portion of the unused leave, not to exceed a career total of 60 days, and to have the remaining accrued leave carried forward to a new or extended enlistment. The total of paid and carried forward leave may exceed 60 days.

2.1.1.3. One-Time Leave Payment. An enlisted member of the Armed Forces who qualifies for Special Leave Accrual (SLA) as set forth in subparagraphs 2.2.2.2 through 2.2.2.5 and who would lose accumulated leave in excess of 90 days may elect to be paid up to 30 days of the excess leave. This leave payment does apply against the 60 days of leave paid during a career as stated in subparagraph 2.1.1.2.1. A member may exercise this option only once in their career.

2.1.1.4. Exceptions to the 60-Day Career Leave Payment Limitation

2.1.1.4.1. Contingency Operations. The 60-day leave payment limitation does not apply with respect to leave accrued by a member of a Reserve Component or retired Reserve; a retired member of the Regular Army, Regular Navy, Regular Air Force, or Regular Marine Corps; or a member of the Fleet Reserve or Fleet Marine Corps Reserve during any period while the member also is:

2.1.1.4.1.1. Serving on active duty in support of a contingency operation on or after December 5, 1991; or

2.1.1.4.1.2. Serving on active duty in connection with the Persian Gulf conflict (other than for training) under authority of Title 10, United States Code, sections 688, 12301, 12302, 12304, 12306, or 12307 (***10 U.S.C. § 688***, ***10 U.S.C. § 12301***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, ***10 U.S.C. § 12306***, or ***10 U.S.C. § 12307***, on or after August 2, 1990.

2.1.1.4.2. Active Duty of 31 to 365 Days. The 60-day leave payment limitation does not apply to leave accrued by a member of a Reserve Component while serving on active duty, full-time National Guard duty, or active duty for training during a period of more than 30 days, but not in excess of 365 days, beginning on or after October 1, 2001.

2.1.1.4.3. Death on Active Duty. The 60-day leave payment limitation does not apply to leave accrued by a member who dies while on active duty (or a member or former member who dies after retirement or discharge, but before receiving payment of accrued leave). Payment of accrued leave for a deceased member is based upon the unused accrued leave that he or she carried forward into the leave year in which deceased, plus the unused leave that accrued during that leave year, beginning on or after February 10, 1996.

2.1.1.4.4. Career Leave Payment Total. Unused leave accrued specifically under the conditions of subparagraphs 2.1.1.4.1 through 2.1.1.4.3 is in addition to the member's career leave payment limitation of 60 days. Such unused leave may be carried forward into a new contract period of active duty and later be eligible for payment in addition to other leave to which the 60-day career ceiling applies. See paragraph 2.2 for rules that apply to accounting for accrued and used leave, and subparagraph 2.3.2 for calculating the payment amount and the possible application of the Combat Zone (CZ) Tax Exclusion (CZTE).

Example: On January 1, 2018, a National Guard member on active duty, under Title 32, is mobilized for 3 years with his unit under 10 U.S.C. § 12301. Although previously paid for career leave of 48 days, the member elected to carry forward all 32 days of accrued unused leave from the pre-mobilization period.

On April 6, 2018, he was discharged and immediately ordered to active duty for another period of 3 years. The member used leave from April 2 through April 5, 2018 (4 days). He has 36 days accrued unused leave at discharge (32 days from his balance brought forward, plus 8 days accrued under the mobilization, minus the 4 days of leave used). He may elect to be paid for a maximum of 16 days of leave at discharge, which includes the 12 days up to the 60-day limitation, plus 4 days of excepted leave (earned 8 days excepted leave less the 4 days used).

The remaining balance of 20 days (or more, if he takes payment for less than the full 16 days of leave) may be carried forward into the new active duty period. If a payment is made for 12 days or less, then 4 days of the carryover are an exception to the 60-day payment limitation and may be paid in the future if they remain unused.

2.1.2. Under regulations prescribed by the Secretary of the Military Department concerned, a member sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of the conviction (for example, appellate leave) as provided by ***10 U.S.C. § 876a***. Such member may elect to be paid in a lump sum for the leave accrued to his or her credit as of the day before the day the leave begins. Otherwise, each day of appellate leave will be charged as a day of leave and the member paid accordingly until all of the member's accrued leave is used. Payment will be based on the rate of basic pay to which the member was entitled on the day before the day leave is to begin.

2.1.3. A member who is discharged under other than honorable conditions forfeits all accrued leave at the time of discharge and is not entitled to payment for accrued leave, regardless of the length of time the separated member has served.

2.1.4. Except as provided in subparagraph 2.1.5, a member who receives an entry-level discharge before completing 6 months of active duty will be considered as having received an honorable discharge with payment of accrued leave being authorized.

2.1.5. A member, who is discharged before completing 6 months of active duty because of failure to serve satisfactorily, forfeits all accrued leave at the time of discharge. Such forfeiture also applies to any member with prior military service who had a break in service of 90 or more consecutive days. The following constitute reasons for failure to serve satisfactorily.

2.1.5.1. Enlisted reasons include:

2.1.5.1.1. Defective enlistment and induction (minority and fraudulent entry only);

2.1.5.1.2. Entry-level performance and conduct;

2.1.5.1.3. Unsatisfactory performance;

2.1.5.1.4. Drug and/or alcohol abuse rehabilitation failure;

2.1.5.1.5. Misconduct, moral, and/or professional dereliction;

2.1.5.1.6. Separation in lieu of trial by court-martial; or

2.1.5.1.7. Security (unless the member receives an honorable discharge).

2.1.5.2. Officer reasons include:

2.1.5.2.1. Separation for cause (e.g., officers separated for substandard performance of duty);

2.1.5.2.2. Dropped from the rolls;

2.1.5.2.3. Misconduct, moral, and/or professional dereliction;

2.1.5.2.4. Separation in lieu of trial by court-martial; or

2.1.5.2.5. Security (unless the member receives an honorable discharge).

2.2 Leave Accounting

2.2.1. Accrued leave must be carefully accounted for and accurately identified as to the time and circumstances under which it was earned. The number of days accrued and value of unused leave that is to be sold depends upon the timeframe and circumstances under which it was earned.

2.2.1.1. Leave earned is valued using only basic pay.

2.2.1.2. Leave accrued in a CZ or Qualified Hazardous Duty Area (QHDA), or while hospitalized because of action in such a zone or area, is generally known as CZTE leave. See Chapter 44, paragraph 2.3 for full descriptions of the circumstances under which such leave accrues. CZTE leave for enlisted members is exempt from federal and state income tax withholding. CZTE leave for officers is exempt from federal and state income tax withholding up to a specified limit. See subparagraph 2.3.2 for a discussion of tax exclusion limits. All leave earned during a month in which a member serves for any period of time in a CZ or QHDA area is CZTE leave. A single day of qualifying service in such circumstance qualifies all leave accrued in that month as CZTE leave.

2.2.1.3. A member of a Reserve Component who accumulates leave during a period of active service may carry over any accumulated leave to the member's next period of active service without regard to separation or release from active service if the separation or release is under honorable conditions. This accumulated leave is subject to fiscal year carry forward limitations 60 days.

2.2.2. Leave accrues to a Service member serving on active duty for 30 days or more. It accrues at the rate of 2½ days for each month of active service, excluding periods of absence from duty without leave, periods of confinement resulting from a court-martial, and periods of leave required to be taken pending review of a court-martial conviction. For partial months, it accrues at the rate of ½ day for any period of 6 days or less.

2.2.2.1. A member may not carry forward a leave balance of more than 60 days into a new fiscal year, except when entitled to Special Leave Accrual.

2.2.2.2. A member entitled to SLA may carry forward a combined total leave balance of up to 90 days (i.e., 60 days of ordinary leave plus 30 days of SLA leave). Under this exemption, unused leave may be carried forward until the end of the second fiscal year following the fiscal year in which the qualifying service is terminated.

2.2.2.3. The following members are eligible for SLA.

2.2.2.3.1. A member who serves on active duty while entitled to hostile fire/imminent danger pay for a continuous period of at least 120 days;

2.2.2.3.2. A member assigned to a designated deployable ship, mobile unit, or other similar prescribed duty as designated by the Secretary of the Military Department concerned; or

2.2.2.3.3. A member performing duties designated by the Secretary concerned as a qualifying duty.

2.2.2.3.4. A member described in subparagraphs 2.2.2.3.1 through 2.2.2.3.3 must receive written authorization for SLA from the first officer in the grade above O-6 in their chain of command.

2.2.2.4. The maximum amount of SLA leave that can be carried forward is the leave balance at the end of the fiscal year following the end of the SLA period not to exceed 90 days (i.e., 60 days of ordinary leave plus 30 days of SLA leave). The maximum amount will be reduced to a new level whenever the leave balance drops below the previously set level. If at any time, the leave balance drops to or goes below 60 days, then there is no longer any SLA protected leave.

2.2.2.4.1. Therefore, the actual maximum leave that can be carried forward into succeeding fiscal years is the lowest leave balance achieved following the completion of the SLA duty. If the SLA qualifying period crosses a fiscal year, then the entire leave balance (not to exceed 90 days) will be carried forward and the leave accrued from the beginning of the new fiscal year through the end of the SLA qualifying period will be added to establish the maximum.

2.2.2.4.2. Any portion of a leave balance in excess of 60 days that could have been taken before the end of the fiscal year had the member not been assigned to SLA qualifying duty will be included in the carryover amount.

2.2.2.5. For guidance regarding the period of transition from the previous SLA leave cap of 60 days (above the normal 60-day carry forward limit for a maximum total of 120 days) to the new SLA leave cap of 30 days (above the normal 60-day carry forward limit for a maximum total of 90 days), see the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs memorandum, September 5, 2023.

2.2.2.6. Leave will be accounted for by crediting it sequentially in the chronological order in which it is accrued. Generally, when used, leave will be charged with the most recently accrued leave charged first. This method is known as Last In, First Out.

2.3 Leave Payments and Taxability

2.3.1. Payments for accrued leave are normally subject to taxation and income tax withholding.

2.3.2. Payments for CZTE leave for Service members are tax-exempt from federal taxation and not subject to federal or state income tax withholding up to the monthly limit specified by the Internal Revenue Service (IRS). That limit is different for enlisted members and officers. The limit is fully described in Chapter 44, subparagraph 2.2.1 and summarized as follows:

2.3.2.1. Enlisted members (E-1 and above) and warrant officers (W-1 through W-5) have no limitation or ceiling on the value of payments exempt from federal or state taxes and federal tax withholding for any month in which they qualify for an exemption.

2.3.2.2. Officers (O-1 and above) are subject to a limit on the value of federal tax-exempt payments and exemption from federal and state tax withholding for each month in which they qualify for an exemption. The exemption amount for officers is set at the value of the highest rate of enlisted basic pay plus the value of any hostile fire or imminent danger pay the officer may have been entitled to in that qualifying month. The applicable rate of enlisted basic pay would be that listed in Chapter 1, Table 1-10, Note 3 for the corresponding qualifying month. To determine whether the limitation will apply to a payment for accrued unused leave, the leave must be allocated to the months in which earned and for which the officer qualified for CZTE status.

2.3.2.2.1. The value of the leave for each individual month must be added to any payments the officer has received for that tax-exempt month and the total compared to the monthly limitation amount.

2.3.2.2.2. Tax exemption may only be given for the value of the portion of the CZTE leave that does not exceed the limitation available. Any payments for CZTE leave value that exceed the limitation available will be treated as taxable income.

Example: A Reserve Component O-6 with over 12 years of service began active duty on March 27, 2022, and reported temporary additional duty to a designated CZ on March 28, 2022. He departed the zone on May 4, 2022, and was separated from active duty and paid for unused accrued leave on May 6, 2022. The officer was entitled to monthly basic pay of $9,034.50 and to imminent danger pay

of $225. The monthly basic pay for the most senior enlisted member in each military service is $9,355.50 per month during that period. The officer has been paid for his active-duty service and is awaiting payment for his earned leave. He had previously sold back 58 days of leave at the end of other active-duty periods.

The officer earned .5 days of leave in March and in May and 2.5 days for April. The total of 3.5 days leave when added to the 58 days previously sold would exceed the maximum of 60 days that may be sold in a career. This leave, however, is exempt from payment limitation since the Reserve officer was on active duty for a period of more than 30 but less than 365 days. Payment of the .5 days of leave for both March and May is fully exempt from income tax and income tax withholding since the prior tax-free payments for his basic pay and hostile fire/imminent danger pay in those 2 months was well below the tax exemption limitation value of $9,580.50 (senior enlisted basic pay of $9,355.50 and hostile fire/imminent danger pay of $225).

However, only a portion of the 2.5 days of unused accrued leave attributable to April is exempt from income tax and income tax withholding. The officer has already received tax-exempt treatment of his April salary and imminent danger pay using all but $321.00 of his available exemption (exemption equals $9,580.50 and the amount used was the officer's base pay of $9,034.50 plus the hostile fire/imminent danger pay of $225, equal to $9,259.50). The 2.5 days of leave is valued at $752.88, leaving $431.88 of the leave payment subject to tax and tax withholding.

2.4 Leave Payments and Debts

Payments for accrued leave may be used to satisfy debts to the U.S. Government without restriction.

2.5 Leave Payment to Beneficiaries

Payments for accrued leave owed at death will be paid to the eligible beneficiary or beneficiaries under the provisions of Chapter 36, section 3.0.

2.5.1. If a member dies while on active duty of 30 days or more, then the accrued leave is payable along with all other unpaid pay and allowances to the eligible beneficiary.

2.5.2. If a member or former member dies after retirement or discharge, but before receiving any or all compensation for accrued leave, then the balance is payable to the eligible beneficiary. Claims for payment must be submitted to the appropriate following address:

Army and Air Force Members:

Director – Military Pay Operations Indianapolis
Defense Finance and Accounting Service (DFAS)-Indianapolis
DFAS-JFL/IN
8899 E. 56th Street
Indianapolis, IN 46249-0845

Navy Members:

Director – Military Pay Operations Navy
DFAS-Cleveland
DFAS-JFLADA
1240 E. 9th Street
Cleveland, OH 44199-2055

Marine Corps Members:

Director – Military Pay Operations Marine Corps
DFAS-Cleveland
MPO-JFLT
1240 E. 9th Street
Cleveland, OH 44199-2055

2.6 Inter Service Transfers

Every member has the option to elect to carryover some or all of their leave during an inter service transfer, regardless of enlisted, warrant officer, or commissioned officer status prior to or after the transfer.

2.6.1. An enlisted member transferring to another enlisted position may be paid for unused leave, subject to the career leave payment limitation.

2.6.2. An enlisted member transferring to an officer position may not be paid for unused leave.

2.6.3. A commissioned or warrant officer transferring to an officer position may not be paid for unused leave.

2.6.4. A commissioned or warrant officer transferring to an enlisted position may not be paid for unused leave.

3.0 SEPARATION PAY (NON-DISABILITY)

3.1 Entitlement

3.1.1. Full Separation Pay. Full payment of non-disability separation pay is authorized to Service members of the Regular and Reserve Components who have been involuntarily separated from active duty and have met each of the following four conditions:

3.1.1.1. The member has met one of the following criteria for active military service:

3.1.1.1.1. The member is on active duty or full-time National Guard duty and has completed at least 6 years, but less than 20 years, of active service. Reserve members not on the active-duty list when separated must have 6 years of continuous active duty or full-time National Guard duty immediately preceding separation. A period of active duty is considered continuous if any break in active service does not exceed 30 days; or

3.1.1.1.2. A member who is a Regular officer and is separated under *10 U.S.C. Chapter 36* (except under *10 U.S.C. § 630(1)(A)*, *10 U.S.C. § 643*, *10 U.S.C. § 580*, or *10 U.S.C. § 8373*) must have completed at least 6 years, but less than 20 years, of active service;

3.1.1.2. The member's separation must be characterized as "honorable" and none of the conditions apply that are listed in paragraph 3.2;

3.1.1.3. The member is being separated involuntarily, through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard duty, under one of the following four specific conditions:

3.1.1.3.1. The member must be fully qualified for retention but denied reenlistment or continuation. This includes a Service member who is eligible for promotion as established by the Secretary of the Military Department concerned, but is denied reenlistment or continuation on active duty under established promotion or high year of tenure policies;

3.1.1.3.2. The member must be fully qualified for retention but involuntarily separated under a Reduction in Force by authority designated by the Secretary of the Military Department concerned;

3.1.1.3.3. The member, if a Regular officer, commissioned or warrant, must be separated under 10 U.S.C. § 580, *10 U.S.C. § 1165*, 10 U.S.C. § 8373, or Chapter 36 (except section 630(1)(A)); if a Reserve commissioned officer other than a commissioned warrant officer, must be separated or transferred to the retired Reserve under *10 U.S.C. § 573* or *10 U.S.C. § 861*; or if a Reserve commissioned officer on the active-duty list or a Reserve warrant officer must be separated for similar reasons under military service policies; or

3.1.1.3.4. The member must be denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 3.1.1.3.1 through 3.1.1.3.3, and have accepted an earlier separation from active duty; and

3.1.1.4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve in a Reserve Component of the Armed Forces for a minimum period of 3 years following the separation from active duty.

3.1.1.4.1. A member who enters into this written agreement and is qualified for service in the Ready Reserve will, upon separation from active duty, be enlisted or appointed,

as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under ***10 U.S.C. § 651*** or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

3.1.1.4.2. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

3.1.2. Sole Survivorship Discharge

3.1.2.1. A sole survivorship discharge is the separation of a member from the Armed Forces at the member's request when the member is the only surviving child in a family in which:

3.1.2.1.1. The father, mother, or one or more siblings served in the Armed Forces, and was killed; died as a result of wounds, accident, or disease; is in a captured or missing in action status; or is permanently 100 percent disabled or hospitalized on a continuing basis (and is not gainfully employed because of the disability or hospitalization); and

3.1.2.1.2. The death, status, or disability did not result from the intentional misconduct or willful neglect of the parent or sibling and was not incurred during a period of unauthorized absence.

3.1.2.2. A member who receives a sole survivorship discharge will be entitled to full separation pay, even though the member completed less than 6 years of active service immediately before that discharge.

3.1.2.3. The amount of the full separation pay to be paid will be based on the years of active service actually completed by the member before the member's discharge.

3.1.2.4. Members who receive a sole survivorship discharge are not required to repay any unearned bonus, incentive pay, or similar benefit previously paid to the member.

3.1.2.5. The Secretary of the Military Department concerned may grant an exception to the requirement to terminate the payment of any unpaid amounts of a bonus, incentive pay, or similar benefit if he determines that termination of the payment of the unpaid amounts would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

3.1.3. Half Separation Pay. Half Separation Pay of non-disability separation pay is authorized to members of the Regular and Reserve Components who are involuntarily separated from active duty and have met each of the following five conditions:

3.1.3.1. The member meets the criteria for active service specified in subparagraph 3.1.1.1;

3.1.3.2. The member's separation must be characterized as "honorable" or "general (under honorable conditions)," and none of the conditions apply that are listed in paragraph 3.2;

3.1.3.3. The member must be separated involuntarily by the military service concerned through either the denial of reenlistment or the denial of continuation on active duty or the member is separated instead of board action as provided in DoD Instruction (DoDI) 1332.30, under one of the following specific conditions:

3.1.3.3.1. The member is not fully qualified for retention and is denied reenlistment or continuation by military service concerned, as provided for in DoDI 1332.14 or DoDI 1332.30 under any of the following conditions:

3.1.3.3.1.1. Weight control failure;

3.1.3.3.1.2. Parent or custody of minor child;

3.1.3.3.1.3. Military personnel security program;

3.1.3.3.1.4. Disability that existed before service;

3.1.3.3.1.5. Mental or physical conditions and circumstances not constituting a disability;

3.1.3.3.1.6. Alcohol or drug abuse rehabilitation failure; or

3.1.3.3.1.7. Failure to meet minimum retention standards;

3.1.3.3.2. Separated under a military service-specific program established as a half separation pay level by the Secretary of the Military Department concerned in accordance with ***10 U.S.C. § 1174***; or

3.1.3.3.3. Denied reenlistment or continuation on active duty by the military service concerned under subparagraphs 3.1.3.3.1 and 3.1.3.3.2, and accept an earlier separation from active duty; and

3.1.3.4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve of a Reserve Component for a minimum period of 3 years following separation from active duty.

3.1.3.4.1. A member who enters into this written agreement and is qualified for the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service

obligation under 10 U.S.C. § 651 or any other provision of law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

3.1.3.4.2. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed by the military service concerned to be considered to have met this condition of eligibility for separation pay.

NOTE: In extraordinary instances, the Secretary of the Military Department concerned may award full separation pay to a member otherwise eligible for half separation pay when the specific reasons for the separation and the overall quality of the member's service have been such that denial of full separation pay would be clearly unjust.

3.2 Limitations of Eligibility

Service members separated under the following circumstances are not eligible for separation pay:

3.2.1. The member is separated from active duty at the member's own request. The following examples will be considered to be a separation at the member's own request:

3.2.1.1. A member who declines training that the service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on active duty;

3.2.1.2. A member who requests separation as provided for in DoDI 1332.14 or under regulations established by the Secretary of the Military Department concerned;

3.2.1.3. An officer who is separated for twice failing to promote and either (or both) of those failures to promote was the result of the officer submitting a request in writing not to be selected for promotion or who otherwise directly caused the non-selection through written communication to the selection board in accordance with 10 U.S.C. § 614(b); or

3.2.1.4. An officer who is separated for twice failing to promote when he or she was offered and declined continuation on active duty for a period that is equal to, or more than the amount of service required to qualify the officer for retirement.

3.2.2. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desires to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligation and is denied by the military service concerned;

3.2.3. The member is released from active duty for training or from full-time National Guard duty for training;

3.2.4. The member is immediately eligible at separation for retired or retainer pay based upon his or her military service;

3.2.5. The member is a warrant officer whose appointment is terminated and who then elects to enlist;

3.2.6. The member is separated as a result of the execution of a court-martial sentence;

3.2.7. The member is being dropped from the rolls of the military service concerned;

3.2.8. The member is being separated under other than honorable conditions;

3.2.9. The member is an enlisted member who is separated for unsatisfactory performance or misconduct, as set forth in DoDI 1332.14, except when half separation pay is authorized in subparagraph 3.1.3;

3.2.10. The member is an officer who is separated for substandard performance or acts of misconduct or moral or professional dereliction, except when half separation pay is authorized in subparagraph 3.1.3;

3.2.11. The member is separated under a military service-specific program established as a no-payment level by the Secretary of the Military Department concerned;

3.2.12. A determination is made by the Secretary of the Military Department concerned in an extraordinary case that the conditions under which the member is separated do not warrant a separation payment. This authority is not to be delegated. It is intended that only sparing use will be made of this discretionary authority to deny payment;

3.2.13. A Regular officer having twice failed for selection for promotion to the next higher grade is not entitled to separation pay if that officer, after such second failure of selection for promotion, is selected for and declines continuation on active duty for a period that is equal to, or more than the amount of service required to qualify the officer for retirement; or

3.2.14. A Reserve officer who, is not selected for promotion to the next higher grade for the second time and is to be discharged or released from active duty, and after such failure of promotion, is selected for and declines continuation on active duty:

3.2.14.1. If the period of time for which the officer was selected for continuation on active duty is less than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will be considered involuntary; or

3.2.14.2. If the period of time for which the officer was selected for continuation on active duty is equal to or more than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will not be considered involuntary.

3.3 Computation of Active Service

Compute active service time as follows:

3.3.1. Qualifying years, except as noted in subparagraph 3.1.1.1, do not have to be continuous; however, the last phase of the qualifying term must end immediately before the separation from active duty occurs;

3.3.2. Fractions of years will be computed by counting each full month of active service, in addition to the number of full years of active service, as 1/12 of a year. Disregard any remaining fractional part of a month;

3.3.3. Periods for which a Service member previously has received separation pay, severance pay, or readjustment pay may be counted for eligibility purposes (to ensure the member meets the minimum required years of active duty), but may not be used in the multiplier to determine the amount of separation pay for a subsequent separation;

3.3.4. Count periods of active military service in a Regular or Reserve Component. Include periods of active duty for training;

3.3.5. Do not include periods of absence without leave, confinement time awaiting trial that results in a conviction, confinement time while serving a court-martial sentence, and time lost while not on duty. Count time in service to make up for lost time; and

3.3.6. Do not include service as a cadet or midshipman while in a military service academy or a Reserve Officer Training Program.

3.4 Computation of Separation Pay

3.4.1. Full separation pay is 10 percent of the product of the number of years of active service and 12 times the monthly basic pay to which the Service member was entitled at the time of discharge or release from active duty. Table 35-5 also contains information related to computation of full separation pay.

Example, the formula for an E5 Service member who qualifies for separation pay and is separated after 8 years of active service may look like: 0.1((12 x $3,497.70 monthly base pay)(8)) = $33,577.92 full separation pay.

3.4.2. Half separation pay is one-half of the amount computed in subparagraph 3.4.1.

3.5 Recoupment of Separation Pay From Retired Pay, Retainer Pay, or Department of Veterans Affairs (VA) Disability Compensation

Service members who receive separation pay under any provisions of law based on service in the Armed Forces, and, subsequently, either qualify for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard) or become eligible for disability compensation

administered by the VA, are subject to the recoupment of the gross taxable separation pay they received. Recoupment from retired pay, retainer pay, or VA disability compensation will be completed as follows:

3.5.1. If the Service member receives either retired or retainer pay, then recoupment will be accomplished through monthly deductions from each payment of retired or retainer pay payable to the retired member until the total amount of the deductions equals the gross taxable amount of separation pay received by the member. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

3.5.2. If the Service member receives VA disability compensation, then recoupment will be accomplished through a deduction from the VA disability compensation payable to the retired member in an amount that is equal to the gross taxable amount of separation pay made after September 30, 1996. The amount to be deducted from the VA disability compensation will be equal to the gross taxable amount of such separation pay, less the amount of federal income tax withheld from such pay at the flat withholding rate for supplemental payments prescribed under Publication 15, Department of the Treasury, IRS. This reduction, however, will not apply to disability compensation for which the entitlement to that disability compensation is based on a later period of active duty than the period of active duty for which the separation pay was received. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

4.0 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

4.1 Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

4.2 Repay Readjustment or Severance Pay

Members, who received readjustment or severance pay before September 15, 1981, and who, on or after September 15, 1981, became entitled to retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), are required to repay the readjustment or severance pay, in accordance with the laws in effect on September 14, 1981.

4.3 Refund Upon Retirement

A Reserve member who received a readjustment payment on separation after June 28, 1962, and before September 15, 1981, and who later qualifies for retired or retainer pay under 10 U.S.C. (Armed Forces) or 14 U.S.C. (Coast Guard), (upon completing 20 years of active service), must refund 75 percent of the gross readjustment pay, without interest, by immediate

deduction from retired or retainer pay. This is not required if readjustment pay had been waived or refunded under paragraph 4.4.

4.4 Waiver or Refund Before Retirement

A member may waive entitlement to readjustment pay. Also, the full amount of readjustment pay may be refunded before retirement. Under either condition, the member will receive retired, or retainer pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

4.5 VA Disability Compensation

When a member who receives readjustment pay before September 15, 1981, becomes entitled to VA disability compensation, the VA deducts 75 percent of the readjustment payment from future VA compensation. The VA does not make a deduction when VA disability compensation is based on a later period of service. A member who elected, on or before June 27, 1962, to receive readjustment pay in lieu of VA disability compensation may have been awarded disability compensation effective on and after June 28, 1962. The VA reduces the disability compensation by 75 percent of the readjustment payment, unless readjustment pay was waived or refunded.

5.0 DISABILITY SEVERANCE PAY

5.1 Entitlement

A member separated from the military service for physical disability is entitled to severance pay, if qualified, as prescribed in personnel regulations of the military service concerned. When a member is entitled to disability severance pay, separation orders specify this entitlement. Academy cadets and midshipmen may be entitled to severance pay if it is determined that they have a qualifying disability, and they have separated as a result of that disability.

5.2 Disability Incurred During Non-pay Status

A member who incurs a disability while in a total pay forfeiture status as defined in Chapter 48, section 5.0 is not entitled to disability severance pay. This is true even though the Secretary of the Military Department concerned remits the unexecuted portion of the sentence, including all uncollected forfeitures.

5.3 Computation

5.3.1. Formula. To compute disability severance, pay, multiply the sum of the highest applicable basic pay amount (described in subparagraph 5.3.3) for 2 months by the number of combined years (but not over 19) of active service and inactive-duty points. Do not include as basic pay the 25-percent increase prescribed under certain conditions for a Navy or Marine Corps member retained on active duty after enlistment expires.

5.3.2. Years of Service. The member's separation orders will specify the total combined years of active service and inactive-duty points to be counted in computing severance pay. Round this total to the nearest whole year, with 6 months or more rounded up. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

5.3.2.1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a CZ (as designated by the SecDef) or incurred during the performance of duty in combat-related operations (as designated by the SecDef); or

5.3.2.2. Three years in the case of any other member.

5.3.3. Grade at Which Disability Severance Pay is Computed. Compute severance pay based on the basic pay of the following highest grade or rank described:

5.3.3.1. The grade or rank in which the member is serving on the date placed on the Temporary Disability Retired List (TDRL) or, if not applicable at separation;

5.3.3.2. A higher temporary or permanent grade or rank than that subparagraph 5.3.3.1 in which member served satisfactorily as determined by the Secretary of the Military Department concerned; or

5.3.3.3. For those selected for promotion to a permanent regular or reserve grade, if the disability for which the member was separated found during a physical examination, then the grade or rank to which the member would have been promoted if there was no disability. For those who would have been promoted to a temporary grade or rank had it not been for the discovery of the disability, then that temporary grade or rank if eligibility for promotion was required to be based on cumulative years of service or years in grade.

> Example: An E-6 has 11 years, 4 months, and 9 days of active service and 76 inactive-duty training periods (points) on the date of separation for physical disability. Compute the entitlement as follows:
> 11 years, 4 months, 9 days = 11.3583 years
> 76 points / 360 = .2111 years
> Total Service = 11.5694 years
> Since it is a decimal greater than or equal to .5, round the total upward to 12 years.
> 12 years times 2 months of basic pay of an E-6 over 10 equals the amount of disability severance pay.

NOTE: For purposes of this calculation, the number of points credited for activities other than active service or funeral honors, may not exceed 60 points for any anniversary year that closed before September 23, 1996; 75 points for anniversary years that closed on or after September 23, 1996; 90 points for anniversary years that close on or after October 30, 2000; and 130 points for anniversary years that close on or after October 30, 2007.

5.4 Taxability and Withholding

5.4.1. General. Disability severance pay is normally taxable income. However, it is not subject to tax withholding or reporting if at least one of the following two conditions exists:

5.4.1.1. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned, which happens as a result of any of the following activities:

5.4.1.1.1. As a direct result of armed conflict;

5.4.1.1.2. While performing extra-hazardous service, even if the service does not directly involve combat;

5.4.1.1.3. Under conditions simulating war, including maneuvers or training; or

5.4.1.1.4. By an instrumentality of war, such as weapons; or

5.4.1.2. The member is entitled to disability compensation as determined by the VA or has received a proposed disability rating from the VA at the time of separation through the Integrated Disability Evaluation System.

5.4.2. Withholding Taxes. Income taxes are withheld from all payments of disability severance pay unless the member qualifies for an exemption under subparagraph 5.4.1.

5.4.3. Entitlement to VA Disability Compensation After Payment of Disability Severance Pay

5.4.3.1. A member's disability severance pay may still qualify for an exemption from taxation under subparagraph 5.4.1.2 after disability severance pay has been paid if the VA determines that the member is entitled to VA disability compensation.

5.4.3.2. Depending upon when a member receives notification of disability compensation, refund of the income taxes withheld may be requested from DFAS or the IRS.

5.4.4. Receipt of Official Notification of VA Disability Compensation in the Same Tax Year of the Disability Severance Pay Payment

5.4.4.1. A member may request refund of taxes withheld from the gross taxable amount of their disability severance pay payment from DFAS if notification of disability compensation from the VA is received in the same tax year in which the member received disability severance pay. See subparagraph 2.5.2 for the addresses of the DFAS sites.

5.4.4.2. A refund request must include documentation evidencing the VA's award of disability compensation and must be received and processed by DFAS on or before December 31st of the year in which the disability severance pay payment was paid. If a refund is

processed before December 31st, but after the Military Payroll Systems end of year cut off (typically around December 20th), a corrected IRS Form W2c may be issued by DFAS.

Example: Member received disability severance pay on January 2, 2018. On December 1, 2018, the VA issues an award letter to member authorizing disability compensation. Member may submit a request for refund to DFAS for processing before December 31, 2018.

5.4.5. VA Disability Compensation Awarded in a Tax Year Subsequent to the Year of the Disability Severance Pay Payment

5.4.5.1. A member must obtain a refund for income taxes withheld from their disability severance pay payment from the IRS in accordance with their procedures when the date of the VA's award of disability compensation is in a tax year subsequent to the year in which the member received disability severance pay.

5.4.5.2. DFAS will not issue a corrected W-2 to a member as a result of a VA determination in a year subsequent to the year in which the disability severance payment was paid. The member may claim a reduction in the year of payment's taxable income from the CZ in accordance with their procedures.

Example: Member received disability severance pay on January 2, 2018. On June 1, 2019, the VA issues an award letter to member authorizing disability compensation. Member may request a refund only from the IRS.

5.5 Availability to Liquidate Debts

Disability severance pay may be used to liquidate debts to the U.S. Government.

5.6 Recoupment From VA Compensation

The VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled. There are two exceptions:

5.6.1. No deduction will be made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a CZ or incurred during performance of duty in combat-related operations (as designated by the SecDef); or

5.6.2. No deduction will be made from any death compensation to which a member's dependents become entitled after the member's death.

5.7 Other Benefits and Claims

A member who is paid disability severance pay is not entitled to any payment from the military service for, or arising out of, service performed by the member before separation. This does not prohibit payment if an amount is due the member on the date of separation or if a claim is allowed under law.

6.0 CONTRACT CANCELLATION PAY AND ALLOWANCES

6.1 Entitlement

Reserve members released from active duty (other than for training) without their consent before the end of their active-duty agreement made under ***10 U.S.C. § 12311***(a) are entitled to a special payment under ***10 U.S.C. § 12312***. This payment is in addition to any pay and allowances to which the member is otherwise entitled.

6.2 Computation

To compute the amount payable, multiply the number of years and fraction of years of the unexpired period of service under the contract, by the sum of basic pay, special pay, and allowances for 1 month to which the member is entitled on the day of release. Count a fraction of a month that is 15 days or more as a whole month and disregard a fraction of a month that is less than 15 days. Separation orders show the number of years and months of unexpired service for which contract cancellation pay and allowances are payable.

6.3 Restrictions

A member is not entitled to the special payment authorized by this section if:

6.3.1. Dismissed or discharged under the sentence of a court-martial;

6.3.2. Released because of an unexplained absence without leave of at least 3 months;

6.3.3. Released because of conviction and sentence to confinement in a federal or state penitentiary or correctional institution which sentence has become final;

6.3.4. Released because of a physical disability resulting from intentional misconduct or willful neglect;

6.3.5. Eligible for retired pay, separation pay, or severance pay under another provision of law (this restriction does not apply to readjustment pay);

6.3.6. Placed on a TDRL; or

6.3.7. Released to accept an appointment, or to be enlisted, in a Regular Component of an Armed Force.

6.4 Withholding Tax

Contract cancellation pay is subject to withholding tax.

6.5 Availability to Liquidate Debts

Contract cancellation pay may be used to liquidate debts to the U.S. Government.

7.0 MISCELLANEOUS SEPARATION PAYMENTS

7.1 Discharge Gratuity

See Table 35-6.

7.2 Travel Allowance on Separation

See ***Joint Travel Regulations (JTR)***, Chapter 5 and Volume 9.

8.0 VOLUNTARY SEPARATION PAY (VSP)

8.1 Entitlement

A member who separates voluntarily may, under conditions prescribed by the Secretary of the Military Department concerned, be paid VSP. The authority to separate a member in conjunction with VSP applies through December 31, 2025.

8.2 Eligibility

The Secretary of the Military Department concerned, may offer a member the opportunity to apply for VSP if the member:

8.2.1. Has served on active duty or full-time National Guard for more than 6 years but less than 20 years;

8.2.2. Has served at least 5 years of continuous active duty or full-time National Guard duty immediately preceding the date of separation from active duty;

8.2.3. Has not been approved for payment of a voluntary separation incentive under ***10 U.S.C. § 1175***;

8.2.4. Meets such other requirements as the Secretary of the Military Department concerned, may prescribe, which may include requirements relating to years of service; skill; rating; military specialty; competitive category, grade or rank; remaining period of obligated service; or any combination of these factors; and

8.2.5. Requests separation from active duty or full-time National Guard duty.

8.3 Initial Term of Obligated Service

Effective January 1, 2009, the member is required to complete the initial term of obligated service in addition to meeting requirements in paragraph 8.2 prior to separation. Prior to January 1, 2009, a member's obligation to complete an initial term of obligated service before separation will be subject to the discretion of the Secretary of the Military Departments concerned. For the purpose of this section, "initial term of obligated service" means the initial period of required active-duty service incurred upon commissioning or enlistment, together with any additional period of required active-duty service incurred during the initial period of required active-duty service.

8.4 Ineligible for VSP

The Secretary of the Military Department concerned, will not offer a member the opportunity to apply for VSP if a member:

8.4.1. Does not meet any of the eligibility requirements of paragraph 8.2;

8.4.2. Is discharged with disability severance pay under section 5.0 (***10 U.S.C. § 1212***);

8.4.3. Is transferred to the TDRL under ***10 U.S.C. § 1202*** or ***10 U.S.C. § 1205***;

8.4.4. Is being evaluated for disability retirement under ***10 U.S.C. Chapter 61***;

8.4.5. Has previously been discharged with VSP;

8.4.6. Is subject to pending disciplinary action or is subject to administrative separation or mandatory discharge under any other provision of law or regulation;

8.4.7. Is approved for retirement under temporary early retirement authority; or

8.4.8. Has not completed the 4 year service obligation incurred from requesting transfer of the Post 9/11 GI Bill benefits.

8.5 Application for VSP

A member may request and subsequently enter into a written agreement with the Secretary of the Military Department concerned to separate from active duty or full-time National Guard duty. The Secretary concerned may require the member to accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years, as a condition of receipt of VSP and benefits.

8.6 Approval for VSP

The Secretary of the Military Department concerned will determine each year the number of Service members to be separated, and provided separation pay and benefits during the fiscal

year beginning in such year. Eligible members will not be automatically entitled to receive VSP based solely upon request. The Secretary of the Military Department concerned will review all applications for voluntary separation and approve only those that meet the needs of the Military Departments. A member whose request is approved will be separated from active duty.

8.7 Computation of VSP

8.7.1. The Secretary of the Military Department concerned will specify the amount of VSP to be paid to an individual, but the amount may not be greater than four times the full amount of separation pay that a member of the same pay grade and years of service would receive for an involuntary separation under 10 U.S.C. § 1174.

8.7.2. Compute years of active service according to the formula in subparagraphs 3.3.2, 3.3.4, 3.3.5, and 3.3.6. Do not count any period of prior military service for which the member has received separation pay under any provision of law relating to members of the Armed Forces. When computing partial years of service, round the fractional parts of a year to the nearest 1/10 of 1 percent or 3 decimal points.

Example: If the officer has 10 years and 7 months of service, then the multiplier would be 10.583.

8.8 Payment

VSP may be paid in a single lump sum. In the case of a member who has completed at least 15 years but fewer than 20 years of active service at the time of separation under this program, VSP may be paid, at the election of the Secretary of the Military Department concerned, in:

8.8.1. A single lump sum;

8.8.2. Installments over a period not to exceed 10 years; or

8.8.3. A combination of lump sum and such installments.

8.9 Repayment of VSP When a Member Qualifies for and Receives Retired Pay

8.9.1. A member who is paid VSP and later qualifies to receive retired pay will have deducted from each payment of such retired pay a monthly installment as specified by the Secretary of the Military Department concerned. The total amount of retired pay deductions will equal the gross VSP amount paid to the member. More information can be found in Volume 7B, Chapter 4, section 9.0.

8.9.2. The requirement to repay VSP following retirement from the Armed Forces does not apply to a member who is eligible to retire at the time the member applied for and was accepted for VSP benefits.

8.9.3. The Secretary of the Military Department concerned, may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience or would be contrary to the best interests of the United States.

8.10 VA Disability Compensation

A member who received the VSP and subsequently qualifies for disability compensation from the VA is subject to recoupment of the gross amount of VSP paid, less federal income taxes withheld from such pay. The VA administers the recoupment program for affected members. If the disability for which the member receives VA compensation was incurred or aggravated during a period of later active duty, then no recoupment of VSP is required, regardless of when it was paid. In individual cases, the Secretary of the Military Department concerned, may waive the requirement to repay the VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. A blanket waiver for multiple members within a service signed by a Secretary of the Military Department concerned is not authorized.

8.11 Members Returned to Active Duty

8.11.1. Except for the provisions in subparagraphs 8.11.2, 8.11.3, and 8.11.4, members who return to active duty in a Regular or Reserve Component for 180 consecutive days or more will have deducted from each payment of basic pay a monthly installment amount specified by the Secretary of the Military Department concerned. The total amount of basic pay deduction will equal the gross amount of VSP paid to the member.

NOTE: The computation of the repayment will be calculated on a day-to-day basis.

8.11.2. Recoupment will not be required for a member who is involuntarily recalled to active duty or full-time National Guard in accordance with 10 U.S.C. §§ 12301(a), (b), or (g); 12302; 12303; 12304; ***10 U.S.C. § 12304a;*** or ***10 U.S.C. § 12304b***, or ***32 U.S.C. § 502***(f)(1)(A).

8.11.3. Recoupment will not be required for a member who is recalled or performs active duty or full-time National Guard duty, in accordance with ***10 U.S.C. § 101(d)(1)***, (2), or (5); ***10 U.S.C. § 12319***; ***10 U.S.C. § 12503***; or ***32 U.S.C. §§ 114***; ***32 U.S.C. § 115***.

8.11.4. Recoupment is not required for a member who is recalled or performs full-time National Guard duty in accordance with 10 U.S.C. § 12301(d) or 32 U.S.C. § 502(f)(1)(B), as long as the period service is less than 180 consecutive days and with the consent of the Service member.

8.11.5. This subparagraph will not apply to a member who:

8.11.5.1. Is involuntarily recalled to active duty or full-time National Guard duty; and

8.11.5.2. In the course of such duty, incurs a service-connected disability rated as total under ***38 U.S.C. § 1155***.

8.11.6. The SecDef may waive, in whole or in part, repayment required under subparagraph 8.11.1 if the SecDef, determines that recovery would be against equity and good conscience or contrary to the best interest of the United States. Requests for waiver under this authority should be forwarded to the Under Secretary of Defense for Personnel and Readiness (USD (P&R)).

9.0 VOLUNTARY RETIREMENT INCENTIVE (VRI)

Title ***10 U.S.C. § 638b*** provided that the Secretary of Defense could authorize the Secretary of a Military Department to provide a VRI payment to an officer of the Armed Forces under that Secretary's jurisdiction. This authority expired December 31, 2018. The total number of officers who were permitted to be provided a VRI payment was limited to no more than 675 officers. Provisions regarding the payment of VRI may be found in the archived versions of this chapter and the DoDI 1332.44.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY
(Note 1)

	If a member has been on active duty for 30 or more consecutive days and	and	then accrued leave is
1	is discharged (including as a result of resignation)	separation is under honorable conditions (note 2)	payable (notes 3 and 4).
2	is released from active duty (note 5)	separation is under honorable conditions (note 2)	payable (notes 3, 4, 6, and 7).
3	retires		payable (notes 3, 4, and 8).
4	is transferred to Fleet Reserve or Fleet Marine Corps Reserve		payable (notes 3, 4, and 8).
5	is discharged for fraudulent enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	not payable (note 9).
6	is released from duty because of void enlistment or void induction due to erroneous enlistment or defective enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	not payable (note 9).
7	is discharged from service as a cadet or midshipman at a military service academy, or as a midshipman elsewhere		not payable (note 9).
8	dies while on active duty	member was not put to death as lawful punishment for a crime or a military offense	payable to beneficiary with other unpaid pay and allowances as prescribed in Chapter 36, section 3.0 (notes 4 and 10).
9	receives a discharge that is not characterized before completing 6 months of active duty	separation is for failure to serve satisfactorily for any reason set forth in subparagraph 2.1.5.	not payable.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

RULE	If a member has been on active duty for 30 or more consecutive days and	and	then accrued leave is
10	receives a discharge that is not characterized before completing 6 months of active duty	separation is not for unsatisfactory performance or misconduct for any reason set forth in subparagraph 2.1.5.	payable.

NOTES:

1. Any member who is discharged under other than honorable conditions forfeits all accrued leave.
2. If member is discharged or relieved from active duty because of expiration of term of service (ETS) and is under investigation as an alleged security risk, do not pay accrued leave until investigation is completed and the character of the discharge determined. If discharge is under honorable conditions, then accrued leave may be paid.
3. The period when a member is home awaiting further orders in connection with physical evaluation board proceedings is charged as leave, to the extent that leave is available, beginning with the day after member arrives home or the day after constructive travel time ends, whichever is earlier. Limit payment to accrued leave remaining at time of retirement or discharge. Authorized absence under these circumstances in excess of accrued leave is not chargeable as leave.
4. A member may be paid for a maximum of 60 days accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
5. A period of active duty as a Reserve or National Guard member meets the 30-day requirement if it covers 30 or more consecutive days, even though it may be directed by more than one order covering unrelated duties.
6. If a Reserve member is entitled to pay and allowances during a disability period after a specified tour of active duty has expired, then the period after that expiration date is not included in the period for which accrued leave is paid.
7. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.
8. A member may not take accrued leave in lieu of payment beyond the effective date of retirement.
9. These rules do not apply when an individual inducted or enlisted into the military service is discovered by military service medical authorities to have been medically unfit for induction at the time of entrance into the military service and such individual is released from military control for such reason.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

10. Accrued leave is payable retroactive to February 28, 1961, for a member in a missing status whose death is prescribed under Chapter 34, section 7.0. Payment is made according to Chapter 34, section 10.0.

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	If	has been on active duty for 30 or more consecutive days and is	and	then accrued leave is
1	an officer of any military service	retired	immediately reenters on active duty	not payable.
2	an officer of any military service	separated, on a day other than the end of the specified period of active duty, for the purpose of reentering on active duty in any status within any Armed Force (note 1)		not payable.
3	an officer of any military service	transferred to a different military service by separation and immediate reappointment	immediately enters on active duty with the other military service	not payable.
4	an officer of any military service	separated for having failed selection to a higher grade	immediately reenters on active duty in an enlisted status	payable (notes 2 and 3).
5	a Reserve officer of any military service	released from active duty under honorable conditions under 10 U.S.C. § 12313 or similar laws authorizing release of Reserve officers at convenience of government, not for the purpose of reentering active service	immediately reenters on active duty (including active duty in enlisted or warrant officer status) for the purpose of retirement	payable (note 3).
6	a Reserve officer of any military service	released from active duty under honorable conditions at end of a specified period of time member agreed to serve or was obligated to serve (notes 1 and 4)	immediately reenters on active duty (note 1)	payable (notes 3 and 5).

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

	If	has been on active duty for 30 or more consecutive days and is	and	then accrued leave is
7	a commissioned officer of any military service, who simultaneously holds a warrant officer appointment	released from active duty as a commissioned officer	reverts to warrant officer status and continues on active duty	not payable.
8	a temporary officer of the Navy or Marine Corps whose enlistment has expired	reverted to enlisted status and simultaneously discharged	immediately reenlists	payable at rate of pay of rank held at time of reversion (note 3).

NOTES:

1. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under the other title (Title 10 or Title 32), is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
2. Officers who, after notification of an impending discharge, resign for the purpose of continuing a military career are not entitled to payment of accrued leave.
3. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
4. A Reserve officer, who remains on active duty beyond ETS of initial obligation while awaiting Regular officer appointment, is not entitled to payment of unused accrued leave, as the separation to accept the appointment is not considered to be at the end of a specified period. The officer must be separated on the expiration date of the initial obligation for entitlement to exist.
5. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	If an enlisted member	has been on active duty for 30 or more consecutive days and	and	then accrued leave is (note 1)
1	of any military Service	on or after October 5, 1999, is discharged for the specific purpose of enlisting or reenlisting (note 2)	immediately reenlists or immediately reenters on active duty	payable.
2	of any military Service	prior to October 5, 1999, is separated under honorable conditions upon expiration of enlistment or is released from active duty under honorable conditions at the end of a specified period of time or was obligated to serve (notes 3, 4, and 5)	immediately reenlists or immediately reenters on active duty	payable
3	of any military Service	prior to October 5, 1999, is separated before ETS or obligated period of duty for the specific purpose of enlisting or reenlisting (notes 5 and 6)		not payable.
4	of any military Service	is discharged for the purpose of accepting a commission or appointment as a warrant officer in any military service		not payable.
5	of any military Service	enlistment is extended		is contingent on rules in Table 35-4.
6	of any military Service	extension of enlistment is canceled before or during service under the extension		is contingent on rules in Table 35-4.
7	of any military Service	is retired	continues on or is recalled to active duty	not payable.
8	of any military Service	accepts an appointment as a cadet or midshipman without being discharged from enlisted status	enters on duty as a cadet or midshipman	payable as though member was discharged on day before date appointment was accepted.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

RULE	If an enlisted member	has been on active duty for 30 or more consecutive days and	and	then accrued leave is (note 1)
9	inducted under the Universal Military Training and Service Act, or enlisted in the Regular Army under that Act	is separated under honorable conditions at the end of the period member is required to serve	immediately enlists or reenlists	payable.
10	of the Army or Air Force, who has more than 20 but less than 30 years of service,	is retired and transferred to the Reserve Component of the member's military service	is immediately ordered into active service	not payable.
11	of the Navy or Marine Corps	is transferred to the Fleet Reserve or Fleet Marine Corps Reserve	continues on active service without a break in active service	not payable.

NOTES:

1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exceptions.
2. For these purposes, the term "discharge" means separation or release from active duty under honorable conditions, or termination of an enlistment in conjunction with the commencement of a successive enlistment (without regard to the date of the expiration of the term of the enlistment being terminated).
3. A member is considered as discharged upon expiration of enlistment if discharged not more than 1 year before the normal expiration date of the enlistment. The date of normal expiration of enlistment is excluded in computing the 1-year period.
4. An extension of the active duty obligation does not create an entitlement under this rule.
5. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under Title 10 or Title 32, is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
6. A member is not considered as having been discharged for the purpose of enlisting or reenlisting if discharge occurs not more than 12 months before the normal expiration of the extension period. The date of normal expiration of the extension period is excluded in computing the 12-month period.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

RULE	If an enlisted member of	has been on active duty for 30 or more consecutive days and	and member	then accrued leave is (note 1)
1	any military Service	enlistment is involuntarily extended	continues on active duty in extension period	not payable until discharge.
2	any military Service	voluntarily extends enlistment, regardless of duration of extension	continues on active duty in extension period	payable on day before effective date of extension (leave accrued during extension is paid on discharge after extension is completed) (note 2).
3	any military Service, whose enlistment has been involuntarily extended	is separated under honorable conditions upon expiration of the involuntary extension of enlistment	immediately reenlists	payable.
4	any military Service, whose enlistment has been involuntarily extended	is separated under honorable conditions, before extension period expires, for purpose of reenlisting	immediately reenlists	payable.
5	any military Service, who has voluntarily extended enlistment	prior to October 5, 1999, extension is canceled before service under it begins and member is discharged under honorable conditions at normal expiration of enlistment		payable.
6	any military Service, who has voluntarily extended enlistment	prior to October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		not payable.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED (Continued)

	If an enlisted member of	has been on active duty for 30 or more consecutive days and	and member	then accrued leave is (note 1)
7	any military service, who has voluntarily extended enlistment	on or after October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		payable.

NOTES:

1. A member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 2.1.1.3 for exception.
2. No payment can be made on second or subsequent extensions.

Table 35-5. SEPARATION PAY ENTITLEMENT AND COMPUTATION

RULE	If a member is	and is involuntarily discharged or released from active duty because of (note 1)	then compute separation pay at
1	an officer (notes 2 and 3)	failure to be selected for promotion (note 4)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
2	a warrant officer separated during the 3-year probationary period	failure to be selected for promotion	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
3	a warrant officer	second failure to be selected for promotion and does not enlist or the request to enlist is denied, and is not retained on active duty in grade above W-4	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
4	a Reserve member	non-selection for an additional tour of active duty for which the member volunteered unconditionally	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
5	a chaplain	failure to maintain professional qualifications	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
6	a Reserve member	separation at any time prior to the completion of a specified period of active duty or indefinite period of active duty	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
7	a warrant officer or Reserve officer	age (notes 5 and 6)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.

Table 35-5. SEPARATION PAY ENTITLEMENT AND COMPUTATION (Continued)

NOTES:

1. Includes member's acceptance of an earlier release before the scheduled involuntary separation date, as directed by the Secretary of the military service concerned.
2. Includes a Regular commissioned officer with more than 6 years of commissioned service.
3. Includes a Regular officer continued on active duty pursuant to ***10 U.S.C. § 637a*** or a Reserve officer continued on active duty after failure to be selected for promotion, upon expiration of the period of continuation on active duty, or upon separation if continuation is declined.
4. Includes officer not found qualified for promotion to grade of First Lieutenant or Lieutenant Junior Grade.
5. Includes members separated after expiration of Secretarial retention period.
6. If the member is eligible for voluntary retirement, then the member is not entitled to separation pay even though the member does not apply for retirement concurrently with release from active duty.

*Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY

RULE	If	is	and	and	and	then
1	an enlisted member of any military Service	a prisoner released from confinement in a military or contract prison to parole, appellate review leave, or expiration of sentence			has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
2	an enlisted member of any military Service	discharged for fraudulent enlistment	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch	the member is present to receive the discharge	has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
3	an enlisted member of any military Service	discharged under other than honorable conditions	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch		has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).

Table 35-6. ENTITLEMENT TO DISCHARGE GRATUITY (Continued)

RULE	If	is	and	and	and	then
4	an enlisted member of any military Service	discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was under age		has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
***5**	an enlisted member of any military Service	discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was mentally incapacitated			do not pay a discharge gratuity.
***6**	an enlisted member of any military Service	discharged for minority with pay and allowances payable through date of discharge	enlistment is void because it was contracted when member was mentally incapacitated			do not pay a discharge gratuity.

NOTE:

Funds in the member's possession include personal funds and any item paid at the time of discharge or release, excluding mileage and cash advanced incident to furnishing transportation in kind.

*REFERENCES

CHAPTER 35 – SEPARATION PAYMENTS

2.0 – ACCRUED LEAVE PAY

2.1.1.	37 U.S.C. § 501
2.1.1.3.	10 U.S.C. § 701(e)
	37 U.S.C. § 501(b)(6)
	DoDI 1337 June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h(4)
2.1.1.4.	37 U.S.C. § 501(b)(6)
2.1.1.4.3	37 U.S.C. § 501(d)(1)
2.1.2.	10 U.S.C. § 706
2.1.3.	37 U.S.C. § 501(e)(1)
2.1.4.	37 U.S.C. § 501(e)(2)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.g
2.1.5.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.g(1)
2.2.1.1.	37 U.S.C. § 501(b)(1)
2.2.1.3.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.b(7)
2.2.2.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.f
2.2.2.1.	10 U.S.C. § 701(b)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraphs 1.f and 1.h
2.2.2.2.	10 U.S.C. § 701(e)(1) & (3)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h
	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, September 5, 2023
2.2.2.3.	10 U.S.C. § 701(e)(2)
	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph 1.h(2)
2.2.2.4.	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023, Enclosure 2, paragraph i
2.3	26 U.S.C. § 112
2.4	5 U.S.C. § 5514
	34 Comptroller General (Comp Gen) 504
2.5	37 U.S.C. § 501(d)(1)
2.6.1	37 U.S.C. § 501(b)(3)
2.6.2	37 U.S.C. § 501(b)(2)
2.6.3	37 U.S.C. § 501(b)(2)
	DoDI 1300.04, July 25, 2017, paragraph 3.1(c)(2)

2.6.4	37 U.S.C. § 501(b)(4)

3.0 – SEPARATION PAY (NON-DISABILITY)

3.1-3.3	DoDI 1332.29, March 3, 2017, paragraph 3.1
3.1.1.	10 U.S.C. § 1174
3.1.2.	10 U.S.C. § 1174(i)
3.1.2.4	37 U.S.C. § 373(b)(3)(A)(i)
3.1.2.5	37 U.S.C. § 373(b)(3)(A)(ii)
3.2.1.2.	DoDI 1332.14, January 27, 2014, Incorporating Change 7, June 23, 2022 DoDI 1332.30, May 11, 2018, Incorporating Change 3 September 9, 2021
3.2.9.	DoDI 1332.14, January 27, 2014, Incorporating Change 7, June 23, 2022, paragraph 3.a.(3).8(d)
3.2.13.	10 U.S.C. § 1174(a)(3)
3.2.14.	10 U.S.C. § 1174(c)(4) 39 Comp Gen 223 39 Comp Gen 226
3.4 and 3.5	DoDI 1332.29, March 3, 2017, paragraph 3.2
3.5.2.	10 U.S.C. § 1174(h)(2)

4.0 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

	10 U.S.C. § 1174(h)

5.0 – DISABILITY SEVERANCE PAY

5.1	10 U.S.C. § 1203 10 U.S.C. § 1206 10 U.S.C. § 1217
5.2	34 Comp Gen 65
5.3.1.	10 U.S.C. § 1212(a)
5.3.2.	10 U.S.C. § 1208 10 U.S.C. § 1212 39 Comp Gen 291
5.3.3.	10 U.S.C. § 1212
5.3.3.2.	38 Comp Gen 268
5.3.3.3.	46 Comp Gen 17
5.3 NOTE	DoDI 1215.07, July 30, 2019, Incorporating Change 1 May 17, 2021, paragraph 3.4.f
5.4	26 U.S.C. § 104 St. Clair v. U.S., 778 F. Supp. 894
5.6	10 U.S.C. § 1212(d)
5.6.2.	10 U.S.C. § 1212(d)(3)

5.7	10 U.S.C. § 1213

6.0 – CONTRACT CANCELLATION PAY AND ALLOWANCES

6.1	10 U.S.C. § 12311(a) 10 U.S.C. § 12312

7.0 – TRAVEL ALLOWANCES ON SEPARATION

7.2	Joint Travel Regulations, Chapter 5

8.0 – VOLUNTARY SEPARATION PAY (VSP)

	DoDI 1332.43, November 28, 2017 10 U.S.C. § 1175a
	DoDI 1332.43, November 28, 2017
8.1	10 U.S.C. § 1175a(a) 10 U.S.C. § 1175a(k)
8.2	10 U.S.C. § 1175a(b)
8.3	DoDI 1332.43, November 28, 2017, paragraph 3.2.f
8.4	10 U.S.C. § 1175a(b)(2)
8.5	10 U.S.C. § 1175a(d)
8.6	10 U.S.C. § 1175a(d)
8.7	10 U.S.C. § 1175a(f)
8.7.1.	10 U.S.C. § 1174
8.8	10 U.S.C. § 1175a(g)
8.9	10 U.S.C. § 1175a(h)
8.10	10 U.S.C. § 1175a(h)(2)
8.11	10 U.S.C. § 1175a(j)

9.0 – VOLUNTARY RETIREMENT INCENTIVE (VRI)

	10 U.S.C. § 638b DoDI 1332.44, June 24, 2014, Incorporating Change 1, March 25, 2020 (cancelled April 9, 2021)

Table 35-1 – PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 7		37 U.S.C. § 504
Rule 8		37 U.S.C. § 501(a)
Rule 9		DoDI 1332.14, January 27, 2014, Incorporating Change 6, September 1, 2021
	Note 3	43 Comp Gen 802
	Note 4	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

Note 9	37 U.S.C. § 501
Note 10	37 U.S.C. § 501

Table 35-2 – PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 1	30 Comp Gen 328
Rule 2	31 Comp Gen 387
	37 U.S.C. § 501
Rule 3	10 U.S.C. § 716
	37 U.S.C. § 501
Rule 4	31 Comp Gen 668
Rule 6	35 Comp Gen 25
Note 3	37 U.S.C. § 501
Note 4	Comp Gen B-176858, December 12, 1973
Note 5	DoDI 1327.06, June 16, 2009, Incorporating Change 5, August 25, 2023

Table 35-3 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

Rule 1	37 U.S.C. § 501
Rule 2	10 U.S.C. § 1171
Rule 8	36 Comp Gen 334
Note 1	37 U.S.C. § 501
Note 3	10 U.S.C. § 1171
	30 Comp Gen 280
	42 Comp Gen 399
Note 6	10 U.S.C. § 1171
	30 Comp Gen 280
	42 Comp Gen 399

Table 35-4 – PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

Rule 2	37 U.S.C. § 906
	37 U.S.C. § 501
	48 Comp Gen 127
Rule 4	37 U.S.C. § 501
	30 Comp Gen 531
Rule 5	42 Comp Gen 447
	Comp Gen B-150737, March 27, 1963
Rule 6	42 Comp Gen 447
	Comp Gen B-150737, March 27, 1963
Rule 7	Public Law 106-65, section 671, October 5, 1999

Note 1	37 U.S.C. § 501
Note 2	48 Comp Gen 127

Table 35-5 – SEPARATION PAY ENTITLEMENT AND COMPUTATION

Rule 7	10 U.S.C. § 1164
	10 U.S.C. § 14515-14516
Note 6	10 U.S.C. § 1174(c)

Table 35-6 – ENTITLEMENT TO DISCHARGE GRATUITY

Rule 1	10 U.S.C. § 956
Rule 2	10 U.S.C. § 1048
Rule 3	10 U.S.C. § 771a
Rule 4	39 Comp Gen 860
Rule 5	10 U.S.C. § 504(a)
	39 Comp Gen 742
	Deputy Secretary of Defense Memo, November 7, 2022
	DFAS Office of General Counsel (OGC) Memo, March 11, 2024
Rule 6	10 U.S.C. § 504(a)
	39 Comp Gen 860
	Deputy Secretary of Defense Memo, November 7, 2022
	DFAS OGC Memo, March 11, 2024

VOLUME 7A, CHAPTER 36: "PAYMENTS ON BEHALF OF DECEASED MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.1	Updated "Death of Members on Active Duty or Inactive Duty Training and Certain Other Persons" paragraph in accordance with Public Law 118-159, section 631.	Revision
5.1	Updated "Time Limit for Claim" paragraph in accordance with Public Law 118-159, section 632. Renumbered subsequent subparagraphs accordingly.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 36

PAYMENTS ON BEHALF OF DECEASED MEMBERS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to the processing of payments on behalf of deceased military members.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 24, 29, 31, 34 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEATH GRATUITY

A death gratuity in a total amount of $100,000 is payable to one or more eligible beneficiaries of a deceased individual as set forth in this section.

*2.1 Death of Members on Active Duty or Inactive Duty Training and Certain Other Persons

Death gratuity will be paid, regardless of whether death occurred in the line of duty or as the result of a member's misconduct, to eligible beneficiaries of the following (except a temporary member of the Coast Guard Reserve):

2.1.1. A member who dies while on active duty or while traveling to or from such duty;

2.1.2. A person who dies either while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service, who has been ordered or directed to go to that place, and who has been:

2.1.2.1. Provisionally accepted for that duty; or

2.1.2.2. Selected, under the Military Selective Service Act, for duty in that Military Service;

2.1.3. A member whose death is determined by administrative finding under the Missing Persons Act;

2.1.4. A National Guard or Reserve member who:

2.1.4.1. Dies while on inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service); or

2.1.4.2. When authorized or required by an authority designated by the Secretary, assumed an obligation to perform active duty for training, or inactive duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service), and who dies while traveling directly to or from that active duty for training or inactive duty training or while staying at the National Guard or Reserve member's residence, when so authorized by proper authority, during the period of such inactive duty training or between successive days of inactive duty training;

2.1.5. A member of a Reserve Officers' Training Corps (ROTC) who dies while performing annual training duty, or while performing authorized travel to or from that annual training duty, or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted; or, effective May 1, 2017, a graduate of a ROTC who has received a commission but has yet to receive a first duty assignment.

2.2 Death After Discharge or Release From Duty or Training

Death gratuity will be paid to eligible beneficiaries of the following persons (except a person who was a temporary member of the Coast Guard Reserve at the time of death):

2.2.1. A person who dies during the 120-day period beginning on the day following discharge or release from:

2.2.1.1. Active Duty (including for retirement for either disability or length of service); or

2.2.1.2. Inactive-duty training (other than work or study in connection with a correspondence course of an armed force or attendance, in an inactive status, at an educational institution under the sponsorship of an armed force or the Public Health Service).

2.2.2. For death gratuity to be payable due to the death of a person described in subparagraph 2.2.1, the Secretary of Veterans Affairs (VA) must determine:

2.2.2.1. The death resulted from an injury or disease incurred or aggravated during the active duty or inactive-duty training from which discharged or released or during travel directly to or from such duty; and

2.2.2.2. The decedent was discharged or released under conditions other than dishonorable from the last period of duty or training performed.

2.3 Definitions

2.3.1. Active Duty. Active duty is full-time duty in the active service of a Uniformed Service, including active-duty training (full-time training duty, annual training duty, or attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned). The exception to this definition is noted in subparagraphs 2.1.2 and 2.1.3.

2.3.2. Member. A member of the Military Service is a person appointed, enlisted, or inducted into a branch of the Military Services, including Reserve Components and cadets or midshipmen of the Military Service Academies. In paragraphs 2.3 - 2.11, the term "member" also includes a decedent who was not a member at death but for whom a death gratuity is payable under paragraph 2.1.

2.3.3. Reserve Components. The Reserve Components consist of the U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, and the Air Force Reserve.

2.4 Beneficiaries

2.4.1. Designated Beneficiary. Effective July 1, 2008, a member may designate one or more persons to receive a portion of the death gratuity using ***DoD (DD) Form 93***, Record of Emergency Data.

2.4.1.1. The portion payable to the designee must be specified in 10 percent increments. Where a total of less than 100 percent is assigned among designated beneficiaries, the remaining balance will be paid in accordance with subparagraph 2.4.3. If the designation is not in a 10 percent increment, the percentage designated will be rounded down to the nearest 10 percent increment and any undesignated portion will be paid in accordance with subparagraph 2.4.3.

2.4.1.2. From May 25, 2007, through June 30, 2008, a member was permitted to designate a person other than those on the survivor precedent list mandated by law at that time to receive up to 50 percent of the amount payable under paragraph 2.6.

2.4.1.3. On or after, January 28, 2008, if a member has a spouse but designates a person other than the spouse to receive a portion of the amount payable, then the Secretary concerned will provide notice of the member's designation to the spouse.

2.4.2. Conflicting Designations. If a member provides conflicting information on the DD Form 93 regarding designation of beneficiaries and their corresponding shares of the death gratuity, then payment will be made only to the extent that there are unambiguous designations.

Example: A member completes the February 2023 version of the DD Form 93. The member completes block 13 by designating his mother to receive 100 percent of the death gratuity and completes block 16 by designating his mother and his sister to each receive 50 percent of the death gratuity, resulting in conflicting designations. In this situation, 50 percent of the death gratuity would be payable to the mother, and the remaining 50 percent would be paid in accordance with subparagraph 2.4.3.

2.4.3. Beneficiary Under Order of Precedence. If a member does not make a designation under subparagraph 2.4.1, or designates only a portion of the amount payable, or makes an ambiguous or erroneous designation that results in an undesignated portion, the beneficiary or beneficiaries eligible for payment of the undesignated amount of the death gratuity will be determined based on the following order of precedence:

2.4.3.1. To the surviving spouse of the member;

2.4.3.2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

2.4.3.3. If no survivor in accordance with subparagraphs 2.4.3.1 or 2.4.3.2, then the parents of the member, in equal shares, or to the surviving parent;

2.4.3.4. If no survivor in accordance with subparagraphs 2.4.3.1 through 2.4.3.3, then the duly appointed legal representative of the member's estate; or

2.4.3.5. If no survivor in accordance with subparagraphs 2.4.3.1 through 2.4.3.4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

2.4.3.6. Treatment of Parents. For the purpose of subparagraph 2.4.3.3, only one father and one mother may be recognized in any case, and preference will be given to those who exercised a parental relationship on the date or most nearly before the date on which the member died.

2.4.3.7. Death of Eligible Survivor. If an eligible survivor dies before receipt of the death gratuity, it will be paid to the living survivor next in the order of precedence.

2.4.4. Effect of a Will. A bequest of a death gratuity in a will does not constitute a legal designation for receipt of death gratuity, nor is the death gratuity part of the member's estate, as it is not money owed to the member. The applicable statutory provisions concerning beneficiaries for death gratuity, as described in paragraph 2.4, control, not the will.

2.5 Documentation Required for Payment

2.5.1. Official Notification. Official notification of the death of an individual listed in ***10 U.S.C. section 1475(a)*** or **1476** must be documented on ***DD Form 1300***, Report of Casualty, a Death Certificate, or determination by the Secretary concerned, or his or her authorized designee that the individual listed in 10 U.S.C. § 1475(a) has died.

2.5.2. DD Form 397, Claim Certification and Voucher for Death Gratuity Payment

2.5.2.1. The ***DD Form 397*** is used to process payment to an individual who has been identified by the Service as a proper beneficiary in accordance with paragraph 2.6.

2.5.2.2. An individual who believes that they are entitled to payment of death gratuity may file a written claim for payment using the DD Form 397. A written claim for payment of death gratuity must be received by the Service within six years of the date of death of a decedent described in paragraph 2.1, or in the case of a decedent described in paragraph 2.2, six years from the date on which the Secretary of Veterans Affairs makes its determination as required. No payment may be made based upon an untimely claim. Refer to paragraph 5.1 for cases where a beneficiary is a minor or otherwise legally incapacitated.

2.5.3. Any other documentation required in this chapter or otherwise requested by a responsible official in order to determine entitlement to payment.

2.5.4. Refer to section 5.0 for additional requirements for payment where a claim is made on behalf of a person with a legal incapacitation.

2.6 Determining Eligible Beneficiaries

When officially notified that a member of his or her command has died, the commanding officer (CO) maintaining the member's personnel or service records determines if there is an eligible death gratuity beneficiary in accordance with paragraph 2.4, as further explained in Table 36-1. Refer any question of law, including cases where the relationship to the member is of questionable validity or legality, to Defense Finance and Accounting Service (DFAS) Office of General Counsel.

2.6.1. Lawful Spouse. If a decedent is survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

2.6.1.1. Entitlement to Basic Allowance for Housing (BAH) or evidence of assignment of government quarters to a member and spouse; or

2.6.1.2. Documentary evidence of marriage and proof of termination of any prior marriage of either the beneficiary or decedent.

2.6.2. Children. If a decedent is survived by a child or children, but is not survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

2.6.2.1. Documentary evidence that demonstrates the termination of any marriage of the decedent, including a certified copy of the spouse's death certificate, a divorce decree, or an annulment decree.

2.6.2.2. Base eligibility of child or children upon documentary proof of relationship, including:

2.6.2.2.1. Biological Child. The original or certified copy of the original birth certificate;

2.6.2.2.2. Legally Adopted Child. A certified court order of adoption in the case of a legally adopted child;

2.6.2.2.3. Stepchild. A marriage certificate reflecting the marriage between member and one of the child's biological parents, original or certified copy of the child's birth certificate, and proof that the stepchild was part of the member's household;

2.6.2.2.4. Illegitimate Child. Proof of parentage of a child born out of wedlock, including:

2.6.2.2.4.1. A written acknowledgement of parentage of a child that is signed by the decedent's death; or

2.6.2.2.4.2. A court order reflecting a judicial determination of paternity made before the decedent's death; or

2.6.2.2.4.3. A court order reflecting that the decedent was required to contribute to the child's support; or

2.6.2.2.4.4. A written determination by the Secretary of VA that the child has been proven to be a child of the decedent.

2.6.3. Parents. If the decedent is not survived by a spouse or child (or child's descendants), and has not officially designated any other individual(s) to receive the full death gratuity, then the parent beneficiary must furnish:

2.6.3.1. Documentary evidence that demonstrates the termination of any marriage entered into by the decedent, including a certified copy of the spouse's death certificate, a divorce decree, or an annulment decree; and

2.6.3.2. An affidavit (written statement that is signed and notarized) by the parent confirming that, to the best of his or her knowledge, the decedent has no living children and, if the decedent ever had children, that those children have no surviving children.

2.6.4. In Loco Parentis. A person who stood in loco parentis (in the place of a parent) does not qualify for the death gratuity as a "parent" of the member. A member must designate such a person in order for that person to qualify as an eligible beneficiary.

2.7 Determinations Affecting Entitlement

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

2.7.2. Absence Without Leave (AWOL) or Absence Over Leave (AOL). A death gratuity is payable in the case of a member whose death occurs while he or she is in an unauthorized absence status, either AWOL or AOL, including being in custody of civil authorities, provided the date of death is prior to the normal expiration of contracted duty.

2.7.3. Desertion. No death gratuity is payable in the case of a member who is a declared deserter at the time of his or her death unless it is later found that the declaration was in error.

2.8 Exemptions

2.8.1. Death gratuity payments may not be used to satisfy indebtedness (including overpayments).

2.8.2. The death gratuity amount is excluded from gross income for tax purposes. Also, see Chapter 44, Table 44-4, Rule 16.

2.9 Immediate Payments

Immediate payment of a death gratuity (within 24 hours, if possible) will be made when the eligible beneficiary can be determined, and there is no doubt as to the propriety of payment.

2.10 Responsibility for Payment of Death Gratuity

See Tables 36-2 through 36-6.

2.11 Erroneous Payment

An erroneous payment of death gratuity is one made to a person who was not entitled to the payment under the law.

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

2.11.2. Do not make a second payment of death gratuity to a different person if the original payment was based on written statements of record made by the member, and the government had no reason to doubt that the individual had been designated by the member as a beneficiary or held the relationship status to the member as stated by the member.

3.0 SETTLING DECEASED MEMBERS' ACCOUNTS

3.1 General

Payment of any unpaid pay and allowances (UPPA) due on behalf of a deceased member of the Armed Forces will be made to one or more eligible beneficiaries of the deceased member described in paragraphs 3.3 and 3.4. UPPA include:

3.1.1. Pay and allowances due and unpaid at death, including settlement of accrued leave (subject to limitation in Chapter 35, subparagraph 2.1.1.4.3). Entitlement restrictions apply. Any pay and allowances unpaid at death will be offset by any outstanding debts;

3.1.1.1. Family Separation Allowance (FSA). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to FSA-Ship (S) (Chapter 27, subparagraph 2.3.1.2) or FSA-Temporary (T) (Chapter 27, subparagraph 2.3.1.3). FSA-S and FSA-T will be excluded from the final settlement of the member's military pay account;

3.1.1.2. Hardship Duty Pay – Location (HDP-L). Service members permanently assigned or serving in a temporary duty or deployed or attached status for over 30 consecutive days in an HDP-L designated area will receive HDP-L. If a member dies within the first 30-days of qualifying duty, then the member is not entitled to HDP-L (Chapter 17, subparagraph 2.1.2). HDP-L will be excluded from the final settlement of the member's military pay account;

3.1.2. Amounts due for travel, per diem, transportation of dependents, and shipment of household goods, subject to split disbursement requirements for the Government Travel Charge Card;

3.1.3. Member's savings deposits and interest thereon;

3.1.4. If a member receiving a bonus or other pay or benefits under an agreement conditioned on the member satisfying eligibility requirements dies before receiving the full amount under the agreement (including contracted future year anniversary payments), and if death is not caused by the member's misconduct, then the remaining bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If the death is determined to have been the result of the member's misconduct, then no further payments may be made, and unearned portions of amounts paid to the member must be recouped and will reduce the amount of UPPA payable. Refer to Chapter 2; or

3.1.5. Proceeds of any checks for items in subparagraphs 3.1.1 through 3.1.4, unnegotiated by the member before death.

3.2 Documentation Required for Payment

3.2.1. Official Notification. Official notification of the death or finding of death of the member must be documented on DD Form 1300, a Death Certificate, or determination by the Secretary concerned, or his or her authorized designee, that the member has died.

3.2.2. Standard Form (SF) 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services

3.2.2.1. The ***SF 1174*** is used to process payments to an individual who has been identified by the Services as a proper beneficiary in accordance with paragraphs 3.3-3.4.

3.2.2.2. An individual who believes that they are entitled to payment of UPPA may file a claim for payment by using the SF 1174. A written claim for payment of UPPA must be received by the Service within six years of the date of death of a member. No payment may be made based upon an untimely claim. Refer to paragraph 5.1 where a beneficiary is a minor or otherwise legally incapacitated.

3.2.3. Any other documentation required in this chapter or otherwise requested by the responsible official to determine entitlement to payment.

3.2.4. Refer to section 5.0 for additional requirements for payment where a claim is made on behalf of a person with a legal incapacitation.

3.3 Designated Beneficiary

A member may designate any person, related or not, to receive the member's UPPA. Designation of a beneficiary must have been executed by the member and filed and received by the Service in accordance with regulations governing such designations. When more than one beneficiary has been named, the percentages specified by the member govern payment. If no percentages have been specified, then payment will be divided equally among designated beneficiaries.

3.4 Beneficiary Under Order of Precedence

3.4.1. Order of Precedence. If a member did not designate a beneficiary for UPPA, or designated only a portion of the amount payable, payment of the undesignated amount is made in the following order of precedence:

3.4.1.1. The surviving spouse of the member;

3.4.1.2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3.4.1.3. If no survivor in accordance with subparagraphs 3.4.1.1 or 3.4.1.2, then the parents of the member, in equal shares, or to the surviving parent;

3.4.1.4. If no survivor in accordance with subparagraphs 3.4.1.1 through 3.4.1.3, then the duly appointed legal representative of the member's estate; or

3.4.1.5. If no survivor in accordance with subparagraphs 3.4.1.1 through 3.4.1.4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

3.4.2. Adopted Child. An adopted child is a legal heir in every state and is therefore entitled to payment of UPPA if otherwise proper. If the deceased member's child is adopted by others, then the child is a beneficiary only in those states where an adopted child inherits from the child's natural parent.

3.4.3. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased member.

3.5 Death of Beneficiary

If a beneficiary dies after the member, but before receiving payment of UPPA, it may be paid to the beneficiary's estate upon presentation of an SF 1174. If the beneficiary does not have an estate established, and the UPPA is $3,000 or less, it may be paid to the deceased beneficiary's survivors in the order of precedence set out in paragraph 3.4. If the UPPA is greater than $3,000, DFAS may pay it in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlements, refer the issue to DFAS.

3.6 Tax Abatement

See Chapter 44, paragraph 2.4 if the member's death was caused by terrorist or military action overseas.

3.7 Advance of Pay

The following applies to a deceased member's final pay computation:

3.7.1. Except for an advanced pay paid under the provisions of Chapter 32, paragraph 2.3, when a member is in a combat zone and receiving imminent danger or hostile fire pay, advance pays that have not been repaid prior to the death of the member remain a debt to the United States for the unliquidated amount. Advance pays paid under paragraph 2.3 and not fully collected at the time of death will not be collected against the estate of a deceased member; and

3.7.2. A member may receive an early payment of pay and allowances due to a regular payday falling on a weekend or legal holiday. If the member dies before the last day of that pay period, then no collection will be taken for any extra days of pay received.

3.8 Prohibition

Any payments made under this section prohibit recovery of those payments by any other person.

4.0 Housing Allowance Following Service Member's Death

4.1 BAH or Overseas Housing Allowance (OHA)

BAH or OHA continuation or payment to the surviving dependent of a Service member who dies on active duty (AD) is authorized for 365 days. It is paid to the dependent who, on the date of the Service member's death:

4.1.1. Was not occupying Government quarters;

4.1.2. Was occupying Government quarters on a rental basis, or

4.1.3. Was occupying Government quarters but vacates those quarters within 365 days of the Service member's death.

4.2 Not Payable

The housing allowance is not payable to a surviving dependent of an RC member if that RC member dies while on inactive duty. See section 6.0 concerning payment to a dependent who killed the Service member.

4.3 Payment Priority

Payments to a surviving dependent are made first to the current spouse. If there is no current spouse, the housing allowance is divided equally among the dependents on whose behalf the deceased Service member was receiving a with-dependent housing allowance or who were living with the member in Government quarters. No payment may be made to any individual for whom the member was not receiving a with-dependent housing allowance or who were not in the member's physical custody at the time of the member's death.

4.4 Payment Amount and Method

The housing allowance is paid at the rate that is payable for members of the same grade and dependency status as the deceased Service member for the area where the dependents are residing. The housing allowance may be paid quarterly as an advance payment but must be reconciled. Housing allowance payments to the dependent are not subject to collection of any debts owed by the deceased Service member to the United States.

4.5 Surviving Service Member Spouse

The allowance in this paragraph may be paid to a deceased Service member's spouse even if the spouse is also a Service member entitled to basic pay. The allowance is paid to the surviving Service member spouse in addition to any other pay and allowances to which the surviving Service member spouse is authorized as a Service member. The following payment rules apply:

4.5.1. Dual housing-allowance payments are authorized for a surviving Service member spouse;

4.5.2. When any dependents other than a surviving Service member spouse are involved, the housing allowances are paid in the same manner that was provided for before the Service member's death. If the surviving Service member spouse was drawing the without-dependent housing allowance on the Service member's date of death, that rate would continue for 365 days. On day 366, the surviving Service member spouse's housing allowance could change to the with-dependent rate;

4.5.3. If the family vacates Government quarters, the surviving Service member spouse is paid the housing allowance that would have been paid to the deceased Service member, as well as the housing allowance to which the surviving Service member spouse is authorized. In this case, the surviving Service member spouse may determine on whose behalf the with-dependent and the without-dependent housing allowances are paid;

4.5.4. If the deceased Service member was receiving a with-dependent housing allowance solely for a dependent who may not be claimed by the surviving Service member spouse, the surviving Service member spouse is only authorized housing allowance continuation at the without-dependent rate. The remainder, the difference between the with-dependent and without-dependent rates, is divided equally among the dependents on whose behalf the deceased Service member was receiving the with-dependent rate; and

4.5.5. When a deceased Service member had a Service member spouse (spouse) but no other dependents, and the spouse and deceased Service member were each assigned to single-type Government quarters on the date of death (i.e., the deceased member was not receiving a housing allowance other than BAH-Partial), the following rules apply:

4.5.5.1. While the spouse continues to reside in single-type Government quarters, the spouse is entitled to BAH-Partial based on his or her own service, and no housing allowance based on the deceased member;

4.5.5.2. If the spouse remains in service and moves out of single-type Government quarters and into non-Government quarters within 365 days of the date of death, the spouse is entitled to a housing allowance at the without-dependent rate based on his or her own service, and BAH-Partial based on the deceased member for the balance of the 365-day period; and

4.5.5.3. If the spouse separates from service within 365 days of the date of death, the spouse is entitled to payment of a with-dependent housing allowance based on the deceased member's last permanent duty station (PDS) location for the balance of the 365-day period.

4.6 Rate Defining Location

4.6.1. If a Service member with a dependent dies on AD while assigned to a PDS in the United States, then the housing allowance for the dependent is based on the deceased Service member's PDS, regardless of the location where the dependent chooses to reside unless the dependent is in receipt of a Secretarial waiver.

4.6.2. If a Service member with a dependent dies on AD while assigned to a PDS outside the United States, then the housing allowance for the dependent is based on the location where the dependent resides, or chooses to reside, in the United States. If the dependent stays overseas, the housing allowance is based on the OHA rate, and the documented cost, for the location where the dependent resides. It then changes to BAH based on the United States location where the dependent later decides to reside on the date that any dependent arrives there or the date that all dependents have departed the PDS location, whichever is later.

4.6.3. If a Service member with a dependent dies on AD, and a dependent resides in Government quarters, then the housing allowance for the dependent is based on the dependent's location the day that the Government housing facilities were vacated. That rate continues for 365 days, less the number of days the Government housing facilities were occupied following the date of the Service member's death. If the Government housing was outside the United States, pay the housing allowance based on the location where the dependent chooses to reside.

5.0 Payments to Legally Incapacitated Beneficiaries

The following provisions apply where an eligible beneficiary of death gratuity and/or UPPA, unless otherwise noted, is a minor or a mentally incapacitated adult.

*5.1 Time Limit for Claim

5.1.1. As set forth in subparagraphs 2.5.2 and 3.2.2, there is a six-year limit for making a claim for death gratuity or UPPA. A beneficiary's legal disability (e.g., status as a minor or mentally incapacitated adult) does not toll or extend the time period for submission of a claim. An authorized representative must file a claim on behalf of the beneficiary within the six-year time limit.

5.1.2. In accordance with ***10 U.S.C. § 1480(e)***, a beneficiary who is filing a claim for death gratuity, pursuant to 10 U.S.C., Chapter 75, for a death that occurred on or after January 1, 2025, and who is younger than 21 years of age on the date of the death, must file the claim with the Secretary of Defense not later than the latest of the following:

5.1.2.1. The date that is three years after the individual reaches 21 years of age; or

5.1.2.2. The date that is six years after the date of the death with respect to which the claim is made.

5.2 Minor Beneficiary

5.2.1. For purposes of this chapter, a "minor" is a person who has not reached the age of majority under the law of the state where the person resides. Refer to Volume 7B, Appendix H for the age of majority by State and United States Possession.

5.2.2. If a minor is entitled to a death gratuity and/or UPPA in an amount of $10,000 or less, then payment for the minor beneficiary may be made:

5.2.2.1. To the minor's parent, including an adoptive parent, as natural guardian when the parent provides a notarized statement attesting to all the following conditions:

5.2.2.1.1. A legal guardian has not been appointed for the minor beneficiary;

5.2.2.1.2. The parent has custody of the minor;

5.2.2.1.3. The parent will hold the payment for the sole use and benefits of the minor until the minor reaches adulthood;

5.2.2.1.4. The parent will account to the minor for such amount when the minor reaches adulthood; and

5.2.2.1.5. The parent will hold the government harmless in the event the minor, when he/she reaches the age of majority (adulthood), brings any legal action challenging the government's payment to the minor's parent;

5.2.2.2. To the minor's non-parent legal guardian where one has been appointed. The individual appointed as the legal guardian must provide a notarized statement attesting to all of the following conditions, as well as a certified copy of the court order appointing the legal guardian:

5.2.2.2.1. The individual has been appointed as the legal guardian of the minor;

5.2.2.2.2. The guardian will hold the payment for the sole use and benefit of the minor until the minor reaches adulthood;

5.2.2.2.3. The guardian will account to the minor for such amount when the minor reaches adulthood; and

5.2.2.2.4. The guardian will hold the government harmless in the event the minor, when he/she reaches the age of majority (adulthood), brings any legal action challenging the government's payment to the minor's guardian.

5.2.3. If a minor is entitled to a death gratuity and/or UPPA in an amount exceeding $10,000, then payment may only be made to the guardian or conservator of minor's estate appointed by a court to receive such payments for the minor's benefit, even where the guardian or conservator is the child's parent, thereby providing the government a means of obtaining a good acquittance. A certified copy of the court order appointing the guardian or conservator of the minor's estate must be provided before payment can be made. Guardianship or conservatorship of the minor as a person is not sufficient.

5.2.4. For purposes of determining to whom payment can be made under subparagraphs 5.2.2 and 5.2.3, if a minor is entitled to payment of both death gratuity and UPPA, those amounts must be aggregated.

5.2.5. Payment of housing allowance provided for under section 4.0 may be made to a minor beneficiary's parent or legal guardian, regardless of the amount of the payment.

5.3 Mentally Incapacitated Adult

If an eligible beneficiary is an adult who has been determined under state law to be mentally incapacitated, mentally incompetent, or otherwise requiring a guardian, trustee, conservator, committee, or other such person to make decisions concerning the beneficiary's financial affairs, then payment may be made to an appointed guardian, trustee, conservator, committee, or other such person. A certified copy of the court order making such appointment is required for payment under this chapter.

6.0 Prohibition of Payment to Beneficiary Who Killed Decedent

No payment of a benefit discussed in this chapter may be made to a person who killed the decedent unless there is evidence that clearly absolves that person of any felonious intent. In the absence of such evidence, the eligible beneficiary for payment of the amount that would have otherwise been payable to that person is determined in accordance with the applicable designation of beneficiary or order of precedence as if that person had not survived the decedent.

Table 36-1. Eligible Survivors Where No Designated Beneficiary - Death Gratuity

RULE	Death gratuity is payable to the following living survivor(s) of the decedent	which is defined as
1	lawful spouse	an individual legally married to the decedent at the time of death.
2	child, or children, without regard to age or marital status, in equal shares	a legitimate child.
3		a legally adopted child.
4		a stepchild if a member of the decedent's household at the time of death.
5		an illegitimate child of a female decedent; or an illegitimate child of a male decedent, if a. the decedent acknowledged the child in writing signed by him; b. a court determined the child to be the decedent's before his death; c. the decedent has been judicially ordered to contribute to the child's support; or d. the Secretary of the VA determined the child to be the decedent's.
6	surviving parent(s) in equal shares	the natural father or mother; or
7		the father or mother through adoption.
8	other person(s)	any next of kin of the decedent entitled under the laws of the domicile of the member at the time of the decedent's death.

Table 36-2. Responsibility for Payment of Death Gratuity - General

RULE	If the deceased	then payment is made by
1	was a member of the Army, Army National Guard, or Army Reserves	DFAS Indianapolis (IN) or the member's servicing finance center as specified in Table 36-3.
2	was a member of the Navy or Navy Reserves	DFAS Cleveland (CL) or the designated disbursing officer as specified in Table 36-4.
3	was a member of the Air Force, Air National Guard, Air Force Reserves, or Space Force	the Air Force Personnel Center (AFPC) - Operating Location (OL) IN.
4	was a member of the Marine Corps or Marine Corps Reserve	DFAS-CL as specified in Table 36-6.
5	is retired and dies within 120-days of retirement	DFAS-CL, Retired and Annuitant Pay
6	was discharged under honorable conditions, and dies within 120-days of separation	the DFAS site responsible for servicing the deceased member's military pay account.
7	is a member whose death is determined by administrative finding under the Missing Persons Act	the DFAS site responsible for servicing the deceased member's military pay account.
8	was a member of a Senior ROTC (SROTC)	the DFAS site responsible for servicing the deceased member's military pay account.
9	is a person who dies while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been provisionally accepted for that duty; or selected, under the Military Selective Service Act, for duty in that Military Service	the DFAS site that would have maintained the individual's military pay account.

Table 36-3. Responsibility for Payment of Death Gratuity – Army

RULE	If the beneficiary is a(n)	then death gratuity is settled by
1	Adult	the deceased member's servicing finance office. (note 1)
2	Minor	DFAS-IN.
3	Doubtful case (note 2)	DFAS-IN.

NOTES:

1. The deceased member's servicing finance office will be responsible for making payment for all adult beneficiaries who fall within the established guides of paragraph 2.3.
2. Doubtful cases include:
   a. All cases coming under subparagraphs 2.6.1, 2.6.2, 2.6.3, or any questionable cases under paragraph 2.5;
   b. Common-law widow or widower; or
   c. A member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-4. Responsibility for Payment of Death Gratuity - Navy

RULE	When eligibility of beneficiary or propriety of payment is	and determination is made that eligible beneficiary is	and	then death gratuity is paid by
1	not doubtful	a lawfully designated beneficiary	Navy Casualty Assistance (N135C) certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.
2	not doubtful	a lawfully designated beneficiary	beneficiary requests local payment, after N135C certifies beneficiary and payment amount,	the disbursing officer authorized by N135C to make payment.
3	doubtful (notes 1, 2, and 3)	required to be determined by N135C	N135C certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.

NOTES:

1. Doubtful cases include “common law widow or widower.”
2. All cases coming under subparagraph 2.4.4 and paragraph 2.7 are doubtful cases.
3. Doubtful cases include a member’s minor child, adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-5. Responsibility for Payment of Death Gratuity - Air Force and Space Force

RULE	When eligibility of beneficiary or propriety of payment is	and determination is made that eligible beneficiary is	and	then death gratuity is settled by
1	not doubtful	a lawful spouse (notes 1 and 2); or adult child or children (notes 2 and 3); or a designated relative (notes 2, and 4). Minor children are paid by DFAS along with those identified in rule 3	upon receipt of notification of death (note 5)	the AFPC - OL (IN).
2	not doubtful	a designated non-relative	upon receipt of notification of death (note 5)	the AFPC - OL (IN).
3	doubtful	one of those listed in notes 1, 2, and 3	upon receipt of notification of death (note 5)	the AFPC - OL (IN).

NOTES:

1. AFPC – OL (IN) settles death gratuity payment to "common-law widow or widower."
2. AFPC – OL (IN) settles all cases coming under subparagraphs 2.6.1, 2.6.2, 2.6.3, and any questionable cases under subparagraph 2.4.4.
3. AFPC – OL (IN) settles doubtful cases, including: all minor children, all adopted children without properly certified court adoption papers, and all illegitimate children.
4. Relatives consist of a member's parents, brothers, sisters, or any combination thereof.
5. If death occurs while a member is on a Permanent Change of Station move, then the "losing" home installation notifies.

Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps

RULE	When the CO determines that the eligible beneficiary is	and eligibility of beneficiary or propriety of payment is	and	and	then death gratuity is paid by
1	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	the disbursing officer has access to member's pay and service records	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
2	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	payment is requested by the CO of an activity located in an outlying area	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
3	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
4	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	doubtful (notes 2, 3, and 4)	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
5	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	not doubtful	the relative did not reside with the member at or near member's duty station or home port	member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
6	a lawful spouse, child or children, designated, or non-designated relatives (note 1)	not doubtful	the relative did not reside with the member at or near member's duty station or home port	payment is requested by the CO of an activity located near residence of the designated beneficiary	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.

Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps (Continued)

NOTES:

1. Relatives consist of a member's parents, brothers, sisters and other next of kin of the member entitled under the laws of domicile of the member at the time of the member's death.
2. Doubtful cases include “common law widow or widower.”
3. All cases coming under subparagraph 2.4.4 and paragraph 2.7.
4. Doubtful cases include a member’s minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

*REFERENCES

CHAPTER 36 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

2.0 – DEATH GRATUITY

2.0	10 U.S.C. § 1478(a)
2.1	10 U.S.C. § 1475
2.1.5.	10 U.S.C. § 1475(a)(4)
2.2	10 U.S.C. § 1476
2.2.2.2.	10 U.S.C. § 1480(b)
2.4	10 U.S.C. § 1477
2.4.1.1.	Mills v. Secretary of the Army, 371 F. Supp. 3d 423, 429 (S.D. Ohio 2019)
2.5	10 U.S.C. § 1479
2.5.2.1.	AR 637-1, para. 16-9 Department of the Air Force Instruction 36-3002, paragraph 4.9.3 Marine Corps Order 3040.4, Chapter 4, Section 3, para. 2(b) MILPERSMAN 1770-280, para. 12(d)
2.5.2.2.	31 U.S.C. § 3702
2.6	10 U.S.C. § 1479 10 U.S.C. § 1477
2.7.1.	10 U.S.C. § 1480(a)
2.7.2.	29 Comp Gen 294
2.7.3.	31 Comp Gen 645
2.8.2.	26 U.S.C. § 134(b)(3)(C)
2.11	37 Comp Gen 131

3.0 – SETTLING DECEASED MEMBERS' ACCOUNTS

3.1	10 U.S.C. § 2771
3.1.1.	37 U.S.C. § 501(d)
3.1.1.1.	37 U.S.C. § 427(a)(2)
3.1.1.2.	DoDI 1340.26, September 25, 2017, Change 1 Effective January 11, 2019, para. 4.4
3.2	10 U.S.C. § 2771
3.2.2.2.	31 U.S.C. § 3702
3.3	Comp Gen B-187037
3.4.2. and 3.4.3.	Comp Gen B-91021, February 6, 1950 10 U.S.C. § 2771
3.5	Comp Gen B-69787-O.M., May 2, 1979
3.7.1.	37 U.S.C. § 212(c) 37 U.S.C. § 1006(d)
3.7.2.	37 U.S.C. § 1006 (h)

References (Continued)

4.0 – Housing Allowance Following Service Member's Death	
	37 U.S.C. § 403(l)
5.0 – Payments to Legally Incapacitated Beneficiary	
	31 U.S.C. § 3702 Defense Office of Hearings and Appeals Claims Case No.02082608 (March 26, 2003)
5.1	10 U.S.C. § 1480(e)
6.0 – Prohibition of Payment to Beneficiary Who Killed Decedent	
	34 Comp Gen 103
Table 36-2	Air Force Manual (AFMAN) 65-116, Volume 1, February 24, 2023
Table 36-3	Military Pay E-Message 09-020
Table 36-4	Military Personnel Manual 1770-280, August 4, 2014
Table 36-5	AFMAN 65-116, Volume 1, February 24, 2023

VOLUME 7A, CHAPTER 37: "BENEFITS FOR MEMBERS HELD AS CAPTIVES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
References	Updated supporting statutes and references.	Revision

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CHAPTER 37

BENEFITS FOR MEMBERS HELD AS CAPTIVES

1.0 GENERAL

1.1 Purpose

This chapter describes the policy provisions for benefits for members who are held as captives as determined by the Secretary of Defense.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FORMER CAPTIVE PAYMENT

2.1 Entitlement Provisions

A former captive is a member who was held in a captive status. Entitlement may only be authorized by the Secretary of Defense. Once the Secretary of Defense makes a "hostile action" determination, which is the authority for former captive payments, the Military Service Secretaries will provide the names and dates of entitlements to their respective Defense Finance and Accounting Service (DFAS) Center. Entitlement dates may not include any of the following without specific case-by-case approval of the Secretary of Defense:

2.1.1. Dates in a captive status which are not dates of actual physical custody by a hostile force (for example, dates evading capture where the presence of a hostile force prevented escape or rescue); or

2.1.2. Dates that are doubtful that the missing status was the result of hostile action or was the result of membership in the Uniformed Services. Commanders will forward any request with justification via the appropriate Military Service chain of command. When authorized, the DFAS Center concerned will make payment.

2.2 Rates

2.2.1. For each day a member was held in a captive status, payment will be 50 percent of the then-current world-wide average per diem rate. Status beginning and ending days (for example, day of return to military control) are days of entitlement. Payment must be made within 1 year after the member's captive status ends. Rates will be obtained from the Office of the Under Secretary of Defense (Personnel and Readiness) (Military Personnel Policy/Compensation), 1500 Defense Pentagon, Washington, D.C. 20301-1500.

2.2.2. Former captives may receive more than the 50 percent rate when specifically approved by the Secretary of Defense. Recommendations justifying a higher percentage will be forwarded through command channels via the appropriate Military Service Secretary.

2.3 Death of Member

If a member dies while in a captive status, any amount due is considered pay and allowances for the purposes of Chapter 34.

2.4 Exceptions

2.4.1. The Secretary of Defense may defer payment for anyone (within the 1-year payment window) charged with a captivity-related offense and may deny payment if the member is convicted in a court of competent jurisdiction. If convicted, whether or not payment has been made, commanders will forward the case to the Secretary of Defense with justified recommendations for payment determination. Payments previously made and later denied must be collected.

2.4.2. No payment is authorized when the Congress specifically provides for prisoner of war (POW) compensation for captivity periods. See section 3.0.

2.5 Taxability

Payments to former captives generally are not taxable if the captive status resulted from the deprivation of personal rights, such as terrorist activity. However, if the captive status resulted from an engagement with another nation's armed forces, then payment may be taxable and reported as taxable income. See Chapter 44, Table 44-1 for possible applicability of the combat zone tax exclusion.

3.0 POW COMPENSATION

Payment authorized by the Congress, for a specific period of captivity as a POW, is made by the Secretary of the Treasury, and is not considered to be an Uniformed Services pay and allowances entitlement. DFAS is not involved in this payment procedure or its tax reporting consequences.

4.0 SAVINGS ALLOTMENT

Military Service Secretaries may allot part or all of a captive's pay and allowances (except what is already allotted) to an interest-bearing savings fund that is maintained by the Secretary of the Treasury. The Secretary of the Treasury establishes the withdrawal procedures for this savings fund.

*REFERENCES

CHAPTER 37 - BENEFITS FOR MEMBERS HELD AS CAPTIVES

2.0	Former Captive Payment	
		Title 5, U.S.C., section 5569(d)(2) 37 U.S.C. § 551 37 U.S.C. § 559(c)
	2.4.1.	37 U.S.C. § 559(c)(3)
	2.4.2	37 U.S.C. § 559(a)(1)
4.0	Savings Allotment	
		37 U.S.C. § 559(b)

VOLUME 7A, CHAPTER 38: "SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 38-1	Updated the rations rate for the calendar years 2023 and 2024 in accordance with the "Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies" as listed on the Office of the Under Secretary of Defense (Comptroller) website.	Revision
Table 38 -1	January 2025. Added the rations rate for the calendar year 2025 in accordance with the Office of the Under Secretary of Defense (Comptroller) memo, dated December 20, 2024.	Addition
References	Updated statutes and supporting references.	Revision

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CHAPTER 38

SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for cadets at the U.S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy.

1.2 Authoritative Guidance

The pay and allowances policies and requirements for cadets and midshipmen established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 203(c) ***(37 U.S.C. § 203(c))***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENTS

2.1 Monthly Pay

Cadets at the U.S. Military Academy, the U.S. Air Force Academy, the Coast Guard Academy, and midshipmen at the U.S. Naval Academy are entitled to pay at the monthly rate of 35 percent of the basic pay of a commissioned officer in the pay grade O-1 with less than 2 years of service. This monthly rate is prescribed in Chapter 1, Table 1-7. Note: The actual monthly pay rate for cadets and midshipmen are set by Executive Order.

2.2 Rations

Cadets and midshipmen are entitled to commuted rations while on leave, on temporary duty or temporary assigned duty at the daily rate established by the Office of the Under Secretary of Defense (Comptroller) as prescribed in Table 38-1.

2.3 Incentive and Special Pays

Cadets and midshipmen are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger.

2.4 Start and Stop Dates

See Table 38-2.

2.5 Continuance of Pay and Allowances

Pay and allowances continue to accrue to cadets or midshipmen while they are absent in an official missing or missing-in-action status. See Chapter 34. Cadets and midshipmen also are entitled to full pay while traveling under orders.

2.6 Death Benefits

Death gratuity entitlement and settlement of unpaid pay and allowances instructions are contained in Chapter 36.

2.7 Settlement for Unused Accrued Leave

Since cadets and midshipmen do not earn leave, they are not entitled to lump-sum leave benefits.

3.0 OTHER STUDENTS

3.1 Service Academy Preparatory School Students

3.1.1. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who was selected to attend the preparatory school from civilian life, is entitled to monthly student pay at the same rate as provided for cadets and midshipmen.

3.1.2. A student at the U.S. Military Academy Preparatory School, the U.S. Naval Academy Preparatory School, or the U.S. Air Force Academy Preparatory School, who, at the time of the student's selection to attend the preparatory school, was an enlisted member of the uniformed services, will receive the monthly basic pay at the rate prescribed for the student's pay grade and years of service as an enlisted member or at the rate provided for cadets and midshipmen under section 2.0, whichever is greater.

3.2 Foreign Cadets and Midshipmen

Persons from a foreign nation, who are receiving instruction at the Military Service academies are entitled to the same pay, commuted rations, and travel and transportation allowances as authorized for U.S. cadets and midshipmen.

4.0 DEDUCTIONS FROM MONTHLY PAY

4.1. Allotments

The Military Department concerned determines whether cadets and midshipmen may register allotments of pay.

4.2 Collections of Indebtedness

For general policies and requirements relating to the collection of indebtedness, see Volume 16. Private indebtedness for services (e.g., laundry, dry cleaning, shoe repair) is not an indebtedness collectible under Volume 16.

4.3 Servicemembers' Group Life Insurance (SGLI)

Academy cadets and midshipmen are eligible for SGLI coverage while on full-time duty as a cadet or midshipman at a Service academy. See Chapter 47. Details covering the administration of the SGLI program for cadets or midshipmen are contained in the pay procedural instructions of the Military Service academy concerned.

4.4 Taxes

The basic pay of cadets and midshipmen is subject to federal and state withholding tax (Chapter 44) and Federal Insurance Contribution Act tax (Chapter 45).

5.0 ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

5.1 General

The Secretary of the Military Department concerned prescribes the amount to be advanced each new cadet or midshipman to cover the cost of initial clothing and equipment. The amount advanced is deducted in regular installments from the cadet's or midshipman's monthly pay until fully collected.

5.2 Discharge

Any cadet or midshipman who is discharged (whether voluntarily or involuntarily) before graduation and before the total amount has been repaid, must turn in as much of the clothing and equipment of a distinctive military nature as is necessary to liquidate the balance owed. If a cadet or midshipman is discharged and the value of the turned-in clothing and equipment does not cover the balance owed, then the value of the turned-in clothing and equipment is applied to the balance owed and the remainder of the advance owed is cancelled, regardless of reason for discharge.

6.0 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to cadets and midshipmen are prescribed in the Joint Travel Regulations.

*Table 38-1. Ration Rates

Effective	Breakfast	Lunch	Dinner	Total
October 1, 1999	$1.05	2.15	2.15	$5.35
October 1, 2000	$1.05	2.20	2.20	$5.45
October 1, 2001	$1.10	2.25	2.25	$5.60
October 1, 2002	$1.15	2.30	2.30	$5.75
October 1, 2003	$1.20	2.35	2.35	$5.90
October 1, 2004	$1.25	2.55	2.55	$6.35
October 1, 2005	$1.30	2.60	2.60	$6.50
October 1, 2006	$1.30	2.65	2.65	$6.60
October 1, 2007	$1.35	2.80	2.80	$6.95
October 1, 2008	$2.10	3.85	3.85	$9.80
January 1, 2009	$2.30	4.25	4.25	$10.80
January 1, 2010	$2.30	4.25	4.25	$10.80
January 1, 2011	$2.30	4.25	4.25	$10.80
January 1, 2012	$2.45	4.55	4.55	$11.55
January 1, 2013	$2.50	4.60	4.60	$11.70
January 1, 2014	$2.55	4.65	4.65	$11.85
January 1, 2015	$3.45	5.55	4.85	$13.85
January 1, 2016	$3.05	4.90	4.30	$12.25
January 1, 2017	$3.05	4.90	4.30	$12.25
January 1, 2018	$3.05	4.95	4.30	$12.30
January 1, 2019	$3.05	4.95	4.30	$12.30
January 1, 2020	$3.05	5.00	4.35	$12.40
January 1, 2021	$3.20	5.20	4.50	$12.90
January 1, 2022	$3.40	5.40	4.75	$13.55
January 1, 2023	$3.75	6.00	5.25	$15.00
January 1, 2024	$3.85	6.15	5.35	$15.35
January 1, 2025	$3.90	6.20	5.45	$15.55

NOTE: If current year is not listed, see ***Reimbursable Rates*** in Tab G at the Office of the Under Secretary Defense (Comptroller) website.

Table 38-2. Dates to Start and Stop Pay and Allowances

RULE	When a cadet or midshipman	then cadet and midshipmen pay and allowances
1	has been admitted officially to one of the Service academies	start on the day of admission (note 1).
2	has been discharged and later reappointed to one of the Service academies	are stopped on date of discharge and start again on day of reappointment (note 1).
3	has been dismissed by sentence of court-martial	stop on the date of termination of service as specified in orders directing dismissal.
4	has been dismissed from the academy by other than court-martial action before graduating	stop on date of dismissal.
5	dies before graduation	stop on the date of death.
6	is appointed a second lieutenant in the Army or Air Force upon graduation	stop on the day before the date of graduation.
7	is commissioned in the Regular Navy or Marine Corps	stop on the day before the date of formal acceptance of appointment.
8	is placed voluntarily in a leave without pay status	stop on the day before the member enters a leave without pay status. If the member is readmitted to the academy, then the pay and allowances start again, on the day of readmission.
9	is not appointed a second lieutenant in the Army or Air Force immediately upon graduation	continue until the member is appointed a second lieutenant or is discharged (note 2).

NOTES:

1. An Oath of Allegiance must be taken before first payment is made.
2. In case of appointment, active-duty pay is payable from date of graduation (Chapter 1, Table 1-3, Rule 5); therefore, an adjustment is necessary between cadet pay received and active duty pay due.

*REFERENCES

CHAPTER 38 – SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

2.0 – ENTITLEMENTS

2.1	37 U.S.C. § 203(c)
2.2	37 U.S.C. § 422(b)
	43 Comptroller General (Comp Gen) 94
2.3	30 Comp Gen 31
	47 Comp Gen 781
2.6	26 Comp Gen 373
2.7	37 U.S.C., § 504

3.0 – OTHER STUDENTS

3.1.1.	37 U.S.C. § 203(e)(1)
3.1.2.	37 U.S.C. § 203(e)(2)
3.2	10 U.S.C. § 347(a)(5)

4.0 – DEDUCTIONS FROM MONTHLY PAY

4.3	38 U.S.C. §§ 1965 (5)(a), 1968(a)(2)

5.0 – ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

10 U.S.C. §§ 7450, 8460, 9450
Defense Finance and Accounting Service - Denver Memo, May 21, 2002

Table 38-1

Office of Under Secretary of Defense (Comptroller) Memo, December 12, 2022
Office of Under Secretary of Defense (Comptroller) Memo, December 13, 2023
Office of Under Secretary of Defense (Comptroller) Memo, December 20, 2024

Table 38-2

Rule 6	37 U.S.C. § 204(f)
Rule 8	46 Comp Gen 261

VOLUME 7A, CHAPTER 39: "PAY OF SERVICE ACADEMY OFFICIALS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 39-1	Revised and reorganized "Table 39-1" content for clarity and understanding.	Revision
References	Updated the "References" with supporting statutes and references.	Revision

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CHAPTER 39

PAY OF SERVICE ACADEMY OFFICIALS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy guidance pertaining to the pay of Military Service academy officials.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section, are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

A commissioned officer serving as an appointed official at a Military Service academy is entitled to the pay grade, pay, and allowances established by law for the position. A commissioned officer detailed as an official at a Military Service academy is not entitled to an increase in pay and allowances because of such detail, except as provided. The leader of the Naval Academy Band has the pay grade prescribed for such positions by the Secretary of the Navy.

3.0 PAY AND ALLOWANCES

The pay and allowances authorized for academy officials are indicated in Table 39-1 (Pay and Allowances - Academy Officials).

4.0 LIBRARIAN

An officer of the Regular Army who is retired from active service, may be detailed on active duty to serve as librarian of the U.S. Military Academy. While serving as librarian, the officer is entitled to the pay and allowances prescribed for the officer's grade and cumulative years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

5.0 LEAVE OF ABSENCE – FACULTY AND OTHER OFFICERS

Professors, assistant professors, instructors, and other officers, at either the U.S. Military Academy or the U.S. Air Force Academy, may be granted a leave of absence for the period of suspension of the ordinary academic studies. The Superintendent concerned may grant such leave without deduction of pay and allowances.

6.0 TRAVEL AND TRANSPORTATION ALLOWANCES

Members serving as officials at Military Service academies are entitled to travel and transportation allowances.

*Table 39-1. Pay and Allowances — Academy Officials

RULE	When an officer is serving as	at the U.S. Military Academy	at the U.S. Naval Academy	at the U.S. Air Force Academy	and	then the officer is entitled to the pay and allowances prescribed for
1	Superintendent	X	X	X		the officer's military grade and cumulative years of service.
2	Dean of the Academic Board	X				a brigadier general using the officer's cumulative years of service.
3	Dean of the Faculty			X		a brigadier general using the officer's cumulative years of service.
4	Commandant of Cadets	X		X		the officer's military grade and cumulative years of service.
5	Permanent Professor	X		X	is serving as head of a department or has been a permanent professor for more than 6 years	a colonel, or the equivalent grade in the Space Force, using the officer's cumulative years of service (note 1).
6	Permanent Professor	X		X	is not serving as head of a department and has been a permanent professor for 6 years or less	a lieutenant colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (note 1).

Table 39-1. Pay and Allowances — Academy Officials (Continued)

RULE	When an officer is serving as	at the U.S. Military Academy	at the U.S. Naval Academy	at the U.S. Air Force Academy	and	then the officer is entitled to the pay and allowances prescribed for
7	Permanent Professor	X	X	X	has over 36 years of creditable service for pay purposes	the officer's military grade and cumulative years of service, plus additional pay of $250 per month (note 2).
8	Director of Admissions	X		X	has served as Director of Admissions for more than 6 years	a colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (note 3).
9	Director of Admissions	X		X	has served as Director of Admissions for 6 years or less	a lieutenant colonel, or the equivalent grade in the Space Force using the officer's cumulative years of service (notes 1 and 3).
11	Naval Academy Band Leader		X			the grade prescribed by the Secretary of the Navy (note 4).
12	Second Naval Academy Band Leader		X			a warrant officer W-1 using the officer's cumulative years of service.
13	Librarian	X			has retired from active service may be detailed on active duty to serve as librarian	the officer's grade and cumulative years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

Table 39-1. Pay and Allowances — Academy Officials (Continued)

NOTES:

1. A person, appointed from the Regular Army or the Regular Air Force, or the Regular Space Force as a permanent professor, or the Director of Admissions, who has served in that position for 6 years or less, is entitled to the pay of a colonel after the date on which he or she would have been promoted had he or she been selected for promotion from among officers in the promotion zone.
2. Do not use the additional pay in computation of retired pay.
3. An officer detailed to serve as Director of Admissions, who is serving in a temporary grade higher than those shown in column D, rules 10 through 12, is entitled to the pay and allowances prescribed for the higher temporary grade in which the officer is serving.
4. Compute the applicable number of cumulative years of service as outlined in Chapter 1.

*REFERENCES

CHAPTER 39 – PAY OF SERVICE ACADEMY OFFICIALS

2.0 – PROVISIONS (3902)

37 U.S.C., section 207
37 U.S.C. § 424
37 U.S.C. § 203
10 U.S.C. §§ 7431-7462
10 U.S.C. §§ 8451-8481
10 U.S.C. §§ 9431-9462

5.0 – LEAVE OF ABSENCE - FACULTY AND OTHER OFFICERS (3905)

10 U.S.C. § 7441
10 U.S.C. § 9441

Table 39-1 – PAY AND ALLOWANCES — ACADEMY OFFICIAL

	Public Law (P.L.) 115-232, section 601, August 13, 2018
	P.L. 116-283 § 923(d)(9)(A)(i), January 1, 2021
Rule 1	10 U.S.C. §§ 7434, 8451a, 9434
Rule 2	10 U.S.C. § 7435(b)
Rule 3	10 U.S.C. § 9435
Rules 5 & 6	10 U.S.C. §§ 7436(a), 9436(a)
Rule 7	37 U.S.C. § 203(b)
Rules 8 & 9	10 U.S.C. §§ 7436(b), 9436(b)
Rules 14 & 15	37 U.S.C. §§ 207(d), 424(d)
Note 1	10 U.S.C. §§ 7436(a), 9436(a)
	P.L. 116-283 § 923(d)(9)(A)(i), January 1, 2021
Note 2	37 U.S.C. § 203(b)
Note 3	10 U.S.C. §§ 7436(b), 9436(b)

VOLUME 7A, CHAPTER 40: "GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
8.2	Modified Stigmatizing language in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 40

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

1.0 GENERAL

1.1 Purpose

This chapter prescribes the general policy for all allotments authorized for deduction from a member's pay account. Military personnel identified in section 4.0 may authorize allotments from their pay for the purposes set forth in Chapters 40, 42, and 43. The provisions of this chapter do not apply to child and spousal support allotments started as required by law when a member fails to make periodic payments under a support order. See Chapter 41 for applicable provisions under those circumstances.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), Titles 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADMINISTRATION OF ALLOTMENTS

2.1 Establishment, Discontinuance, and Changes to Existing Allotments

An allotment may by established, discontinued, or changed using a properly executed DoD Form 2558, commonly referred to as ***DD Form 2558***, Authorization to Start, Stop or Change an Allotment, a written request from a member (or from an agent acting under a specific power of attorney), or an automated data exchange system (from specific organizations). A Service member's written signature is not required to effect an allotment from pay when automated data exchange is utilized. Members are permitted to use automated computer programs that allow using a personal identification number to establish, discontinue, or change an allotment. Allotments will be established, discontinued, or changed only after the member's identity has been validated.

2.2 Administrative Changes

An allottee may make administrative changes without the member's consent. Administrative changes are changes to a financial institution name, address, account number, or routing transit number. Administrative changes will only be made after validation of the allottee's identity.

2.3 Administrative Stoppage

When a financial institution notifies the member's servicing allotment payment office that the member's account has been cancelled or terminated, the payment office will administratively stop the allotment. The servicing allotment payment office will immediately credit any monies it receives from the financial institution to the member's account and notify the member of the allotment stoppage.

3.0 AUTHORIZED ALLOTMENTS

3.1 General

Voluntary allotments of military pay and allowances by Service members in active Military Service are limited to discretionary and non-discretionary allotments.

3.2 Discretionary Allotments

Members are authorized no more than six discretionary allotments. To start a discretionary allotment on and after January 1, 2015, members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." Authorized discretionary allotments include:

3.2.1. Deposits to a financial institution, mutual fund company, or investment firm (for other than the prohibited purposes listed in subparagraph 3.3.1.);

3.2.2. Voluntary payment to a dependent or other relative. (Members may designate discretionary allotments to a spouse, former spouse(s), other dependents, and/or relative(s) not legally designated as a dependent(s). Support allotments may be made payable directly to a court, a state agency, a court trustee, a welfare agency, or to a child's guardian or custodian. This allotment may be made payable to a financial organization for credit to the allottee's account);

3.2.3. Payment of premiums for insurance;

3.2.4. Payment of mortgage or rent for real property; and

3.2.5. Deposits into the Savings Deposit Program.

3.3 Discontinuance and Grandfathering of Discretionary Allotments

3.3.1. Discontinuance

Effective January 1, 2015, members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer,

furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

3.3.2. Grandfathering

Allotments described in subparagraph 3.3.1 that exist on a member's pay account prior to January 1, 2015, may continue, and members may change the amount of these existing allotments.

3.4 Non-Discretionary Allotments

Non-discretionary allotments of military pay and allowances by members in active Military Service are limited to the following:

3.4.1. Purchase of U.S. savings bonds through ***TreasuryDirect***;

3.4.2. Repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force and Space Force Aid Society, and American Red Cross;

3.4.3. Voluntary liquidation of indebtedness to the United States that includes the following:

3.4.3.1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs; and

3.4.3.2. Payment of amounts due under the Retired Serviceman's Family Protection Plan, in the case of retired Military Service members serving on active duty;

3.4.4. Any other indebtedness to any department or agency of the United States Government (except to the Military Department that pays the member);

3.4.5. Any repayment of debts owed to an organization for funds administered on behalf of the United States Government and any such debts assigned to a collection agency;

3.4.6. Payment for pledges for charitable contributions to the following:

3.4.6.1. Combined Federal Campaign (CFC); only one such allotment is authorized for any Military Service member; and

3.4.6.2. Army Emergency Relief, Navy and Marine Corps Relief Society, or Affiliates of the Air Force and Space Force Assistance Fund; only one such allotment is authorized for any Military Service member;

3.4.7. Allotments to the Department of Veterans Affairs for deposit to the Post-Vietnam Era Veterans Educational Assistance Program.

The allotment must be divisible by $5 and with a minimum amount of $25 and not more than $100. Upon the Service member's authorization, the allotment must run a minimum of twelve consecutive months, unless the member suspends participation or terminates enrollment due to personal hardship or release from active duty;

3.4.8. Payment of delinquent federal, state, or local income or employment taxes; and

3.4.9. Lease payments when members are assigned to privatized housing units under the Military Housing Privatization Initiative. See Chapter 43, section 4.0.

4.0 ELIGIBLE ALLOTTERS

4.1 Members on Extended Active Duty

Commissioned and warrant officers, and enlisted members on extended active duty may make pay allotments.

4.2 Allotments Continued to Retired Status

To aid members in the transition from active duty to retired status, members on active duty may transfer all existing authorized discretionary allotments to the retired pay system as approved allotments.

5.0 PAY AND ALLOWANCES WHICH MAY BE ALLOTTED

5.1 Maximum Amount for Allotment

For members assigned within the continental United States, include the following items in computing the maximum amount of pay and allowances that may be allotted:

5.1.1. Basic Pay;

5.1.2. Basic allowance for housing for members with dependents and members without dependents including family separation housing;

5.1.3. Basic allowance for subsistence;

5.1.4. Incentive Pays:

5.1.4.1. Aviation Incentive Pay;

5.1.4.2. Critical Skills Incentive Pay;

5.1.4.3. Hazardous Duty Pay; and

5.1.4.4. Submarine Duty Pay; and

5.1.5. Special Pays:

5.1.5.1. Assignment Incentive Pay;

5.1.5.2. Health Professions Officers Special and Incentive Pays to include:

5.1.5.2.1. Board Certification Pay; and

5.1.5.2.2. Incentive Pay;

5.1.5.3. Career Sea Pay;

5.1.5.4. Career Sea Pay Premium;

5.1.5.5. Continuation Pays for Nuclear-Qualified, Engineering and Scientific, Judge Advocate, and Surface Warfare Officers;

5.1.5.6. Designated Unit Pay;

5.1.5.7. Diplomate Pay for Psychologists;

5.1.5.8. Diving Duty Pay;

5.1.5.9. Enlisted Members Extending at Designated Overseas Locations;

5.1.5.10. Officers Holding Position of Unusual Responsibility and of a Critical Nature; and

5.1.5.11. Special Duty Assignment Pay.

5.2 Members Assigned Outside the Continental United States

Include the following pay and allowance items in addition to those listed in paragraph 5.1:

5.2.1. Cost-of-Living Allowance;

5.2.2. Family Separation Allowance – Restricted only;

5.2.3. Family Separation for Housing Allowance;

5.2.4. Hardship Duty Pay;

5.2.5. Hostile Fire/Imminent Danger Pay (applies only to members in designated areas); and

5.2.6. Overseas Housing Allowance.

5.3 Amounts Withheld From Pay and Allowances

The following amounts must be withheld from the maximum amount of pay and allowances that may be allotted:

5.3.1. Federal, State, and Federal Insurance Contributions Act taxes;

5.3.2. The repayment of debts properly chargeable against a member's pay account (does not include repayments of advance pay);

5.3.3. Premiums of Servicemembers' Group Life Insurance (SGLI) and Family SGLI; and

5.3.4. Montgomery GI Bill deduction.

5.4 Commander's Restriction

Commanders may further restrict the total amount a member may allot when necessary to help the member meet essential personal needs.

6.0 PERIODS OF ALLOTMENTS

Allotments will deduct for indefinite periods except those made to Military Service relief organizations; to the American Red Cross; to the United States Government for either repayment of indebtedness or payment of delinquent federal income taxes; for CFC charity drive donations; or for payment of delinquent state or local income or employment taxes.

7.0 ALLOTMENT PAYMENT OFFICES

7.1 Air Force, Space Force, and Army

Defense Finance and Accounting Service (DFAS)-Indianapolis pays all Air Force, Space Force, and Army allotments.

7.2 Marine Corps and Navy

DFAS-Cleveland pays all Marine Corps and Navy allotments.

8.0 SPECIAL SITUATIONS

8.1 Minors

Allotments may not be made payable to children under 16 years of age, but may be made payable to the children's guardian or custodian. Members' spouses are authorized allottees regardless of their age.

*8.2 Mentally Incapacitated Persons

Allotments may not be made payable to mentally incapacitated persons. However, they may be made payable to a guardian or to the care facility where the person resides.

8.3 Power of Attorney

The holder of a member's special power of attorney may use that document to establish, change, or stop an allotment. The special power of attorney must specifically state the authority to establish, change, or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

8.4 Member Awaiting Trial by Court Martial

8.4.1. Members may not register allotments between the date that a Court Martial is ordered and the date of the approval or disapproval of the sentence, except when the convening authority has instructed a member to establish an allotment for deferred forfeitures.

8.4.2. Discontinue allotments whenever:

8.4.2.1. It is necessary to permit collection of the forfeiture in the monthly amount specified and within the time limitation stated in the Court Martial sentence; or

8.4.2.2. A member is sentenced to forfeit all pay and allowances due from the date the convening authority approves the sentence. This applies even though the convening authority defers the forfeitures and suspends the discharge when ordering the sentence into execution.

8.4.3. A prisoner may register allotments provided the amount of pay and allowances not forfeited is sufficient to cover allotment deductions.

8.5 Returned Absentees, Deserters, and Prisoners

Allotments will not be registered for a returned absentee or deserter, unless the paying DFAS site has verified the member's pay status.

8.6 Fraudulent Enlistment

When pay is suspended pending final action on the determination of fraudulent entitlement, pay and allowances are not eligible for allotment.

8.7 Reduced Pay of Allotter

Allotments are discontinued when a reduction in grade or stoppage of pay results in insufficient funds for allotments in effect.

9.0 RIGHT TO ALLOTMENT IN CASE OF DEATH

9.1 Death of Allotter

Upon the death of the member, all allotments are revoked. After receipt of notice of the member's death, the paying allotment office will not make further allotment payments. Deductions made from the member's pay, but not paid to the allottee, become part of the member's arrears of pay. The issuance of a check for an allotment does not constitute payment until it is negotiated and the payee collects the amount. Consequently, an amount for which an allotment check was issued becomes part of the member's arrears of pay when the allotment check is not negotiated. Allotments paid after the member's death may not be collected from the allottee, with two exceptions:

9.1.1. Allotments established erroneously after notice of the member's death; and

9.1.2. Unearned insurance premiums (insurance premiums paid 1 month in advance of the day payment is due). See Military Service procedural instructions for actions required by the disbursing officer maintaining the pay account.

9.2 Death of Allottee

When an allottee does not cash or negotiate an allotment check prior to the allottee's death, the check, even if it has been endorsed, does not become part of an allottee's estate. It is not subject to any expense incurred by, or on behalf of, the allottee before or after death. Unnegotiated allotment checks will be returned to the office from which they were issued. Allotment checks that have been returned will be credited to the member's account or paid in accordance with Military Service instructions if the member has been separated from the Military Service.

10.0 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

Reference Volume 5, Chapter 5, section 0507 for determination of liability for disbursing officers. For collections of debts owed to the Department of Defense, refer to Volume 16.

*REFERENCES

CHAPTER 40 - GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

1.0 – GENERAL

Title 37, U.S.C. § 701

3.0 – AUTHORIZED ALLOTMENTS

3.2	Office of the Under Secretary of Defense (OUSD) Comptroller (C) Memo, November 21, 2014
3.3	OUSD (C) Memo, November 21, 2014
3.4	PL 116-92, section 952, dated December 20, 2019
3.4.7.	38 U.S.C. §§ 3201-3243

7.0 – ALLOTMENT PAYMENT OFFICES

7.1	PL 116-92, section 952, dated December 20, 2019

8.0 – SPECIAL SITUATIONS

8.2	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.

9.0 – RIGHT TO ALLOTMENT IN CASE OF DEATH

Comptroller General Decision (Comp. Gen.) B-225873.2, March 28, 1991
Comp. Gen. B-225873, September 25, 1987
Comp. Gen. B-169453, April 20, 1970

VOLUME 7A, CHAPTER 41: "GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the formatting and hyperlinks to comply with current administrative instructions.	Revision
5.3.1.	Changed Army Regulation (AR) 37-104-4 to AR 637-1.	Revision
References	Verified supporting statutes and references.	Current

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CHAPTER 41

GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

This chapter establishes policy for garnishments assessed against members, allotments for child and spousal support, levies against member's pay and allowances for child support obligations, and involuntary allotments of pay for debt collections other than child or spousal support.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 15, 26, and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

2.1 General

*2.1.1. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by ***42 U.S.C. § 659*** and ***Title 5, Code of Federal Regulations (CFR), part 581***. The purpose of this section is to provide information unique to the collection of child support and/or alimony from the pay of active-duty members and members of the Reserve Components (RC). The provisions of 42 U.S.C. § 659 and 5 CFR part 581 take precedence when in conflict with this chapter.

2.1.2. Moneys due from or payable by the United States to active-duty members and members of the RC not on active duty are subject to legal process to enforce a legal obligation to pay child support or alimony. Legal process issued by foreign courts may be honored under this authority if issued by a court of competent jurisdiction of a country with which the United States has an agreement, requiring the United States to honor such process. Such an agreement has been reached with the Federal Republic of Germany for cases where active-duty members are stationed in the Federal Republic of Germany (see paragraph 2.8 for additional information). When the law of the state or foreign nation in which the issuing court is located conflicts with the federal law, the more restrictive law applies.

2.2 Legal Process Defined

Legal process is any writ, order, summons, or other similar process in the nature of a garnishment action. Legal process may be issued by:

2.2.1. A court of competent jurisdiction within any state, territory, or possession of the United States;

2.2.2. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

2.2.3. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

2.3 Pay Subject to Garnishment

Except for amounts excluded under paragraph 2.4, all moneys due uniformed personnel, regardless of duty status or component, which are considered to be based upon remuneration for employment, are subject to garnishment. The items of pay and bonuses subject to legal process include the following:

2.3.1. Basic pay (including Military Service academy cadet, academy officials, and midshipmen pay), but excluding reduction for educational benefits under the Montgomery G.I. Bill (MGIB);

2.3.2. Special pay (including enlistment and reenlistment bonuses);

2.3.3. Incentive pay;

2.3.4. Accrued leave payments (basic pay portion only);

2.3.5. Readjustment pay;

2.3.6. Severance pay (including disability severance pay);

2.3.7. Lump-Sum Reserve bonus;

2.3.8. Inactive duty training pay; and

2.3.9. Separation pay.

2.4 Pay and Allowances Not Subject to Garnishment

The following items of pay and allowances are not subject to legal process:

2.4.1. Basic allowance for subsistence;

2.4.2. Basic allowance for housing;

2.4.3. Family separation allowance;

2.4.4. Station allowances;

2.4.5. Clothing allowances-enlisted;

2.4.6. Uniform allowances-officers;

2.4.7. Personal money allowance;

2.4.8. Discharge gratuity;

2.4.9. Position Pay (Navy only);

2.4.10. Reserve Officer Training Corps subsistence allowance;

2.4.11. Death gratuity;

2.4.12. Allowance for recruiting expenses;

2.4.13. Travel and transportation allowances; and

2.4.14. Armed Forces Health Professions Scholarship Program monthly stipend.

2.5 Disposable Earnings

Disposable earnings are a member's gross pay subject to garnishment less deductions for the following items, which are not subject to legal process:

2.5.1. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under ***26 U.S.C. § 6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

2.5.2. Regular federal income tax withholding (FITW) and state income tax withholding:

2.5.2.1. When required or authorized by law; or

*2.5.2.2. When amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she was entitled.

2.5.3. Federal Insurance Contribution Act (FICA) tax;

2.5.4. Armed Services Retirement Home;

2.5.5. Servicemembers' Group Life Insurance premiums;

2.5.6. Retired Serviceman's Family Protection Plan premiums;

2.5.7. Survivor Benefit Plan premiums;

2.5.8. Thrift Savings Plan contributions; and

2.5.9. Other amounts required by law to be deducted (e.g., fines and forfeitures ordered by a court-martial or a commanding officer).

2.6 Maximum Amount of Pay Subject to Garnishment

Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period, which is subject to legal process, will not exceed:

2.6.1. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

2.6.2. Sixty percent if the member concerned is not supporting a spouse or dependent child; or

2.6.3. If it appears from the face of the legal process that the member is in arrears for a period which is 12 weeks prior to the beginning of that pay period, then the maximum percentage under subparagraph 2.6.1, is 55 percent and under subparagraph 2.6.2, is 65 percent.

2.7 Allotments to Be Discontinued

2.7.1. The following allotments are subject to legal process. When possible, allow the member to determine which allotments are to be stopped. If the member refuses or is unable to advise which allotment should be stopped to permit compliance with the legal process, then the allotments will be involuntarily stopped in the following order:

2.7.1.1. Combined Federal Campaign (CFC) - Charity Drive;

2.7.1.2. U.S. Savings Bond;

2.7.1.3. Financial organizations;

2.7.1.4. MGIB contributions;

2.7.1.5. Repay loans to Service Relief Agencies and Red Cross;

2.7.1.6. Payment to dependents/relatives;

2.7.1.7. Emergency payment to dependents;

2.7.1.8. Repay home loans;

2.7.1.9. Commercial life, health, and dental insurance;

2.7.1.10. Navy-Mutual Aid Insurance; and

2.7.1.11. U.S. Government Insurance.

2.7.2. The allotments of pay for the repayment of indebtedness to the United States and repayment of delinquent federal taxes are not subject to legal process and should not be stopped.

2.8 Agents Designated to Accept Legal Process

2.8.1. The Defense Finance and Accounting Service (DFAS) Garnishment Law Directorate, or designated representatives, are responsible for receiving and processing all legal processes concerning active-duty members and members of the RC not on active duty. Any legal process for the purpose of enforcing an obligation to pay child support and/or alimony served on DoD entities, other than those served in accordance with subparagraph 2.8.2, will be forwarded to the following designated address for processing.

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

2.8.2. In the case of active-duty members stationed in the Federal Republic of Germany, all legal processes issued by German courts are to be served in the manner prescribed by German law to the appropriate liaison agency listed for such members.

2.8.2.1. Army, Navy and Marine Corps
Office of the Judge Advocate
HQ USAREUR
Postfach 42 02 24
65103 Wiesbaden

*2.8.2.2. Air Force and Space Force
HQ USAFE/AFRICA/JA
Gegbaude 527
66877 Ramstein-Flugplatz
Germany

Legal processes issued by German courts, and received by the liaison agencies listed in paragraph 2.8.2, will be reviewed to determine whether they comply with applicable German law. In addition, the liaison agencies will determine whether the member was served notice and certification of service issued in accordance with the provisions of Article 32(1)(a) of the German Supplementary Agreement in the prior German court proceeding which resulted in an order creating the member's obligation to pay child support or alimony. Once the appropriate liaison agency listed in paragraph 2.8.2 determines that legal process issued by a German court is legally sufficient and in compliance with the notice provisions of Article 32(1)(a), the legal process will be implemented or forwarded to the appropriate official designated in subparagraph 2.8.1 for appropriate processing. The legal process terminates when the active member is no longer stationed in the Federal Republic of Germany, or when the liaison agencies receive a termination order.

2.9 Implementing Legal Process

Once a legal process has been served in the United States, the designated agent indicated in subparagraph 2.8.1, will take, or initiate the following actions:

2.9.1. Review the legal process to determine whether it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member;

2.9.2. Notify the member within 15 calendar days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as lack of personal jurisdiction or failure to comply with the ***Servicemembers' Civil Relief Act***, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the military pay system, or through myPay, if the member has a valid email address in the myPay system.

2.9.3. Within 30 calendar days of effective service, or such longer period as may be allowed by applicable State law:

2.9.3.1. Determine the amount of the member's disposable earnings;

2.9.3.2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the pay and allowances due the member. The designated agent may use its standard answer form for this purpose; and

2.9.3.3. Pay the amount due pursuant to legal process. Governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with legal process;

2.9.4. If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

2.9.4.1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

2.9.4.2. Legal process to enforce current child support will have priority over legal process to enforce current alimony;

2.9.4.3. Legal process to enforce a child support and/or alimony obligation will have priority over involuntary allotments of pay to enforce commercial debts (see section 5.0); and

2.9.4.4. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal processes served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. All other obligations will be satisfied on a first-come, first-served basis; and

2.10 Indemnification

*2.10.1. Neither the DoD, nor any officer or employee, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to legal process regular on its face, if such payment is made in accordance with 42 U.S.C. § 659**,** 5 CFR part 581, and section 2.0.

2.10.2. Neither the United States, nor any disbursing officer or any governmental entity, will be liable under this part to pay monetary damages for failure to comply with a legal process.

3.0 STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

3.1 General

3.1.1. The processing of statutory allotments for child support and/or alimony from the pay of active duty military members is governed by ***42 U.S.C. § 665***. This authority takes precedence when in conflict with this section.

3.1.2. Upon proper notification from an authorized person, DFAS will start a statutory child or child and spousal support allotment from the pay and allowances of a member on extended active duty when the member has failed to make periodic payments, under a support order, in an amount equal to the support payable for 2 months or longer.

3.2 Definitions

The following definitions apply to section 3.0.

3.2.1. Authorized Person. An authorized person is any agent or attorney of a state having in effect a plan approved under 42 U.S.C. § 665**,** who has the duty or authority to seek recovery of any amounts owed by a member as child or child and spousal support; and the court that has the authority to issue an order against a member for the support and maintenance of a child, or any agent of such court.

3.2.2. Child Support. Child support consists of periodic payments for the support and maintenance of a child or children, subject to and in accordance with state or local law. This includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of the child or children.

3.2.3. Designated Official. The designated official is the DFAS Site Director or designee authorized to receive and to process notices under this chapter. The DFAS designated official and address is:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

3.2.4. Notice. A notice is a court order, letter, or similar documentation issued by an authorized person providing notification that a member has failed to make periodic support payments under a support order.

3.2.5. Spousal Support. Spousal support consists of periodic payments for the support and maintenance of a spouse or former spouse, in accordance with state or local law. It includes, but is not limited to, separate maintenance, alimony while litigation continues, and maintenance. Spousal support does not include any payment for transfer of property or its value by an individual to his or her spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

3.2.6. Support Order. A support order is any order providing for child or child and spousal support issued by a court of competent jurisdiction within any state, territory, or possession of the United States, including Indian tribal courts, or in accordance with administrative procedures established under state law that affords substantial due process and is subject to judicial review.

3.3 Disposable Earnings

3.3.1. Include the following items in computing the disposable earnings for members assigned within the continental United States:

3.3.1.1. Basic pay (including Military Service academy cadet and midshipmen pay);

3.3.1.2. Basic allowance for housing for members with dependents, and for members without dependents in the grade of E-7 or higher;

3.3.1.3. Basic allowance for subsistence for commissioned and warrant officers;

3.3.1.4. Career sea pay;

3.3.1.5. Diving pay;

3.3.1.6. Flying pay (all crew members);

3.3.1.7. Proficiency pay or special duty assignment pay;

3.3.1.8. Special pay for medical, dental, optometry, and veterinary officers; and

3.3.1.9. Submarine pay.

3.3.2. Include the following additional items in computing the disposable earnings for members assigned outside the continental United States:

3.3.2.1. Family Separation Allowance - Restricted;

3.3.2.2. Hardship duty pay – location;

3.3.2.3. Special pay for duty subject to hostile fire and imminent danger (applies only to members permanently assigned in a designated area);

3.3.2.4. Special pay for overseas extensions;

3.3.2.5. Overseas housing allowance; and

3.3.2.6. Cost-of-living allowance.

3.3.3. After including the items in subparagraphs 3.3.1 and 3.3.2, subtract the following items to compute the final disposable earnings value:

3.3.3.1. Amounts the member owes the United States;

3.3.3.2. Deductions for the Armed Forces Retirement Home;

3.3.3.3. Fines and forfeitures;

3.3.3.4. Federal and state employment and income taxes to the extent that the amount deducted is consistent with the member’s tax liability;

3.3.3.5. Deductions for Servicemembers' Group Life Insurance;

3.3.3.6. Advances of pay the member received before the date the designated official received notice of the support allotment. (In computing future advance pay requests, deduct the amount of the allotment required by law. See Chapter 32, Table 32-1);

3.3.3.7. Amount of salary offset for travel charge card debt; and

3.3.3.8. Other amounts required by law to be deducted.

3.4 Notice to Designated Official

3.4.1. An authorized person will send to the designated official a signed notice that includes:

3.4.1.1. A statement that delinquent support payments equal or exceed the amount of support payable for 2 months under a support order, and a request that an allotment be established;

3.4.1.2. A certified copy of the support order. If the support order, on its face, appears to conform to the laws of the jurisdiction from which it was issued, then the designated official will not be required to ascertain whether the authority that issued the order had obtained personal jurisdiction over the member;

3.4.1.3. The amount of the monthly support payment. Such amount may include arrearages, if a support order specifies the payment of such arrearages. The notice will indicate how much of the amount payable will be applied toward liquidation of the arrearages;

3.4.1.4. A statement that delinquent support payments are more than 12 weeks in arrears, if appropriate;

3.4.1.5. The following information that identifies the member:

3.4.1.5.1. Full name;

3.4.1.5.2. Social security number; and

3.4.1.5.3. Military Service of the member;

3.4.1.6. The full name and address of the allottee. The allottee will be an authorized person, or designee, or the recipient named in the support order;

3.4.1.7. Any limitations on the duration of the support allotment; and

3.4.1.8. A certification that the official sending the notice is an authorized person.

3.4.2. The notice will be sent by mail or delivered in person to the designated official. The designated official will note the date and time of receipt on the notice.

3.4.3. The notice is effective when it is received in the office of the designated official.

3.5 Notice to Member and Member's Commanding Officer

3.5.1. Upon receipt of a notice of delinquent support payments, together with all required supplementary documents and information, the designated official will review the notice in order to identify the member from whom moneys are due and payable.

3.5.2. If the notice does not sufficiently identify the member, or if the member identified in the notice is not currently entitled to receive military pay, then the notice will be returned directly to the authorized person with an explanation of the reason for its return.

3.5.3. In cases where the designated official is able to identify the member, then as soon as possible, but not later than 15 calendar days after the date of receipt of the notice, the designated official will send to the member, at his or her duty station, a copy of the notice and other legal documentation served on the designated official, along with a letter informing the member of the following:

3.5.3.1. That notice has been received from an authorized person;

*3.5.3.2. That the maximum limitations provided in ***15 U.S.C. § 1673***, (the Consumer Credit Protection Act) apply, and a request that the member submit supporting affidavits or other documentation necessary for determining the applicable percentage limitation;

3.5.3.3. That the member may submit supporting affidavits or other documentation as evidence that the information contained in the notice is in error;

3.5.3.4. That by submitting supporting affidavits or other necessary documentation, the member consents to the disclosure of such information to the party requesting the support allotment;

3.5.3.5. The amount or percentage that will be deducted if the member fails to submit the documentation necessary to enable the designated official to respond to the notice within the prescribed time limits;

3.5.3.6. That a consultation with a judge advocate or legal officer will be provided by the Military Department concerned, if possible, and that the member should immediately contact the nearest legal services office; and

3.5.3.7. The date that the allotment is scheduled to begin.

3.5.4. The designated official will provide the member's commanding officer, or designee, with a copy of the notice and other legal documentation served on the designated official.

The designated official will notify the member's commanding officer, or designee, of the need for consultation between the member and a judge advocate or legal officer.

3.5.5. The member's commanding officer, or designee, will confirm in writing to the designated official within 30 days of notice that the member received a consultation concerning the member's support obligation and the consequences of failure to make payments, or when appropriate, of the inability to arrange such consultation and the status of continuing efforts to fulfill the consultation requirement.

3.5.6. If, within 30 days of the date of the notice, the member has furnished the designated official affidavits or other documentation showing the information in the notice to be in error, then the designated official will consider the member's response. The designated official will return to the authorized person, without action, the notice for a statutory support allotment together with the member's affidavit and other documentation, if the member submits substantial proof of error, such as:

3.5.6.1. The support payments are not delinquent; or

3.5.6.2. The underlying support order in the notice has been amended, superseded, or set aside.

3.6 Payments

3.6.1. The designated official will establish a statutory allotment in an amount necessary to comply with the support order and to liquidate arrearages, if provided by a support order by the first end-of-month payday after the designated official is notified that the member has consulted with a judge advocate or legal official, or that a consultation was not possible, but not later than the first end-of-month payday after 30 days have elapsed from the date of notice to the member. However, the military pay offices will not be required to vary their normal pay and disbursement cycles to comply with notice under this section.

3.6.2. The maximum amount to be allotted under this section, together with any other moneys withheld for support from the member, will not exceed:

3.6.2.1. Fifty percent of the member’s disposable earnings for any month in which the member asserts by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both, other than a party in the support order. When the member submits evidence, copies will be sent to the authorized person, together with notification that the member’s support claim will be honored. If the authorized person contests the support claim, then that person may refer the matter to the appropriate court or other authority for resolution;

3.6.2.2. Sixty percent of the member's disposable earnings for any month in which the member fails to assert by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both; or

3.6.2.3. Regardless of the limitations in subparagraphs 3.6.2.1 and 3.6.2.2, an additional 5 percent of the member's disposable earnings will be withheld when the notice states that the total amount of the member's support payments is 12 or more weeks in arrears.

3.6.3. If several notices are sent with respect to the same member, then payments will be satisfied on a first-come, first-served basis within the amount limitations in subparagraph 3.6.2.

3.6.4. Payment of statutory allotments will be enforced over other voluntary deductions and allotments when the member's gross pay and allowances are not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then voluntary allotments will be cancelled in the following order:

3.6.4.1. CFC allotment;

3.6.4.2. Savings Bond allotment;

3.6.4.3. Discretionary allotment payable to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

3.6.4.4. MGIB contributions;

3.6.4.5. Allotment to repay loans to Military Service relief agencies and the American Red Cross; and

3.6.4.6. Discretionary allotments in the following order:

3.6.4.6.1. Payments to dependents/relatives;

3.6.4.6.2. Emergency payment to dependents;

3.6.4.6.3. Repayment of home loans and payment of rent;

3.6.4.6.4. Commercial life, health, and dental insurance;

3.6.4.6.5. Navy Mutual Aid Insurance; and

3.6.4.6.6. U.S. Government Insurance.

3.6.5. The authorized person or allottee will notify the designated official promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside.
The designated official will also be notified of any events affecting the allottee's eligibility to receive the allotment, such as the former spouse's remarriage, if a part of the payment is for spousal support, and notice of a change in eligibility for child support payments under circumstances of

death, emancipation, adoption, or attainment of majority of a child whose support is provided through the allotment.

3.6.6. A statutory allotment established under section 3.0 will be adjusted or discontinued upon notice from the authorized person.

3.7 Indemnification

Neither the DoD, nor any of its officers or employees, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to notice regular on its face, if such payment is made in accordance with 42 U.S.C. § 659 and section 3.0.

4.0 LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

4.1 Authority

The Secretary of the Treasury, upon receiving the certification of the Secretary of Health and Human Services, will assess and collect the amount certified as unpaid child support in the same manner as if the amount were a delinquent federal tax, the collection of which would be jeopardized by delay. (See Chapter 44.)

4.2 Satisfaction of Levy

When the Secretary of the Treasury issues a notice of levy, satisfy the levy in the manner prescribed in Chapter 44. However, in the case of a first assessment against an active duty, retired (including members of the Fleet Reserve and Marine Corps Fleet Reserve), or Reserve member for unpaid child support, satisfaction of the levy will be stayed for a period of 60 days immediately following notice and demand. If a portion of such member's pay is being withheld in garnishment or attachment pursuant to a judgment entered by a court of competent jurisdiction for the support of minor children, then the amount of pay withheld is exempt from the levy.

5.0 INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD OR SPOUSAL SUPPORT

5.1 General

*5.1.1. The processing of involuntary allotments of pay for debt collection other than child or spousal support is governed by ***5 U.S.C. § 5520a(k)*** and ***32 CFR part 113***. These authorities take precedence when in conflict with this section.

5.1.2. Moneys due from, or payable by, the United States to an active-duty member are subject to involuntary allotment to satisfy a judgment for a debt for other than child or spousal support owed to a third party and issued by a court of competent jurisdiction within any state, territory, or possession of the United States.

5.1.3. Involuntary Allotment process

a. Applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the "DoD Components").

b. Does not apply to:

(1) Indebtedness of a Service member to the Federal Government.

(2) Processing of indebtedness claims to enforce judgment against Service members for alimony or child support. Legal processes instituted in civil courts to enforce judgments against Service members for the payment of alimony or child support will be acted on pursuant to Sections 651 through 669b of Title 42, U.S.C., and Volume 7A of DoD 7000.14-R.

(3) Claims by State or municipal governments, including tax collection actions.

5.2 Definitions

The following definitions apply to section 5.0.

5.2.1. Designated Agent. A designated agent is an agent responsible for receiving and processing the involuntary allotment application for active-duty members;

*5.2.2. Active-Duty Member. An active-duty member is a regular member or any member of the RC on active duty pursuant to a call or order for a period in excess of 180 days at the time an application for involuntary allotment is received by DFAS, excluding members in a prisoner of war or missing in action status and retired members;

5.2.3. Exigency of Military Duty. The exigency of military duty is a military assignment or mission-essential duty that, because of its urgency, importance, duration, location, or isolation, necessitates the absence of a member of the Military Services from appearance at a judicial proceeding or prevents the member from being able to respond to a notice of application for an involuntary allotment. Exigency of military duty is normally presumed during periods of war, national emergency, or when the member is deployed.

5.2.4. Final Judgment. The final judgment is a valid, enforceable order or decree, issued by a court from which no appeal may be taken, or from which no appeal has been taken within the time allowed, or from which an appeal has been taken and finally decided.

5.3 Service Directives

The following source directives contain detail on entitlements, policies, and procedures for allotments for commercial debts:

*5.3.1. Army: Army Regulation ***(AR) 637-1***, Military Pay, Allowances Policy and Incentives;

5.3.2. Air Force and Space Force: Department of the Air Force Instruction ***(DAFI) 36-2906***, Personal Financial Responsibility; and

5.4 Involuntary Allotment Application

5.4.1. Designated Agent. The designated agent responsible to receive and process the involuntary allotment applications concerning active-duty members may be contacted at the following address:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
PO Box 998002
Cleveland, OH 44199-8002
Telephone: 1-888-332-7411
Toll-free Fax: 1-877-622-5930

*5.4.2. Creditor's Application. The creditor initiates the involuntary allotment process by mailing a completed application package, the "Involuntary Allotment Application," DoD ***(DD) Form 2653***, and a certified copy of the final judgment to the designated agent named in subparagraph 5.4.1. A creditor may also submit a certified copy of a Transcript of Judgment, an Abstract of Judgment, or a Notice of Entry of Judgment. The date the documents is imaged in the DFAS system is used as the date of service. Involuntary Allotment Applications submitted by a licensed attorney for the creditor must include evidence of the Attorney Client relationship with the creditor. Involuntary Allotment Applications submitted by an assignee must provide the designated agent with evidence of a properly documented assignment.

5.4.3. Review of Application

5.4.3.1. The designated agent will first identify the pertinent member, and determine whether the member has any funds available for the involuntary allotment. If the designated agent is unable to identify the member, then the designated agent will return the application package directly to the applicant with an explanation of the deficiency.

5.4.3.2. If the member does not have funds available, then the designated agent will stop any further legal processing, and notify the creditor in writing of the reason why no funds are available, and that the creditor must re-serve the involuntary allotment application at a later date. The reasons that no funds are available may include the following:

5.4.3.2.1. The member has separated from military service and is no longer receiving military pay;

5.4.3.2.2. Involuntary allotments are honored on a first-come, first-served basis. If the designated agent is already implementing a previously served involuntary allotment against the member's pay, then no funds will be available until the previous involuntary allotment amount is satisfied; or

5.4.3.2.3. If the member's pay is subject to a previously served garnishment or statutory allotment for spousal or child support, and the amount of the spousal or child support deduction exceeds the maximum amount of pay subject to involuntary allotment (see subparagraph 5.8.4.2), then no funds will be available for the involuntary allotment until the child support deduction is reduced to an amount that is less than the maximum amount of pay subject to involuntary allotment.

*5.4.3.3. If the member has funds available for the involuntary allotment, then the designated agent will conduct a legal review of the application to ensure that it complies with the requirements of 32 CFR part 113 and Department of Defense Instruction 1344.09, to include compliance with the Servicemembers' Civil Relief Act in the judicial proceeding resulting in the final judgment, and determining that the member's pay could be garnished under applicable state law.

5.4.3.4. When the designated agent receives an application package based upon a final judgment, which on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court that issued the judgment had obtained personal jurisdiction over the member.

5.4.3.5. If the designated agent rejects the creditor's application after the legal review, then the designated agent will provide the creditor with a written notice of any deficiencies.

5.5 Notice to Member and Member's Commanding Officer

5.5.1. Notice Package

*5.5.1.1. The designated agent will send a notification letter, along with a copy of the application package and a ***DD Form 2654***, "Involuntary Allotment Notice and Processing," to the pertinent member, and to the member's commanding officer, in care of the member's unit address of record in the military pay system.

5.5.1.2. The notice letter to the member and the member's commanding officer will state that the involuntary allotment will be established against the member's pay if a response is not received within 90 calendar days from the original date of mailing, unless the member has been granted an extension to respond (see subparagraph 5.6.1.2).

*5.5.1.3. The DD Form 2654 itself provides step-by-step instructions for completing the form and returning it to the designated agent. Paragraph 5.6 is a summary of the response process.

5.5.2. Final Notification Letter. If the designated agent has not received a response to the notice package within 60 days of the date the package was mailed, then the designated agent will send a letter to the member and the member's commanding officer stating that if no response is received or request for extension granted within 90 calendar days from the original date the notice package was mailed, then the involuntary allotment will be established against the member's pay.

5.6 Response by Member and Member's Commanding Officer to Notice of Involuntary Allotment

5.6.1. Commanding Officer's Initial Actions

5.6.1.1. Upon receipt of the notice and accompanying documentation, the commander will determine whether the member is assigned to the commander's unit and available to respond to the involuntary allotment application.

*5.6.1.2. If the member is temporarily unavailable to respond, then the member's commanding officer may grant a reasonable extension of time for the member's response. The commanding officer will notify the designated agent, by completing Section II of the DD Form 2654 and returning a copy of the form to the designated agent, that the member has been granted an extension of time to respond, the date the response is due, and the reason(s) for the extension. The commanding officer should provide appropriate documentation supporting the determination. In the absence of any additional correspondence from the member's commanding officer, the involuntary allotment application may be automatically processed within 15 calendar days after the date a response was due, including any approved extension response date.

*5.6.1.3. If the member is available for counseling, within 5 days of receipt of the application package and the DD Form 2654, then the commanding officer will notify the member of the application, provide the member with a copy of the entire application package, and counsel the member using and completing Section III of the DD Form 2654. The commanding officer's counsel will include notifying the member that he or she has 15 calendar days from receipt of the commanding officer's notice to complete Section IV of the DD Form 2654 and return it to the commanding officer.

5.6.2. Member's Response

*5.6.2.1. After receiving the commanding officer's notification, the member completes Section IV of the DD Form 2654. In Section IV, the member may either acknowledge that the applicant's judgment is valid and consent to the establishment of an involuntary allotment, or contest the involuntary allotment by asserting any of the following defenses, which the member must support with appropriate evidence:

5.6.2.1.1. That the member's rights under the Servicemembers' Civil Relief Act were not complied with during the judicial proceeding upon which the application is based;

*5.6.2.1.2. That exigencies of military duty caused the member's absence from appearing in a judicial proceeding forming the basis for the judgment upon which the application is sought;

5.6.2.1.3. That information contained in the application is false or erroneous in material part;

5.6.2.1.4. That the judgment has been fully satisfied, superseded, or set aside;

5.6.2.1.5. That the judgment has been materially amended, or partially satisfied; or

5.6.2.1.6. That there is a legal impediment to the establishment of the involuntary allotment. For example, the judgment debt has been discharged in bankruptcy, or the automatic stay of enforcement of debts applies because the member has filed for bankruptcy protection, or that the applicant is not the judgment creditor or a proper successor in interest to the creditor.

*5.6.2.2. After completing Section IV, the member returns the DD Form 2654 to his or her commanding officer.

*5.6.3. Commanding Officer's Completion and Return of DD Form 2654

*5.6.3.1. The member's commanding officer completes Section V of the DD Form 2654 and returns it to the designated agent, along with any supporting evidence provided by the member. In Section V, the commanding officer indicates one of the following:

5.6.3.1.1. The member refused to respond by the authorized suspense date, and the form is returned without Section IV being completed by the member; or

5.6.3.1.2. The member has completed Section IV, and the form is returned for appropriate action.

*5.6.3.2. If the member has asserted an "exigencies of military duty" defense in Section IV of the DD Form 2654, then the commanding officer must determine whether the member has validly asserted this defense, and note his or her determination in Section V of the form.

*5.6.3.3. If the commanding officer supports the member's "exigencies of military duty" defense, then the commanding officer must provide the title and address of an appeal authority in Section V in case the applicant wishes to appeal the commanding officer's determination. The appeal authority is the commander immediately superior to the commanding officer who made the determination. If the commanding officer does not designate an appeal authority, then the designated agent will return the DD Form 2654 to the commanding officer with

instructions that this information must be provided in order to complete the form and support the member's "exigencies" defense.

*5.7 Review of Completed DD Form 2654 and Supporting Documentation

*5.7.1. Member Did Not Complete Section IV of DD Form 2654. If the member refused to complete Section IV of the DD Form 2654, then the designated agent will honor the application and implement deductions against the member's pay to satisfy the judgment against the member.

*5.7.2. Member Completes Section IV of DD Form 2654

*5.7.2.1. If the member completes Section IV of the DD Form 2654 and has asserted the "exigencies" defense, and the member's commanding officer has confirmed the "exigencies" defense and provided an appeal authority in Section V of the form, then the designated agent will reject the involuntary allotment application, and provide the applicant with written notice advising the applicant of the following:

5.7.2.1.1. The reason for rejecting the application;

5.7.2.1.2. The name and address of the appeal authority;

5.7.2.1.3. The applicant has 60 days from the date of the designated agent's notice to appeal the commanding officer's "exigencies" determination to the appeal authority;

5.7.2.1.4. The appeal must be in writing and contain sufficient evidence to overcome the presumption that the commander's exigency determination was correct;

5.7.2.1.5. The appeal authority will decide an appeal within 30 days of its receipt, and promptly notify the applicant of the decision. The 30-day decision period may be extended in times of deployment, war, national emergency or other similar situations;

5.7.2.1.6. If the appeal is successful, then the applicant must submit a written request along with a copy of the appeal authority's decision to the designated agent within 15 days of receipt of the decision; and

*5.7.2.1.7. Upon receiving notice of the successful appeal, the designated agent will continue the review of the application package and the DD Form 2654.

5.7.2.2. If the member has completed Section IV of the form, and has not asserted the "exigencies" defense, or has asserted it but the member's commanding officer did not confirm it, or if the applicant has successfully appealed an "exigencies" determination, then the designated agent will determine whether the member has successfully asserted any other defenses against the involuntary allotment.

5.7.2.2.1. If the designated agent determines that the member has successfully asserted one or more defenses against the involuntary allotment application, then the

designated agent will reject the application, and notify the applicant in writing of the reason(s) for the rejection.

5.7.2.2.2. If the designated agent determines that the member has not successfully asserted any defenses against the involuntary allotment, then the designated agent will implement deductions against the member's pay to satisfy the judgment against the member.

5.8 Pay Subject to Involuntary Allotment

5.8.1. Types of Pay Subject to Involuntary Allotment. Only the following types of pay are subject to the involuntary allotment process:

5.8.1.1. Basic pay (excluding the reduction for education benefits under the MGIB;

5.8.1.2. Special pay, to include:

5.8.1.2.1. Health care professionals (Including optometrists, dental officers, psychologists, non-physician health care providers, registered nurses, nurse anesthetists, nurse corps officers, and medical officers);

5.8.1.2.2. Veterinarians;

5.8.1.2.3. Diving duty;

5.8.1.2.4. Foreign duty;

5.8.1.2.5. Career sea pay;

5.8.1.2.6. Command pay;

5.8.1.2.7. International military headquarters;

5.8.1.2.8. Proficiency pay and special duty assignment pay for enlisted members;

5.8.1.2.9. Reenlistment bonus;

5.8.1.2.10. Enlistment bonus;

5.8.1.2.11. Prior service enlistment bonus;

5.8.1.2.12. Hostile fire or imminent danger pay;

5.8.1.2.13. Nuclear officer continuation bonus;

5.8.1.2.14. Nuclear career accession bonus;

5.8.1.2.15. Nuclear career annual incentive pay;

5.8.1.2.16. Enlisted members extending duty at designated overseas locations;

5.8.1.2.17. Foreign language proficiency pay;

5.8.1.2.18. Officers in critical acquisition positions extending period of active duty;

5.8.1.2.19. Aviator Bonus;

5.8.1.2.20. Selective Reenlistment Bonus;

5.8.1.3. Incentive pay, including:

5.8.1.3.1. Hazardous duty;

5.8.1.3.2. Aviation incentive pay; and

5.8.1.3.3. Submarine duty;

5.8.1.4. Accrued leave payments (basic pay portion only);

5.8.1.5. Readjustment pay; and

5.8.1.6. Severance pay, including disability severance pay.

5.8.2. Pay and Allowances Not Subject to Involuntary Allotment. Separation pay is not subject to involuntary allotment. In addition, allowances paid under U.S.C. Titles 10 and 37, and other reimbursements for expenses incurred in connection with duty in the Military Service or allowances in lieu thereof, are not subject to the involuntary allotment.

5.8.3. Other Amounts Not Subject to Involuntary Allotment. After computing the pay subject to involuntary allotment, the following items must be deducted to compute the amount of disposable pay subject to involuntary allotment:

5.8.3.1. Federal and state income tax withholding (amount is limited to that which is necessary to fulfill the member's tax liability);

5.8.3.2. FICA tax;

5.8.3.3. Armed Forces Retirement Home;

5.8.3.4. Servicemembers' Group Life Insurance;

5.8.3.5. Indebtedness to the United States (including tax levies);

5.8.3.6. Fines and forfeitures ordered by a court-martial or a commanding officer; and

5.8.3.7. Amounts otherwise required by law to be deducted from a member's pay (except payments for garnishments for child support, alimony or mandatory allotments for child or spousal support).

5.8.4. Maximum Amount of Pay Subject to Involuntary Allotment

5.8.4.1. The involuntary allotment will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law.

5.8.4.2. If the member's pay is subject to a garnishment or statutory allotment for spousal or child support, in addition to the involuntary allotment application, then the combined amounts deducted from the member's pay will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. If the maximum percentage allowed for involuntary allotments would be exceeded by both deductions, then garnishments and statutory allotments for spousal and child support take priority over the involuntary allotment.

5.8.5. Voluntary Allotments to be Discontinued. Payment of an involuntary allotment will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. If necessary, voluntary allotments will be cancelled in the following order:

5.8.5.1. CFC;

5.8.5.2. Savings bonds;

5.8.5.3. Payment to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

5.8.5.4. MGIB Program contributions;

5.8.5.5. Repay loans to Military Service relief agencies and the American Red Cross; and

5.8.5.6. Discretionary allotments in the following order:

5.8.5.6.1. Payments to dependents/relatives;

5.8.5.6.2. Emergency payment to dependents;

5.8.5.6.3. Repayment of home loans and payment of rent;

5.8.5.6.4. Commercial life, health, and dental insurance;

5.8.5.6.5. Navy Mutual Aid Insurance; and

5.8.5.6.6. U.S. Government Insurance.

5.9 Starting Involuntary Allotment Payments

5.9.1. The designated agent will begin involuntary allotment payments within 30 days after the 90-day notification process described in subparagraph 5.5.1.2 is complete. The designated agent is not required to vary the normal military pay and disbursement cycles to comply with the application package.

5.9.2. Payment of involuntary allotments will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then allotments will be cancelled in accordance with subparagraph 5.8.5.

5.10 Stopping Involuntary Allotment Payments

*5.10.1. Involuntary allotment payments will continue until the amount specified in the judgment is collected, including interest as annotated by the applicant in Section I of DD Form 2653, "Involuntary Allotment Application."

5.10.2. The designated agent will stop involuntary allotment payments prior to satisfying the judgment amount if one of the following conditions applies:

5.10.2.1. The member separates from active duty at which time the applicant will be informed that the allotment is discontinued because the member is no longer receiving military pay;

5.10.2.2. The applicant notifies the designated agent that the operative court order upon which the allotment is based has been vacated, modified, or set aside, or the designated agent is notified of an event affecting the applicant's eligibility to receive the allotment; or

5.10.2.3. The applicant requests that the involuntary allotment be discontinued.

5.10.3. The applicant will refund directly to the member any amounts overpaid within 30 days of discovery or notice of overpayment.

5.11 Final Interest

*5.11.1. Within 30 days following collection of the amount of the judgment, including interest annotated in Section I of the DD Form 2653, the applicant may submit one final statement showing any unpaid balance due to interest that accrued during the payment period.

5.11.2. The final statement must be accompanied by a statement of account showing how the remaining interest was calculated.

*5.12 Indemnification

Neither the DoD, nor any officer or employee thereof, will be liable for failure to make payment or for any payment made from moneys due from, or payable by, the Military Services to any individual pursuant to an application package that is regular on its face, if such payment is made in accordance with this section and 32 CFR part 113.

*REFERENCES

CHAPTER 41: GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

2.0 - GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

2.1	42 U.S.C. § 659
	5 CFR part 581
2.4.9	5 CFR part 581.104(h)(2)(i)
2.5	26 U.S.C. § 6331
2.9	5 CFR part 581.302
	5 CFR part 581.305(f)
2.10	42 U.S.C. § 659

3.0 - STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

3.1	42 U.S.C. § 665
3.2	42 U.S.C. § 665
3.3	15 U.S.C. § 1672
3.5	15 U.S.C. § 1673
3.7	42 U.S.C. § 659

4.0 - LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

4.1	26 U.S.C. § 6305

5.0 - INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD AND OR SPOUSAL SUPPORT

5.1	5 U.S.C. § 5520a(k)
	32 CFR part 113
5.8	32 CFR part 113.3
5.8.3.7	42 U.S.C. § 659
	42 U.S.C. § 665

VOLUME 7A, CHAPTER 42: "DISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
5.2.1	Changed Army Regulation (AR) 37-104-4 to AR 637-1.	Revision
5.2.3	Updated the "Commercial Insurers" subparagraph, to include the U.S. Space Force in accordance with Public-Law (P.L.) 116-92, section 952, dated December 20, 2019, and the Department of Defense Instruction 1344.07_Department of the Air Force Instruction 36-2925, dated April 26, 2023.	Revision
Table 42-1 Table 42-2 Table 42-3	Updated tables to include the U.S. Space Force in accordance with P.L. 116-92, section 952, dated December 20, 2019.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 42

DISCRETIONARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policy for Military Service members having discretionary allotments. Service members are authorized no more than six discretionary allotments. Additionally, Service members are authorized no more than one discretionary allotment to the same allottee. To start a discretionary allotment on and after January 1, 2015, Service members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." See sections 3.0 through 7.0 for examples of allowable allotments.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

2.1 Discontinuance

Effective January 1, 2015, Service members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g., automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer, furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

2.2 Grandfathering

Allotments described in paragraph 2.1 that exist on a Service member's pay account prior to January 1, 2015, may continue, and Service members may change the amount of these allotments. If, for any reason, an allotment described in paragraph 2.1 is stopped, the allotment is not authorized to be restarted.

2.3 Other Provisions

See Chapter 40, section 3.0 for other administrative provisions regarding allotments.

3.0 ALLOTMENTS TO FINANCIAL INSTITUTIONS

Service members may have an allotment to a financial institution, mutual fund company, or investment firm where the Service member is the owner of the account. If there are multiple accounts at the same financial institution, the payments must be combined into one allotment amount.

4.0 ALLOTMENTS TO DEPENDENTS OR RELATIVES

Service members may authorize allotments of pay to their dependents, relatives, or former spouse(s). The allotment may be payable to an individual or to a financial organization for credit to the account of the allottee, or a joint account of the allotter and allottee.

5.0 INSURANCE ALLOTMENTS

5.1 General

Service members may have an allotment for the payment of insurance premiums.

5.2 Commercial Insurers

Commercial insurers are eligible allottees. All new allotments for paying premiums on commercial insurance must be approved under the following Military Service regulations:

* 5.2.1. Army: Army Regulation (AR) ***(AR) 637-1*** and ***AR 210-7***;

5.2.2. Navy and Marine Corps: Secretary of the Navy Instruction ***(SECNAVINST) 1740.2F Series***; or

* 5.2.3. Air Force and Space Force: DoD Instruction (DoDI) 1344.07_Department of the Air Force Instruction ***(DAFI) 36-2925***.

All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office. A Service member is not authorized to establish an insurance allotment to a financial institution where the allotment is established for and/or controlled by the insurance company. A Service member may have more than one allotment for commercial insurance. If the Service member has more than one insurance policy with the same company, then premium payments must be combined into one allotment to that company.

5.3 Navy Mutual Aid Insurance (Navy and Marine Corps Only)

The Navy Mutual Aid is an authorized allottee for the payment of life insurance. If the Service member has both the regular premium and the extra hazardous duty premium, then the payments must be combined into one allotment.

5.4 Effective Dates for Starting, Changing, and Stopping Allotments

Tables 42-1, 42-2, and 42-3 prescribe effective dates to start, change, or stop allotments.

6.0 ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

Service members may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, realtor, or to a landlord.

7.0 ALLOTMENT FOR THE SAVINGS DEPOSIT PROGRAM

Service members may authorize an allotment into the Savings Deposit Program. This allotment will be processed in accordance with the procedural instructions of the Military Service concerned. The restrictions in Chapter 51 are applicable when starting this type of allotment.

*Table 42-1. Dates to Start Insurance Allotments

RULE	If a Service member of	authorizes a/an	then start allotment effective the first day of the month
1	the Army, Air Force or Space Force	insurance allotment	specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations. The allotment may be effective with the month allotter enters on duty but only when an enlisted Service member, warrant officer, or graduate of a Service academy is commissioned, or when an enlisted Service member is appointed as a warrant officer.
2	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.

*Table 42-2. Dates to Change Insurance Allotments

RULE	If a Service member of	has a	and the	then start allotment effective the first day of the month	and start new allotment effective the first day of the month
1	the Army, Air Force or Space Force	commercial insurance	Service member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations	following the month the old allotment is stopped.
2	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	Service member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations	following the month the old allotment is stopped.

*Table 42-3. Dates to Stop Insurance Allotments

RULE	If a Service member of the	authorizes a	and	then stop allotment effective the first day of the
1	Army, Air Force or Space Force	commercial insurance allotment	the Service member requests the allotment to be stopped	month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
2	Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	the Service member requests the allotment to be stopped	month specified by the Service member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
3	Army, Air Force or Space Force	commercial insurance allotment	is absent without leave (AWOL) for 10 days or more	latest month in which enough pay accrues to satisfy deduction.
4	Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	is AWOL for 15 days (or less, if allotment discontinuance is necessary to prevent overpayment)	month before the month in which absence began, if authorization will reach allotment office before the date specified in Military Service procedural regulations; otherwise, stop the month the absence began.
5	Army, Air Force or Space Force	commercial insurance allotment	the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances	latest month in which enough pay accrues to satisfy deduction.
6	Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances	month prior to the date in which the convening authority approves the court-martial sentence.

*Table 42-3. Dates to Stop Insurance Allotments (Continued)

RULE	If a Service member of the	authorizes a	and	then stop allotment effective the first day of the
7	Army, Air Force or Space Force	commercial insurance allotment	has insufficient "take home" pay to satisfy Internal Revenue Service (IRS) notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy the levy.)
8	Navy or Marine Corps	commercial insurance, or Navy Mutual Aid allotment	has insufficient "take home" pay to satisfy IRS notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy the levy.)
9	Army, Air Force or Space Force	commercial insurance allotment	has insufficient pay, because of reduction in grade, nonpay status, or stoppage of pay, to warrant continuance of allotment	latest month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.
10	Army, Navy, Air Force, Marine Corps or Space Force	commercial insurance or a Navy Mutual Aid allotment	is separated, retires, or dies	(See procedural regulations of Military Service concerned.)

*REFERENCES

CHAPTER 42 - DISCRETIONARY ALLOTMENTS

2.0 - ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

37 U.S.C., section 701

2.1 Office of the Under Secretary of Defense (OUSD) Memo, November 21, 2014

5.0 - INSURANCE ALLOTMENTS

5.2.1. AR 637-1, July 26, 2021
AR 210-7, October 18, 2007
5.2.2. SECNAVINST 1740.2F, June 18, 2019
5.2.3. DODI1344.07_DAFI 36-2925, April 26, 2023
Public Law (P.L.) 116-92, section 952, December 20, 2019

6.0 - ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

OUSD Memo, November 21, 2014

Table 42-1 – DATES TO START INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

Table 42-2 – DATES TO CHANGE INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

Table 42-3 – DATES TO STOP INSURANCE ALLOTMENTS

P.L. 116-92, section 952, December 20, 2019

VOLUME 7A, CHAPTER 43: "NONDISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 43

NONDISCRETIONARY ALLOTMENTS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide the policies for members of the Armed Forces to initiate nondiscretionary allotment deductions from their pay accounts.

1.2 Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of this chapter.

2.0 ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

The U.S. Department of the Treasury (Treasury) discontinued the purchase of paper savings bonds through federal payroll deduction effective October 1, 2010. Military members may purchase electronic savings bonds by establishing a personal ***TreasuryDirect*** account with the Treasury and then initiating a nondiscretionary allotment payable to the Treasury at their TreasuryDirect account. Members are authorized one nondiscretionary allotment for the purchase of bonds.

2.1 Establishment of Allotment

Members electing to purchase electronic savings bonds will first create an account in TreasuryDirect. This account can be used to purchase multiple bonds. Once created, members must either log into myPay or contact their servicing finance office to establish an allotment to the TreasuryDirect account. The following information is required to initiate the allotment:

2.1.1. The routing transit number for TreasuryDirect is 051736158,

2.1.2. The TreasuryDirect account number provided by the Treasury, and

2.1.3. The specific dollar amount (as opposed to a percentage of pay) to be deducted monthly.

NOTE: The myPay system also requires that the member designate an account type either checking or savings, even though that designation is inapplicable to an allotment to a TreasuryDirect account.

2.2 Change or Cancellation of Allotments

Members may change or cancel their allotments through myPay or through their servicing finance office.

2.3 Administration of Allotments

Details covering the administration of savings bond allotments are contained in the procedural instructions of the Military Service concerned.

2.4 Safekeeping of Bonds

The Federal Reserve Bank printed and mailed all U.S. Savings Bonds previously stored in safekeeping by the Defense Finance and Accounting Service to members. Members who did not receive all their savings bonds will need to file a claim with the U.S. Treasury Bureau of Fiscal Services through TreasuryDirect. To file a claim, members need to follow the instructions found on the TreasuryDirect website. Members must create a TreasuryDirect account, as the reissued bonds will be deposited to the account electronically.

3.0 CHARITABLE CONTRIBUTIONS

3.1 General

3.1.1. Combined Federal Campaign (CFC). In accordance with Title 5, Code of Federal Regulations, part 950 ***(5 CFR 950)***, annual solicitations for donations to various community charity drives have been coordinated into a single combined fund-raising campaign. Basic information on the CFC and the DoD CFC Overseas Campaign is contained in the DoD Instruction ***(DoDI) 5035.01***.

3.1.2. Service Relief Organizations (SROs). Members are authorized to make charitable contributions by allotment to the Army Emergency Relief, Navy, and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund.

3.1.3. Allotment. Members meeting the requirements of this section may authorize a class C allotment for a charitable contribution to the CFC (domestic or overseas) or to any of the Military SROs indicated in subparagraph 3.1.2. All allotments authorized are paid centrally by the offices shown in Chapter 40, section 7.0.

3.2 Limitations

Allotments for CFC and SROs must be at least $1 per month, and each allotter is authorized only one CFC and one SRO allotment.

3.3 Discontinuance (CFC Only)

Once an allotment is stopped, it may not be reinstated during the current allotment period. (This limitation does not apply to Navy or Marine Corps members when the allotment is stopped because of change in pay group.) An allotment stops:

3.3.1. At the end of the authorized withholding period;

3.3.2. Upon member's written request; or

3.3.3. Upon separation (except when discharged and immediately reenlisted at the same station without a break in service), release from active duty, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, retirement, or death.

3.4 Transfer

When a member participating in a CFC campaign is transferred, the CFC allotment continues unless the member submits a written discontinuance request.

3.5 Administration of Allotment

Details covering charitable contribution allotments are in the procedural instructions of the Military Department concerned.

4.0 NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

4.1 General

The Military Housing Privatization Initiative (MHPI) authorizes assignment of Service members to privatized housing units. Service members assigned to privatized housing units are entitled to Basic Allowance for Housing (BAH). The member may be required to make lease payments for such housing in the form of an allotment. A member is authorized to initiate a nondiscretionary allotment for this payment.

4.2 Restrictions

4.2.1. A member is authorized only one nondiscretionary allotment for the privatized housing payment.

4.2.2. A change to the member's BAH amount due to promotion, demotion, administrative, or legislative action may require a change to the allotment amount. Under these or other circumstances, the Service member is responsible for ensuring the allotment amount is changed.

4.2.3. The Service member is responsible for reconciling overpayments or underpayments with the property manager.

4.2.4. The nondiscretionary allotment is restricted to lease payments to entities participating in the MHPI. An allotment to private individuals, corporations, firms, partnerships, companies, state or local government, or housing authority of a state or local government, not associated with the MHPI, is not authorized.

5.0 NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

5.1 Authority

Under the provisions of the "Travel and Transportation Reform Act of 1998," heads of agencies may, upon written request of a federal contractor, collect, by deduction from the amount of pay owed to an employee of the agency, any undisputed amount of funds the employee owes to the travel charge card contractor that is delinquent. The Act defines the term "employee" as an individual employed in or under an agency, including a member of any of the Uniformed Services. A member of one of the Uniformed Services is an employee of that Uniformed Service.

5.2 Procedures

Salary offset for a military member's undisputed delinquent travel charge card debt must follow the procedures contained in Volume 16, Chapters 2 and 3.

REFERENCES

CHAPTER 43 - NONDISCRETIONARY ALLOTMENTS

2.0 - ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

2.1	31 CFR 363
2.3	37 U.S.C., section 553(a)

3.0 - CHARITABLE CONTRIBUTIONS

	5 CFR 950
	DoDI 5035.01, June 6, 2017, Change 2, April 13, 2022
3.1.1.	Executive Order 13743, October 13, 2016

4.0 - NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

	10 U.S.C. § 2882

5.0 - NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

5.1	5 U.S.C. § 5520a(k)(2)
	Public Law 105-264, section 2(d), October 19, 1998
	5 U.S.C. § 5520a
	DoDI 1344.09, February 1, 2022
5.2	5 U.S.C. § 5514

VOLUME 7A, CHAPTER 44: "WITHHOLDING OF INCOME TAX"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 44-1	May 2025: Added Gaza Strip's Mediterranean Territorial Seas in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, dated May 13, 2025.	Addition
Table 44-1	Added Israel and Kenya as Designated Direct Support Area for Combat Zone Tax Exclusion for an indefinite period.	Addition
Table 44-3	Added end dates for Albania, Montenegro, and Serbia.	Revision
References	Updated to reflect current statutes and policy memos.	Revision

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CHAPTER 44

WITHHOLDING OF INCOME TAX

1.0 GENERAL

1.1. Purpose

The purpose of this chapter is to describe the Federal Income Tax Withholding (FITW) and State Income Tax Withholding (SITW) requirements and procedures for Service member wages.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with ***Title 26, United States Code (U.S.C.), section 112*** and ***37 U.S.C. § 351***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 WITHHOLDING FROM CURRENT PAY

2.1 Wages Subject to FITW and SITW

The taxable pay of all Service members is subject to FITW and SITW, except as listed in paragraph 2.2. See Table 44-4. The taxable value of certain non-cash fringe benefits is also subject to federal and applicable state income taxes. See Table 44-4, rules 21 and 22.

2.2 Wages Not Subject to FITW and SITW

2.2.1. Combat Zone (CZ) Tax Exclusion (CZTE)

2.2.1.1. Effective November 21, 1995. All compensation of an enlisted member or warrant officer received for a month in which the enlisted member or warrant officer performed active duty in a CZ or Qualified Hazardous Duty Area (QHDA) (referenced in subparagraph 2.3.1) qualifies for the CZTE under subparagraph 2.3.2. For commissioned officers, no more than an amount equal to the maximum CZTE in effect for any month during any part of which such officers perform active duty in a CZ or QHDA, qualifies for the CZ or QHDA tax exclusion under subparagraph 2.3.2.

2.2.1.2. Maximum CZTE. The amount of the maximum combat zone tax exclusion in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (see Chapter 1) and the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month. Also see Table 44-4, rules 1 through 4.

2.2.2. Puerto Rico and Commonwealth of Northern Mariana Islands (CNMI)

The U.S. Treasury Department has entered into an agreement with Puerto Rico and CNMI that requires the withholding of U.S. territorial income taxes instead of U.S. federal income tax for Service members who claim Puerto Rico or CNMI as their state of legal residence or domicile (as determined by applicable territorial laws and the Servicemembers Civil Relief Act under ***50 U.S.C. § 4001***) and are serving:

2.2.2.1. On active duty in the regular or reserve components of the:

2.2.2.1.1. Army,

2.2.2.1.2. Navy,

2.2.2.1.3. Air Force and Space Force,

2.2.2.1.4. Marine Corps, or

2.2.2.1.5. Coast Guard,

2.2.2.2. In the National Guard and participating in exercises or performing duty under ***32 U.S.C. § 502***; or

2.2.2.3. In the Ready Reserve and participating in scheduled drills or training periods or are serving on active duty for training under ***10 U.S.C. § 10147***.

2.3 CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA

2.3.1. Locations

2.3.1.1. Designated Direct Support Areas of a CZ. Table 44-1 contains the CZ designated direct support areas as of the date of this publication. For the most current areas, see the ***Designated Direct Support Areas of a Combat Zone (CZ)*** table.

2.3.1.2. Designated CZ Areas. Table 44-2 contains the designated CZ areas and the Executive Orders authorizing the designations, as of the date of this publication. For the most current CZ areas, see the ***Combat Zone Tax Exclusion (CZTE)*** table.

2.3.1.3. QHDA. Table 44-3 contains the QHDAs and the public laws authorizing the QHDAs, as of the date of this publication. For the most current QHDAs, see the ***Qualified Hazardous Duty Areas*** table.

2.3.2. Qualification for CZTE for Active Service in a CZ, QHDA or in Direct Support of a CZ or QHDA. A Service member is entitled to CZ or QHDA tax exclusion for any month during any part in which:

2.3.2.1. Active Service. The member performs active service in a CZ or QHDA designated area. Periods in the zone or area during which a member is absent from the duty assignment because of sickness, wounds, internment by the enemy, or other lawful cause are periods of active service.

2.3.2.2. Prisoner Of War (POW) or Missing In Action (MIA). The member becomes a POW or MIA while in active service in a CZ or QHDA. Such personnel are deemed, to continue in active service in the CZ or QHDA for the period for which they are entitled to a POW or MIA status for military pay purposes.

2.3.2.3. Absence. The member is granted official leave or is authorized to depart from assigned duty in a CZ or QHDA for other lawful cause and is directed to perform Temporary Additional Duty or Temporary Duty (TAD/TDY), unless the member is absent for the entire calendar month for leave or TAD/TDY.

2.3.2.4. Airspace. The member is present, however briefly, in the CZ or QHDA on official duty. When the airspace over a CZ or QHDA is included as part of the zone or area, a member who passes over or through the zone or area during the course of a trip between two points, both of which lie outside the zone or area, is entitled to an exclusion only if the member is assigned to official TAD/TDY to the airspace of the zone or area, or qualifies for hostile fire or imminent danger pay as a result of the flight. If the airspace is not designated for hostile fire or imminent danger pay (but is part of the designated zone or area), then a member must be assigned to perform duty in the airspace rather than flying over the zone or area as in an incidental part of the trip to qualify for the exclusion. The fact that most members are in an official duty status when flying through a designated airspace should not be construed to mean they are assigned to the airspace to perform duty and are therefore entitled to the exclusion. The following examples apply:

Example 1. Member A is assigned as a navigator in an air unit stationed outside the CZ. On June 4, during the course of a flight between his home base and another base outside the CZ, the aircraft on which he serves as a navigator flies over a CZ (given that the airspace is part of the designated CZ). Member A is not on official TAD/TDY in the airspace of the CZ and does not qualify for hostile fire or imminent danger pay as a result of the flight. Accordingly, he is not deemed to have served in a CZ since he passes through the zone without either being on official duty to the CZ or qualifying for hostile fire or imminent danger pay.

Example 2. Same scenario as example 1, except that the airspace is not part of the designated zone and Member B is entitled to hostile fire or imminent danger pay as a result of the flight. Member B is deemed to have served in a CZ and is entitled to the CZTE if his duties are determined to be in direct support of the military operation in the zone.

Example 3. Member C is a navigator in an air unit stationed outside a CZ. On June 4, she is ordered to perform duty (execute a mission) in the airspace over the CZ (which is part of the designated zone) and return to her home station outside the CZ. Member C is not entitled to hostile fire or imminent danger pay as a result of

the flight. She is, however, entitled to the CZTE for the month of June for performing official TAD/TDY in the airspace (CZ) during that period.

2.3.2.5. Direct Support. The member performs military duties in areas outside the CZ or QHDA in direct support of military operations in the CZ or QHDA and qualifies for hostile fire or imminent danger pay under 37 U.S.C. § 351. (The hostile fire or imminent danger pay entitlement must be related to activities or circumstances in the CZ or QHDA.) Unit commanders who believe that their personnel qualify for CZTE treatment under this provision must request the appropriate designation. The Principal Deputy Under Secretary of Defense (USD) for Personnel and Readiness (P&R) is responsible for designating direct support areas in accordance with (IAW) DoD Instruction (DoDI) 1340.25, paragraph 4(b)(3). Once the area has been designated as a direct support area, all members serving in that area, who also receive hostile fire or imminent danger pay will qualify for CZTE benefits, unless otherwise specified.

2.3.2.5.1. When members are entitled to tax exclusion under this paragraph, entitlement continues for periods of absence, prisoner or missing status, and TAD/TDY as stated for service in the actual CZ or QHDA in subparagraphs 2.3.2.1, 2.3.2.2, 2.3.2.3, or 2.3.2.4.

2.3.2.5.2. Military service is considered to be in direct support if it has the effect of maintaining, upholding, or providing assistance for those involved in military operations in the CZ or QHDA. The following examples are provided to assist in determining whether personnel qualify for CZ or QHDA tax exclusion. In each case, personnel must also be entitled to hostile fire pay or imminent danger pay:

Example 1. Services rendered on a supply vessel transporting supplies to a CZ or QHDA are in direct support of military operations in the CZ or QHDA, because the act of transporting necessary supplies is a function included within the concept of providing direct support of military operations.

Example 2. If an aircraft in a nearby country outside the CZ or QHDA is used to transport supplies and personnel into the CZ or QHDA, then the members of the ground crews who load the aircraft and the maintenance personnel who maintain the aircraft all qualify for CZ or QHDA tax exclusion. In addition, members who maintain and control the airstrip (e.g., as a meteorologist or air traffic controllers) are performing services in direct support of military operations in the CZ or QHDA and qualify for the tax exclusion.

Example 3. Members of a unit or installation who support and assist other members of that unit or installation who serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in the CZ or QHDA. Generally, all members who serve in support of operations at an installation where some members serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in that CZ or QHDA (e.g., unit or installation personnel for an airstrip would qualify).

2.3.2.6. Hospitalization. The member is hospitalized or re-hospitalized in any location as a result of wounds, disease, or injury incurred while serving in a CZ or QHDA or while serving in areas identified in subparagraph 2.3.2.5. A member is considered as hospitalized or re-hospitalized until such time as status as a hospital patient ceases by reason of discharge from the hospital. CZ or QHDA tax exclusion under this subparagraph will not apply to any months beginning more than 2 years after the date specified by the President in an Executive Order as the date of the termination of combatant activities in the CZ.

2.3.3. Periods for Which Tax Exclusion Does Not Apply. Members who are in the CZ or QHDA merely for their own convenience, e.g., while on leave from a duty station not in the zone or area, are not entitled to the exclusion.

2.3.4. Tax Abatement in Case of Death

2.3.4.1. A member who dies in a CZ or QHDA or as a result of wounds, disease, or injury incurred while serving in the CZ or QHDA is exempt from federal income tax for:

2.3.4.1.1. The tax year in which death occurs, and

2.3.4.1.2. Any prior tax year ending on or after the first day served in a CZ or QHDA.

2.3.4.2. Income tax liability is forgiven for any federal income tax owed for a prior year that remains unpaid on the date of death.

2.3.4.3. If an individual in a CZ or a QHDA is in missing status and is declared dead by Secretarial determination, for purposes of the tax abatement rules stated in subparagraph 2.3.4.1, the date of death is the date of the determination and not earlier. The tax abatement rules in subparagraph 2.3.4.1 do not apply for any taxable year that begins more than 2 years after it is determined that the area in which the Service member went missing is no longer a CZ or QHDA under 26 U.S.C. § 112.

2.3.4.4. The deceased member's survivors, executor, or administrator may contact the Internal Revenue Service (IRS) for guidance in claiming the tax abatement.

2.3.5. Termination Date Other Than Cases of Hospitalization. In no case will the tax exclusion authorized in subparagraphs 2.3.2.1 through 2.3.2.6, for active duty members, extend beyond the effective date specified in an Executive Order terminating the designation of the CZ. In the case of QHDAs, the exclusion will not extend beyond the effective date of the termination of hostile fire or imminent danger pay for the area.

2.4 Tax Abatement for Death Caused by Terrorist or Military Action Overseas

A member whose death was caused by terrorist or military action (excluding training exercises) qualifies for federal tax abatement under the provisions of ***26 U.S.C. § 692(c)***. No federal income tax liability is imposed on the deceased member for the year of death and for prior

tax year(s) beginning with the tax year before the injuries or wounds occurred. The deceased member's survivors, executor, or administrator may contact the IRS for guidance in claiming the tax abatement.

2.5 Rate of Withholding

2.5.1. General. The FITW/SITW will be IAW Treasury Department Circular E and Treasury Department regulations governing SITW as implemented in Military Service directives.

2.5.2. Additional FITW and SITW. A member, entitled to CZTE while TAD or TDY, may authorize that regular withholding be continued. A member entitled to CZTE may authorize an additional amount to be withheld. The member's pay account will be adjusted for the CZTE. See the applicable procedural instructions of the Military Service concerned for preparation of additional tax withholding requests and effective dates.

2.6 State and Local Taxes

2.6.1. Tax Requirements. The state in which a member claims legal residence (i.e., domicile) may tax compensation and other income regardless of the member's location. Compensation for Military Service, however, is not taxable by any state, territory, possession, political subdivision, or district that is not the member's legal residence.

2.6.2. Legal Residence. Each member must designate a legal residence and report any changes of legal residence. A member's legal residence does not change solely because of a change of permanent station. Legal residence at the time of entry into the Armed Forces remains the same until changed by the member. A member makes notification of legal residence or change of legal residence by submitting a DoD (DD) Form 2058, State of Legal Residence Certificate.

2.6.3. Native Americans. Native American Service members who claim a federally recognized tribal reservation as their state of legal residence are not subject to state taxes. A Native American Service member makes notification of a federally recognized tribal reservation as a state of legal residence by submitting a DD 2058-2, Native American SITW Exemption Certificate.

2.6.4. Withholding. Compensation for military service that is subject to federal taxation is also subject to the mandatory withholding of income taxes on behalf of those states (including the District of Columbia) that have entered into an agreement for the purpose of such withholding with the Secretary of the Treasury. See a list of the current States/Territories who have withholding agreements with the Treasury Department on the Defense Finance and Accounting Service (DFAS) website ***(DFAS.mil)***.

2.6.5. Disclosure of Withholding Information. The furnishing of annual wage and tax information of military members to states (including the District of Columbia) that have a withholding agreement with the Treasury Department must comply with the Privacy Act of 1974. Based upon regulatory provisions pertaining to disclosure to the states, the wages of a member who claims exemption from withholding should not be reported to a state without the member's consent. In lieu of reporting the wages of members who claim exemption from state tax

withholding, name, social security number, and the member's claimed basis for exemption will be provided to the state. This rule applies to all Military Services and pay systems.

2.6.6. Delinquent Taxes. DoD has no authority to involuntarily collect delinquent state tax liabilities of members.

2.7 Nonresident Aliens

2.7.1. Tax Liability. A Service member, who is a nonresident alien, is liable for U.S. income tax on pay attributable to service performed in the United States, even if such pay is not subjected to FITW because of the provisions in subparagraph 2.7.2. A nonresident alien member's pay attributable to service performed outside the United States is not subject to U.S. income tax. Service in a possession of the United States is considered duty outside the United States. A nonresident alien member is not disqualified from eligibility for any of the income exclusions or withholding exemptions set forth in Chapters 44 and 45 because of a nonresident alien status.

2.7.2. Income Tax Withholding. The pay of a nonresident alien for any period of service within the United States exceeding 60 calendar days is subject to FITW. Such pay also may be subject to SITW, depending on the state residency status of the alien. Pay for periods of service within the United States of 60 calendar days or less, or for service outside the United States, is not subject to FITW or SITW. The nonresident alien member nevertheless is subject to federal income taxation, and may be subject to state income taxation, on pay for all days of service within the United States and is responsible for reporting and paying any tax due on all such income.

3.0 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1 Authority

When a member does not pay any federal income tax due within 30 days after the IRS has issued a notice and payment demand to the member, the IRS may collect the tax by levy on the member's salary or other income. Receipt by the cognizant Military Service (or DFAS Site) of a levy notice is the legal authority to commence collection of the delinquent federal income taxes after taking into consideration the appropriate exemptions.

3.2 Levy Processing Procedures

3.2.1. The IRS serves the tax levy by mail. The IRS Form 668-W(c), Notice of Levy on Wages, Salary, and Other Income, includes instructions for the employer (Military Service) and the employee (member).

3.2.2. Upon receipt of the levy, the disbursing officer immediately:

3.2.2.1. Completes part 3 and returns the levy to the IRS if no funds are due the member (for example, higher precedence deductions (Chapter 52, Table 52-1) or if the member is in a status described in paragraph 3.3); or

3.2.2.2. Forwards parts 2 through 5 to the member if funds are due or soon will become due.

3.2.3. The member certifies his or her filing status and number of personal exemptions and returns parts 3 and 4 to the disbursing officer within 3 days (or other period authorized by the IRS in coordination with the Military Service concerned and as established within Military Service regulations). If the member does not return parts 3 and 4, then the levy will be processed as if the member is "married filing a separate return with one personal exemption."

3.2.4. The levy will continue in effect until the amount due in the levy notice is collected or until released by the IRS.

3.2.5. Forward a misrouted levy notice or levy release to the member's servicing DFAS Site.

3.3 Effect on Members in a CZ or QHDA

3.3.1. The disbursing officer immediately will complete part 3, with appropriate notations, and return the levy to the IRS if the member is:

3.3.1.1. Serving (performing official duties) in a designated CZ or QHDA for any period of time;

3.3.1.2. Serving (performing official duties) outside a designated CZ or QHDA, but in direct support of military operations in a CZ or QHDA, and in receipt of hostile fire or imminent danger pay as a result of duties performed in direct support of designated CZ or QHDA operations;

3.3.1.3. Continuously hospitalized as a result of service in a designated CZ or QHDA (limited to 5 years of hospitalization in the United States); or

3.3.1.4. In a missing status.

3.3.2. Levy deferment remains in effect for 180 days after a member no longer meets any of the criteria listed in subparagraph 3.3.1. The levy deferment begins again (including a new 180-day clock) when a member re-qualifies for deferment (again meets one of the criteria listed in subparagraph 3.3.1), with one exception. Re-hospitalization for a previously treated wound, illness, or injury does not re-qualify a member, nor does it stop/restart a 180-day clock.

3.4 Attachment of Earnings and Payment to IRS

3.4.1. The member's "take home pay," minus exempt amounts claimed via the member's certified claim on part 3 of the levy, will be attached and sent to the IRS until the levy is satisfied or released by the IRS. The member's usual pay deductions will continue while the levy is in effect.

3.4.2. When exemptions are equal to or exceed the member's "take home pay," the disbursing officer will so advise the IRS office that served the levy.

4.0 INSTALLMENT COLLECTION OF DELINQUENT TAXES

4.1 Agreement for Liquidation of Federal Tax Indebtedness by Payroll Deductions

A member may arrange with the IRS to pay delinquent taxes by monthly deductions from pay using IRS 2159, Payroll Deduction Agreement. A member may not cancel an agreement once it is in effect. The Military Services handle agreements in accordance with subparagraphs 4.1.1 through 4.1.3.

4.1.1. Army. Collect and pay to IRS as prescribed for payment of indebtedness to instrumentalities and agencies of the government.

4.1.2. Navy and Marine Corps. Process the agreement as a T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, then the disbursing officer pays each month to IRS in the amount of the deduction.

4.1.3. Air Force and Space Force. Process as a Class T allotment.

4.2 Change of Member's Status During Liquidation Period

See Table 44-4.

*Table 44-1. Designated Direct Support Areas of a CZ
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

Location	Effective Dates	
	From	Through
Djibouti – Military Personnel serving in Djibouti due to their service in direct support of military operations in the Afghanistan CZ (note 2).	July 1, 2002	
*Gaza Strip Mediterranean Territorial Seas and Air Space – Military Personnel serving in Israel due to their service in direct support of military operations in the Arabian Peninsula CZ specifically, the Arabian Peninsula, the Red Sea and Iraq, as designated by Executive Order 12744 (note 3).	March 16, 2023	
*Israel – Military Personnel serving in Israel due to their service in direct support of military operations in the Arabian Peninsula CZ specifically, Iraq, as designated by Executive Order 12744. The land area of Israel includes Jerusalem and the Golan Heights and excludes the West Bank (note 3).	March 16, 2023	
Jordan – Military Personnel serving in Jordan due to their service in direct support of military operations in the Afghanistan CZ (note 2).	September 19, 2001	
Jordan – Military Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 3).	March 19, 2003	
*Kenya – Military Personnel serving on the land area or adjacent littoral waters of the Cooperative Security Location (CSL) Manda Bay Kenya in direct support of military operations in the Arabian Peninsula CZ, specifically the Gulf of Aden as designated by Executive Order 12744. The land area and adjacent littoral waters of the CSL Manda Bay, Kenya are defined by the following latitude and longitude coordinates: 2°08'44"S - 40°53'20"E, 2°08'48"S - 40°56'00"E, 2°11'18"S - 40°53'15"E, 2°11'31"S - 40°56'00"E (note 3).	September 26, 2023	

Table 44-1. Designated Direct Support Areas of a CZ (Continued)
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

Location	Effective Dates	
	From	Through
Lebanon – Military Personnel serving in Lebanon in direct support of military operations in the Arabian Peninsula CZ (note 3).	February 12, 2015	
Pakistan – Military Personnel serving in Pakistan due to their service in direct support of military operations in the Afghanistan CZ (note 2).	September 19, 2001	
Somalia – Military Personnel serving in: 1. Somalia due to their service in direct support of military operations in the Afghanistan CZ; 2. Somalia airspace; or 3. Water area of the Somali Basin including the following coordinates: - 11°10'N-51°15'E; - 06°00'N-48°30'E; - 05°00'N-50°30'E; - 11°30'N-53°34'E; - 05°00'N-50°30'E; - 01°00'N-47°00'E; - 03°00'S-43°00'E; - 01°00'S-41°00'E; and - 06°00'N-48°30'E (note 2).	January 1, 2004 January 1, 2007 January 1, 2007	
Syria – Military Personnel serving in Syria due to their service in direct support of military operations in the Arabian Peninsula CZ (note 3).	January 1, 2004	
Turkey – Military Personnel serving in Turkey east of the 33.51 degrees East Longitude due to their service in direct support of military operations in the Arabian Peninsula CZ (note 3).	September 19, 2016	
Yemen – Military Personnel serving in Yemen due to their service in direct support of military operations in the Afghanistan CZ (note 2).	April 10, 2002	

Table 44-1. Designated Direct Support Areas of a CZ (Continued)
The most current listing is on the Designated Direct Support Areas of a Combat Zone (CZ) table. (Note 1)

NOTES:

1. In order to have CZTE treatment of wages for services performed in a designated direct support area, a member must be entitled to hostile fire or imminent danger pay while performing service in the designated direct support area.
2. The Afghanistan CZ is the area designated by Executive Order 13239.
3. The Arabian Peninsula CZ is the area designated by Executive Order 12744.

Table 44-2. Designated CZ Areas
The most current listing is on the Combat Zone Tax Exclusion (CZTE) table.

Authority	Location(s) to include the airspace above	Effective Dates	
		From	Through
Executive Order 12744 (The Arabian Peninsula Areas)	Arabian Sea North of 10 degrees North Latitude; and West of 68 degrees East Longitude; Bahrain; Gulf of Aden; Gulf of Oman; Persian Gulf; Iraq; Kuwait; Qatar; Oman; Red Sea; Saudi Arabia; and United Arab Emirate	January 17, 1991	
Executive Order 13119	Albania; The Adriatic Sea; The Federal Republic of Yugoslavia (Serbia/Montenegro); and The Ionian Sea north of the 39th parallel	March 24, 1999	
Executive Order 13239	Afghanistan	September 19, 2001	

*Table 44-3. QHDA
The most current listing is on the Qualified Hazardous Duty Areas table.
See Note 1

Authority	Location(s)		Effective Dates	
			From	Through
Public Law 104-117 Note 2	Bosnia; Croatia; Herzegovina; and Macedonia		Nov 21, 1995	Oct 31, 2007
Public Law 106-21 Note 3	Albania; The Adriatic Sea;		Mar 24, 1999	Mar 31, 2002
	The Federal Republic of Yugoslavia;	Kosovo		
		Montenegro		June 1, 2014
		Serbia		June 1, 2014
	The Ionian Sea north of the 39th parallel			
Public Law 115-97	Egypt (Sinai Only)		June 9, 2015	

NOTE:

1. In order to have CZTE treatment of wages for services performed in a QHDA, a member must be entitled to hostile fire pay (HFP) or imminent danger pay (IDP) while performing service in the QHDA.
2. IDP for Bosnia and Herzegovina; Croatia; and Macedonia was terminated October 31, 2007.
3. Albania had IDP terminated 31 March 2002; Serbia had IDP terminated 1 June 2014; and Montenegro had IDP terminated 1 June 2014. If, and when Executive Order 13119 is rescinded, Albania, Serbia, and Montenegro will no longer qualify as a QHDA.

Table 44-4. Taxability of Items of Military Pay and Allowances

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
1	basic pay (note 4)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
2	incentive pay or hazardous duty pay (see Chapters 22 through 24)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
3	special pay (see Chapters 3, 5, 8, 10, 11, 15, 17, and 18)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2 (notes 5, 6 and 7); for members in a missing status, see subparagraph 2.3.2.2.
4	lump-sum payment of accrued leave (basic pay portion)	for any month that CZ or QHDA exclusions do not apply (notes 5 and 6).		when earned in a CZ or QHDA. For limits applicable to commissioned officers' (O-1 and above) pay, see subparagraph 2.2.1.2; (notes 5, 6 and 7) for members in a missing status, see subparagraph 2.3.2.2.
5	a bonus entitlement (including installments)	if earned (reenlists, extends, signs agreement) in a month during which CZTE does not apply.		when earned (reenlists, extends, signs agreement) in a month during which CZ or QHDA exclusion applies, regardless of whether the member fulfills the bonus contract service requirement before entering or after returning from the CZ or QHDA (notes 5, 6 and 7).

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
6	National Call to Service Bonus (NCSB) or Education Loan Repayment Program (ELRP)			for the NCSB for the actual months that are served in a CZ or QHDA during the initial 15 months of service following initial entry training; and for the ELRP for the actual month served in a CZ or QHDA out of the 12-month period. (note 6 and note 8)
7	separation pay, readjustment pay, or severance pay (except for disability) (note 9)	and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.		
8	contract cancellation pay	and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.		
9	pay forfeited by court martial sentence or non-judicial punishment (note 10)			and is loss of entitlement to pay in the amount of the forfeiture (however, remaining pay is subject to tax withholding (note 11)).

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
10	payment(s) of travel and transportation costs incurred while carrying on business of U.S. Government (includes any temporary lodging entitlements)	if assignments are over 1 year. All travel reimbursement expenses are taxable, regardless of whether the reimbursements exceed the traveler's expenses IAW Internal Revenue Code 162(a) and Revenue Rule 99-7.	if the amounts received are in excess of actual travel and transportation costs incurred while carrying on business of U.S. Government. The amount will not be reported on IRS W-2 or 1099, but the member will account for such payment(s) on applicable individual income tax returns.	in temporary assignments lasting a year or less, if members receive the government per diem rate (or an amount less than the per diem rate). The amount received is not taxable, because the members' expenses are deemed to be substantiated IAW Revenue Procedure 2011-47.
11	an incentive payment paid to member for Personally Procured Move per Volume 9, Chapter 6, paragraph 3.2	at time of payment.		
12	muster duty allowance	at time of payment under the provisions of Chapter 58, subparagraph 2.5.2.		
13	funeral duty allowance	at time of payment.		
14	personal money allowance	and will be reported on IRS W-2.		

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
15	an allowance (Basic Allowance for Subsistence, Basic Allowance for Housing, Family Separation Allowance, clothing and uniform allowances, and overseas station allowances) (note 12)			at any time.
16	death gratuity			at any time.
17	an otherwise taxable item of pay earned by member but unpaid at death		and will be reported on IRS 1099-MISC when paid to beneficiary (note 13).	if the pay was subject to the CZ or QHDA exclusion. See Rules 1-4.
18	special separation bonus or voluntary separation incentive (VSI)	at the flat withholding rate (currently 22 percent) for FITW and at the appropriate SITW rate for Special Separation Bonus payments and initial VSI payments. Withhold taxes from VSI installment payments at the annual withholding rate contained in IRS Circular E (note 14).		
19	Inactive duty training (IDT) pay	at time of payment (CZTE does not apply to pay for IDTs).		

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

RULE	If item is	then item is (notes 1, 2, and 3) taxable and subject to FITW/SITW	then item is (notes 1, 2, and 3) taxable but not subject to FITW/SITW	then item is (notes 1, 2, and 3) not taxable
20	former captive payment (see Chapter 37)		if payment is for former captive status resulting from a lawful action. Payment will be reported on IRS W-2 (note 13).	if payment is for former captive status resulting from the deprivation of personal rights.
21	employer provided home-to-work transportation	even if transportation is provided for security reasons (note 15).		
22	employer-provided parking	to the extent that the value exceeds the monthly exclusion limit (note 15).		to the extent that the value is equal to or less than the monthly exclusion limit.
23	Thrift Savings Plan (TSP)	for Roth TSP contributions, since Roth contributions are after-tax contributions.	For traditional TSP contributions, taxes are deferred until contributions are withdrawn.	if TSP contributions are made from pay earned in a CZ or QHDA (for commissioned officers, limited to maximum monthly CZTE amount).
24	waived portion of court martial forfeiture of taxable pay or pay and allowances (Chapter 48)	see Chapter 48.		

NOTES:

1. Whether military pay and allowances are subject to state income taxes depends upon the law of the member's state of legal residence. Items of pay and allowances that are not subject to FITW, however, will not be subject to SITW. Items of pay and allowances subject to FITW will be subject to SITW if the member's state of legal residence has entered into a withholding agreement with the Secretary of the Treasury. The total or partial exclusion by states of military pay from income will be recognized in the computation of the amount of state income tax to be withheld.
2. If a member receives an overpayment of a taxable pay item, the overpayment should be reported in the year paid unless the CZ or QHDA tax exclusion applies. If recovery of the overpayment is waived, remitted, or canceled, then there are no additional tax reporting requirements. If the overpayment consists of a nontaxable pay item, then the overpayment should not be reported as taxable income if the resulting debt is waived, remitted, or canceled.

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

NOTES (Continued):

3. Taxable wages and withholding must reflect the debt in the year the overpayment was received. Collection action will impact taxable wages and withholding (if applicable) as collection is made, but only if made in the same year as the original payment.
4. Excludes the reduction of basic pay for educational benefits under the "New Montgomery GI Bill" after December 31, 1985. Members wishing to increase their Montgomery G.I. Bill benefits may contribute up to $600, IAW ***38 U.S.C. § 3011(e)***. This contribution is not a reduction in basic pay and therefore, does not reduce a member's taxable wages.
5. Add the payments (rules 1 through 6) made currently or at a later date for a commissioned officer (O-1 and above) to other pay for the month (up to the highest rate of pay payable to any enlisted member) to calculate the maximum amount to be applied for CZ or QHDA tax exclusion. (See Chapter 35, subparagraph 2.3.2.)
6. For commissioned officers (O-1 and above), the amount of the maximum CZTE in effect for a qualifying month equals the sum of the basic pay for the senior enlisted member (grade E-9) payable (Basic Pay – Enlisted, Note 3) plus the amount of hostile fire or imminent danger pay actually payable to the officer for the qualifying month.
7. Only pay and allowances actually earned during any month in which a CZ or QHDA designation applies are excludable, even if paid in a later, non-qualifying month. Entitlements earned during any non-qualifying month, but paid in a month the exclusion applies, remain taxable. Accrued leave payments qualify only for that portion of days that were actually earned during a qualifying month.
8. The tax exempt computation for the NCSB and ELRP will be the number of months in the CZ/QHDA divided by 15 months for the NCSB or 12 months for the ELRP. The resulting percentage will be multiplied against the bonus or loan amount. The result will be the tax exempt amount for the member.
9. See Chapter 35, paragraph 5.4 for exceptions to taxation of disability severance pay.
10. This does not apply to waived forfeitures, which are subject to FITW and FICA withholding. See Chapter 48.
11. This does not apply to fines imposed by courts-martial or non-judicial punishments. Withhold tax from the member's full pay credited before deducting the fine. Report the full amount of the pay credited, without deducting the fine, as taxable income.
12. Allowances considered nontaxable on September 9, 1986, remain nontaxable. Any allowance created after September 9, 1986, will be taxable for federal and state income tax purposes unless specified otherwise.
13. Exception is pay earned for any month CZ or QHDA exclusion applies. CZs and QHDAs are so designated by Executive Order or statute, respectively.
14. Special Separation Bonus and VSI payments remain taxable even if a member signs the agreement to separate while serving in a CZ or QHDA.

Table 44-4. Taxability of Items of Military Pay and Allowances (Continued)

NOTES (Continued):

15. Home-to-work provided transportation and employer provided parking.

a. Per the DoD Manual 4500.36-R, the USD Comptroller and USD (P&R) jointly will issue updated annual guidance concerning the valuation, on a monthly basis, of taxable government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council service representatives will annually distribute the updated guidance to the Military Services.

b. Each DoD Component will determine the value, to be calculated on a monthly basis, of government employer-provided taxable parking fringe benefits provided to military members.

c. Valuation must be accomplished utilizing the provisions of the Internal Revenue Code (See IRS Publication 15-B) and Treasury Regulations. Each member's Service will:

(1) Identify members receiving government employer-provided home-to-work transportation and/or parking fringe benefits;

(2) Certify fringe benefits are authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site, no less often than once a year. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefits (such as parking) calculates the value of the benefit provided, and the member's Service verifies the correctness of the calculation; and

(3) Keep members who receive such benefits advised of the tax liability annually accruing to them.

d. Each member's certified taxable fringe benefits amount must be sent to the servicing DFAS central site no less often than annually and not later than December 15, each year, for processing to:

(1) Include the taxable non-cash benefit amounts in member's gross income;

(2) Withhold and deduct appropriate federal and state income taxes (not FICA taxes); and

(3) Generate an IRS W-2 that reflects the adjusted gross income and withholding amounts. The military services' field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate a manual IRS W-2.

Table 44-5. Collection of Delinquent Taxes by Installment - Change of Member's Status

RULE	When a member who has arranged with the IRS for installment collection of delinquent taxes	and	then	and
1	is discharged or released from active duty	immediately reenlists	deduct from member's pay as agreed with IRS without interruption.	
2	is discharged or released from active duty	does not immediately reenlist	deduct from final pay enough to liquidate the remaining indebtedness, or all available if the remaining indebtedness is more than is available	notify IRS of the member's separation.
3	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Army, Air Force or Space Force	deduct from member's pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.

*Table 44-5. Collection of Delinquent Taxes by Installment - Change of Member's Status (Continued)

RULE	When a member who has arranged with the IRS for installment collection of delinquent taxes	and	then	and
4	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Navy or Marine Corps and a T allotment has not been established	deduct from member's pay, and pay to IRS for the month the absence begins, the amount agreed to or as much as is available if less than agreed to	notify IRS of the member's separation.
5	enters a period of unauthorized absence for which pay, and allowances are not payable	is a member of the Navy or Marine Corps and a T allotment has been established	cancel the T allotment on the 15th day following the date absence began (or earlier if necessary to prevent allotment overpayment)	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.
6	has qualified for collection deferment because of service in a CZ or enters hospitalized/missing status as a result of service in a CZ (see note)		defer initiating collection effective the month entering such status	commence collection IAW paragraph 2.3.2.6.

NOTE: Includes direct support of CZ operations and QHDAs.

*REFERENCES

CHAPTER 44 - WITHHOLDING INCOME TAX

2.0 - WITHHOLDING FROM CURRENT PAY

2.1	Treasury Regulation 1.162-1(b)
2.2.1.	26 U.S.C. § 112
	IRS Publication 3 (2023)
2.2.2.	IRS Publication 80 (2023)
	Title 31, Code of Federal Regulations (CFR), part 215
	Treasury Financial Manual (TFM), Volume 1, Part 3, Chapter 5000
2.3.1. and 2.3.3.	26 U.S.C. § 112
2.3.2.	IRS Publication 3 (2023)
2.3.2.5.	IRS Notice 2002-17, Question and Answer 6
	37 U.S.C. § 351
	DoDI 1340.25
2.3.5.3.	IRS Publication 3 (2023)
2.4	26 U.S.C. § 692(C)
2.5.2.	26 U.S.C. § 3402I
2.6	TFM, Volume 1, Part 3, Chapter 5000
2.6.2.	50 U.S.C. § 4001
2.6.3.	TFM, Volume 1, Part 3, Chapter 5000
2.6.4.	TFM Volume 1, Part 3, section 5070
	TFM, Part 3, Chapter 5000
2.6.5.	Defense Finance and Accounting Service-Denver DGM Memo, March 18, 1993
2.7	26 U.S.C. § 871
2.7.1.2.	26 CFR 301.7701(b)-1
2.8	26 U.S.C. § 3507

3.0 - COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1	26 U.S.C. § 6321(a)
	26 U.S.C. § 6331
3.3	26 U.S.C. § 7508
3.4	26 U.S.C. §§ 6331, 6334

Table 44-1 – DESIGNATED DIRECT SUPPORT AREAS OF A CZ

Djibouti	Office of the USD (OUSD) (P&R) Memo, November 21, 2002
Gaza Strip	OUSD (P&R) Memo, May 13, 2025

Israel	USD (P&R) Memo, November 21, 2023
Jordan	USD (P&R) Memo, December 14, 2001 IRS Publication 3 (2023) page 15
Kenya	USD (P&R) Memo, October 6, 2023
Lebanon	USD (P&R) Memo, October 21, 2015 OUSD (P&R) Memo, March 2, 2020
Pakistan	USD (P&R) Memo, December 14, 2001
Somalia	OUSD (P&R) Memo, October 17, 2006 USD (P&R) Memo, December 31, 2013
Syria	OUSD (P&R) Memo, January 7, 2005
Turkey	OUSD (P&R) Memo, April 13, 2017 USD (P&R) Memo, April 13, 2022
Yemen	ASD (FM&P) Memo, August 13, 2002

Table 44-2 – DESIGNATED CZ AREAS

	Executive Order 12744, January 17, 1991 Executive Order 13119, March 24, 1999 Executive Order 13239, September 19, 2001

Table 44-3 – QHDA

	Public Law 104-117, March 20, 1996 Public Law 106-21, April 19, 1999 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 Public Law 115-97, section 11026, December 22, 2017

Table 44-4 – TAXABILITY OF ITEMS OF MILITARY PAY AND ALLOWANCES

	26 U.S.C. § 112 IRS Publication 3 (2023)
Rules 5 and 6	Treasury Regulation 1.112-1
Rule 7	26 U.S.C. § 112 Waterman v. Commissioner, 179 F.3d 123 (4th Circuit. 1999)
Rule 10	Public Law 94-212, February 9, 1976
Rule 11	Treasury Regulation 1.62-2

	Treasury Regulation 31.3401(a)
	31 CFR 215.8
Rule 16	26 U.S.C. §134(b)
Rule 18	IRS Notice 1036 (December 2018)
Rule 20	Assistant Secretary of Defense (ASD) Force Management and Personnel (FM&P) Memo, January 15, 1987
	Department of the Treasury Office of Chief Counsel Memo June 24, 1988
	Office ASD(FM&P) Memo, November 18, 1991
Rules 21 and 22	Treasury Regulation 1.162-1(b) (5) and 1.262-2(e)
	IRS Notice 94-3
	10 U.S.C. § 2637
Notes 2 and 3	Treasury Regulation 1.61-12
Note 4	38 U.S.C. § 3011
Notes 5 and 12	Public Law 104-117, March 20, 1996
Note 6	26 U.S.C. § 112
Note 7	26 U.S.C. § 112
Note 11	26 U.S.C. § 134
Note 15	IRS Publication 15-B

Table 44-5 – COLLECTION OF DELINQUENT TAXES BY INSTALLMENT - CHANGE OF MEMBER'S STATUS

Rule 6	26 U.S.C. § 7508

VOLUME 7A, CHAPTER 45: "FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
3.1	Updated the "FICA Percentage Rates" table on DFAS.MIL to include the 2023 rates in accordance with the Internal Revenue Service, Publication 15 (Circular E), dated December 19, 2023.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the FICA requirement for Federal Agencies to withhold Social Security and Medicare taxes from the basic pay of military members covered by the Social Security Act, and to pay matching FICA taxes to the Social Security Administration. The FICA tax component for Old Age, Survivors, and Disability Insurance (OASDI) tax is also called Social Security tax, and the FICA tax component for Hospital Insurance tax, is also called Medicare tax. The OASDI tax rate applies only to those basic pay payments that do not exceed the annually variable OASDI wage base. There is no cap on wages subject to the withholding of Medicare tax.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 26, 36, and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 REQUIREMENTS

2.1 Service members Subject to FICA

Any Service member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes Service members serving in:

2.1.1. The Military Service Academies (excluding foreign nationals);

2.1.2. An aviation cadet status; or

2.1.3. A combat zone.

2.2 Taxable Wages

The following wages are subject to FICA withholding:

2.2.1. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill);

2.2.2. Inactive duty compensation;

2.2.3. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year in which the Service member's death occurs;

2.2.4. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization;

2.2.5. Taxable amounts received prior to the Government's voidance of the Service member's enlistment contract; and

2.2.6. Waived portions of forfeitures of basic pay payable to dependent(s) of a confined Service member as prescribed in Chapter 48.

3.0 DEDUCTION OF FICA TAX

*3.1 Amount

See the "***Contribution and Benefit Base***" on the Social Security website or the ***FICA Percentages, Maximum Taxable Wages, and Maximum Tax*** table on DFAS.MIL for the withholding percentage rate and the total maximum tax.

3.2 Maximum Tax

Discontinue deductions when the Service member's total active-duty basic pay plus inactive duty compensation equals the annual maximum earnings subject to FICA withholding, and when the maximum tax has been deducted.

3.3 Effect of Punishment, Absence, and Non-Pay Status

See Table 45-1.

3.4 More Than One Employer

Deduct FICA taxes regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer; however, cross-servicing of a Service member's pay account between the Military Services does not constitute a change of employer. A break in service of any length within the same Military Service does not constitute a change of employer. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If this amount is in excess of the maximum tax, then the Service member may claim the excess from the Military Service concerned, and adjustments will be made accordingly.

3.5 Retroactive Entitlements and Deductions

Retroactive entitlements and deductions will adjust the pay for the year in which they are made and will be reflected in the tax reporting for the quarter in which they are paid. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the Service member has been discharged, separated, or retired, then issue an Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement.

3.6 Indebtedness

FICA taxes previously withheld may not be used to offset any indebtedness.

Table 45-1. Effect of Punishment, Absence, and Non-Pay Status

RULE	When a Service member	then
1	is fined by court-martial and the fine is deducted from pay	the amount of the fine is subject to FICA tax.
2	is required to forfeit pay as the result of court-martial or nonjudicial punishment	the forfeiture is a loss of entitlement to the basic pay involved, and the lost amount is not subject to FICA tax. (See note)
3	has pay detained under court-martial or nonjudicial punishment	the amount detained is not subject to FICA tax until it is actually paid to the Service member.
4	is absent without leave	the amount of basic pay deducted for the period is not subject to FICA tax.
5	is confined by civil authorities under conditions that require loss of pay	the amount of basic pay deducted for the period is not subject to FICA tax.

NOTE: The waived portion of a forfeiture is taxable income to the confined Service member and is subject to FICA under subparagraph 2.2.6 and Chapter 48.

*REFERENCES

CHAPTER 45 - FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

1.0 – GENERAL

42 U.S.C. § 410(l)

2.0 – REQUIREMENTS

2.1	42 U.S.C. § 410(1)(m) 26 U.S.C. § 3121(m)(n)
2.2	42 U.S.C. § 409(d)

3.0 – DEDUCTION OF FICA TAX

3.1	26 U.S.C. §§ 3101; 3102 42 U.S.C. § 430 IRS, Publication 15 (Circular E)
3.4	26 U.S.C. § 3101
3.5	26 U.S.C. § 3102 26 U.S.C. § 6205

Table 45-1

Rule 2	36 Comptroller General 79
Rule 3	26 U.S.C. § 451

VOLUME 7A, CHAPTER 46: "DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Revision

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CHAPTER 46

DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

1.0 GENERAL

1.1 Purpose

The Armed Forces Retirement Home (AFRH) is an independent establishment in the executive branch. The purpose of the Retirement Home is to provide residences and related services for retired and former members of the Armed Forces who meet the eligibility requirements of the AFRH. The AFRH includes the AFRH – Washington (Soldiers' and Airmen's Home) and the AFRH – Gulfport (Naval Home).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 24 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 AMOUNT

The Secretary of Defense sets the monthly deduction from pay in an amount not to exceed $1.00. The deductions of pay, which are not prorated for partial months of service, are deposited in the AFRH Trust Fund.

3.0 APPLICABILITY

3.1 Members Subject to Deductions

The following members are subject to deductions:

3.1.1. Regular enlisted members,

3.1.2. Warrant officers,

3.1.3. Limited duty officers of the Armed Forces, and

3.1.4. Coast Guard members (when it is operating as a Military Service in the Navy).

3.2 Members Not Subject to Deductions

The following members are not subject to deductions:

3.2.1. Reserve Component members,

3.2.2. Commissioned officers, and

3.2.3. Members in a non-pay status for the entire calendar month.

REFERENCES

CHAPTER 46 - DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

1.0 – GENERAL

	24 U.S.C., Chapter 10
1.1	24 U.S.C. § 411(a) & (b)

2.0 – AMOUNT

	37 U.S.C. § 1007(i)(1) & (2)

3.0 – APPLICABILITY

3.1	37 U.S.C. § 1007(i)(3)
3.2	37 U.S.C. § 1007(i)(4)

VOLUME 7A, CHAPTER 47: "SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.0	Updated the content for "SGLI Premiums" section with rates effective July 1, 2025, in accordance with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
8.0	Updated the content for "Family SGLI (FSGLI)" section with the premium rates for the spouse effective July 1, 2025, in accordance with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
11.0	Updated the content for "Reimbursement Allowance for SGLI Premium Deduction" section to comply with Department of Veterans Affairs Memo, dated January 10, 2025.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 47

SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

1.0 GENERAL

1.1 Purpose

The SGLI Program is administered by the Department of Veterans Affairs (VA). Eligible members who receive basic pay for one or more days per month, or members of the Ready Reserve who drill for points, are responsible for the payment of SGLI and Family SGLI (FSGLI) premiums. Coverage and premiums are discussed in sections 2.0 and 5.0, respectively.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are primarily derived from, and prepared in accordance with, Title 38 of the United States Code (U.S.C.). Due to the extent of the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SGLI COVERAGE

2.1 Eligibility

2.1.1. Full-Time Coverage. Full-time coverage automatically insures eligible members against death when a member is performing active duty (AD) or active duty for training (ADT) for an ordered period of more than 30 days, or while on full-time duty as a cadet or midshipman at a Service Academy. All members of the Ready Reserve and National Guard who are assigned or attached to a unit or position that may require performing active duty or active duty for training and will be scheduled to perform at least 12 periods of inactive duty for training (IDT) annually, are also eligible for full-time SGLI coverage. Members may elect, waive, or decrease coverage for an amount less than $500,000 in $50,000 increments in accordance with paragraph 2.2.

2.1.2. Part-Time Coverage. Part-time coverage insures the following eligible members against death while performing AD or ADT for an ordered period of less than 31 days:

2.1.2.1. Commissioned, warrant, or enlisted members of the Army, Navy, Air Force, Space Force, Marine Corps, and Coast Guard Reserves;

2.1.2.2. Members of the Individual Ready Reserve (IRR) during 1-day call-ups;

2.1.2.3. Members of the Army and Air National Guard performing duty at:

2.1.2.3.1. Rifle ranges for the training of civilians in the use of military arms;

2.1.2.3.2. Required drills;

2.1.2.3.3. Field exercises;

2.1.2.3.4. National Guard Schools;

2.1.2.3.5. Small arms competitions; and

2.1.2.4. Members, Cadets, or midshipmen of the Reserve Officers Training Corps while attending field training or practice cruises. (See the SGLI ROTC Coverage Table in the ***Servicemembers' and Veterans' Group Life Insurance (VGLI) Handbook, Appendix F***).

Note: An eligible member is insured during the days of actual duty performed and becomes eligible for full-time coverage when the member performs AD or ADT for an ordered period of more than 30 days.

2.2 Coverage Amount

2.2.1. Amounts. The initial and maximum coverage amount is $500,000.

2.2.2. Waiving or Reducing Coverage. Members, except those specified in section 12.0, may elect coverage for an amount less than $500,000, in $50,000 increments, or may elect to waive coverage.

2.2.2.1. Waiving SGLI coverage will also waive Traumatic Injury Protection SGLI (TSGLI) and FSGLI coverage for the spouse and all dependents.

2.2.2.2. Reducing SGLI coverage may impact maximum FSGLI coverage for the spouse (see section 8.0).

2.2.3. Reinstating or Raising Coverage. A member who is covered for an amount less than the maximum SGLI coverage may apply later in writing for increased coverage, up to the maximum SGLI coverage, with proof of good health. Members required to have the maximum coverage per subparagraph 2.2.4 are not required to provide proof of good health.

2.2.4. Requirement for Maximum Coverage. Separate from section 12.0, a member with the following duty statuses must have a reset of coverage to the maximum amount without proof of good health:

2.2.4.1. Members changing duty status, such as an Active-Component member becoming a Reservist or a Reservist being released from active duty. Coverage may be waived or reduced any time after the reset.

2.2.4.2. Part-time coverage members qualifying for full-time coverage, such as Reservist going on AD for over 30 days. Coverage may be waived or reduced any time after the reset.

2.3 Periods of Coverage

See Table 47-1.

2.4 Forfeiture of Coverage

Any person guilty of mutiny, treason, spying, desertion, or who, because of conscientious objections, refuses to serve in the Armed Forces of the United States, or refuses to wear the uniform of the Armed Forces, forfeits all rights to any coverage. This insurance is not payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

2.5 Coverage After Separation or Retirement

2.5.1. The following members are eligible to convert their full-time SGLI coverage to VGLI:

2.5.1.1. Members that are being released from AD or ADT for a period of not less than 31 days;

2.5.1.2. Members of the Ready Reserve or National Guard who are separated, retired, or released from assignment;

2.5.1.3. Members assigned to IRR or Inactive National Guard (ING); or

2.5.1.4. Members who have part-time SGLI and who, while performing duty, suffered an injury or disability which rendered them uninsurable at standard premium rates (See the VA Handbook for part-time SGLI coverage conversion requirements and limitations).

2.5.2. Members of the IRR and ING have one year and 120 days from the date they become members of these organizations to apply for VGLI.

2.5.3. To apply for VGLI without any health review, the member should submit an application with the required premium to the Office of SGLI (OSGLI) within 240 days after separation or assignment to IRR/ING.

2.6 Continuation of Coverage

Any election made remains in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days in which a member is serving, and for 120 days thereafter.

3.0 SERVICE NOTIFICATIONS

3.1 Married Member's Designation of a Beneficiary Other Than the Spouse

In accordance with ***38 U.S.C. § 1967***, if a member is married and previously designated his or her spouse as beneficiary for SGLI coverage, and then designates a beneficiary other than his or her current lawful spouse or child(ren), or makes an election for reduced or no coverage, the Secretary concerned will notify the spouse in writing, at the last address of record, of the change in beneficiary. The advisory must be made as quickly as possible, or within 30 days from the date of such election. The notification will not include the name(s) of the actual designated beneficiary(ies). Currently, the Defense Manpower Data Center is handling the release of all spousal notification letters under this provision for all Secretaries concerned.

3.2 Failure of Direct Remitters to Pay Premiums

See paragraph 5.3.

4.0 APPELLATE LEAVE

When placed on appellate leave following confinement with total forfeiture of pay and allowances (during which coverage had been properly stopped, see Table 47-1, rule 9), coverage is not reinstated. If appellate leave is followed by a restoration to duty with pay, then coverage is reinstated on the date the member returns to full duty status and continues during the period of excess leave. Coverage is reinstated at the amount in effect on the day prior to its stoppage.

*5.0 SGLI PREMIUMS

5.1 Premium Rates

The following premium rates are effective July 1, 2025. See Table 47-1 for rules on starting and stopping deductions.

5.1.1. Full-Time Coverage. For members who meet the requirements for full-time coverage, the premium rate is 5 cents per month per $1,000 of coverage, $2.50 monthly for each $50,000, or $25.00 monthly for the current maximum coverage of $500,000. An additional $1 premium is charged each month for TSGLI as described in paragraph 9.7. TSGLI coverage is automatic for those insured under SGLI and can be declined only by waiving SGLI coverage.

5.1.2. Part-Time Coverage. The premium rate for part-time coverage is the same as full-time coverage; however, it is charged on an annual basis rather than monthly. Members of the IRR will be charged $.80 for maximum coverage ($.16 per $100,000) for 1-day call-ups. An additional premium is charged for TSGLI as described in paragraph 9.7. The annual premium is collected from the member's pay account during the first period of duty in which the member is in a pay status.

5.1.3. Proration. Monthly deductions are not prorated for partial months of service. The full monthly premium will be deducted for any month a member is covered for at least 1 day. During months in which coverage amounts change, the full month's premium for the higher coverage rate will be deducted.

5.2 Non-Pay Status

During any month in which a member is assigned to the Ready Reserve of a Uniformed Service and insured by SGLI, the Uniformed Service concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy. Any amounts contributed on behalf of the member will be collected by deduction from the member's pay or otherwise, which may include establishing a debt against the member's pay account and will be credited to the appropriation from which the contribution was made.

5.3 Direct Remitters

5.3.1. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

5.3.2. When the Secretary concerned determines that a member has failed to make direct remittance within 60 days of the due date, the Secretary concerned will send a "Notice of SGLI Termination" to the member's official address. The notice must clearly state that, effective 60 days from the date of such notice, the member's SGLI will be terminated. Termination of the insurance may be vacated if, before the expiration of 60 days from the date of the "Notice of SGLI Termination," the member remits all amounts past due for SGLI coverage and can justify the failure to make timely remittance to the Secretary concerned.

5.4 Refunds

Refunds will not be made in the case of amounts deducted before the effective date of any election for reduced or waived coverage. When an application for restoration or increase in SGLI or FSGLI coverage is approved, the effective date is the date of the application.

6.0 EXTRA HAZARD COSTS

6.1 Cost

In addition to a deduction from the member's pay, each Military Service contributes from its appropriations an amount (determined by the VA) attributable to the extra hazard cost of SGLI. This premium reflects the cost of death claims in excess of the level of death claims that would result from normal peacetime service.

6.2 Payment

The Military Services centrally pay the premium for extra hazard costs, along with the member premiums, to the VA.

7.0 SETTLEMENT OF SGLI CLAIMS

Death claims must be filed with the OSGLI. The order of precedence for payment is the same as prescribed in subparagraph 9.9.3. OSGLI will reduce the insurance proceeds by the amount of any member premiums not paid in advance by the branch of service. If the branch of service has paid premiums in advance for the member, then DFAS or the military service pay office has to collect the premiums owed from the member's estate. Effective July 1, 2011, the SGLI Form (commonly named and referred to as ***SGLV Form 8283***), Claim for Death Benefits, and ***SGLV Form 8283A***, Claim for Family Coverage Death Benefits, were updated to reflect that the settlement payment options for the beneficiaries are:

7.0.1. Lump Sum – Prudential's Alliance Account;

7.0.2. Lump Sum – Electronic Funds Transfer (EFT);

7.0.3. Lump Sum – Check; or

7.0.4. Monthly installments.

*8.0 FSGLI

8.1 Eligibility

FSGLI automatically covers civilian spouses and dependent children (insurable dependents) of Uniformed Servicemembers, with some exceptions. In order for the civilian spouse and children to be eligible for family coverage, the servicemember must be enrolled in the full-time SGLI coverage. Enrollment for members of the Uniformed Services is based on dependent information in the Defense Enrollment Eligibility Reporting System (DEERS). For Marine Corps members, enrollment is based on dependent information in the Marine Corps Total Force System (MCTFS).

NOTE: Effective October 10, 2008, coverage was expanded to include the member's stillborn child.

8.2 Civilian Spousal Coverage

The civilian spouse of an eligible member is automatically covered for $100,000. More information about spousal coverage for members married to other members is provided in paragraph 8.5. The coverage may be reduced in $10,000 increments or waived. Coverage of a civilian spouse cannot exceed the member's SGLI coverage. For example, if the member's SGLI coverage is $50,000, then the coverage for the civilian spouse cannot exceed $50,000.

8.3 Cost

The premiums are based on the age and the amount of coverage. The premium rates for the spouse are as follows:

Effective July 1, 2025

Age	Monthly Rate (Per $1,000)	Monthly Cost (Per $100,000)
Under 35	$0.040	$4.00
35 – 39	$0.047	$4.70
40 – 44	$0.062	$6.20
45 – 49	$0.085	$8.50
50 – 54	$0.135	$13.50
55 – 59	$0.230	$23.00
60 and over	$0.400	$40.00

8.4 Dependent Children's Coverage

Dependent children are covered regardless of spousal coverage at no cost to the member. The current coverage amount is $10,000. The member may not decline coverage or elect to insure any child for less than this amount. In the case of a member married to another member, a child may not be insured by more than one member. The child will be insured by the coverage of the member whose eligibility for insurance occurred first, except in cases where the senior member does not have legal custody of the child or when the child is stillborn, in which case it is paid to the Servicemember who is the mother. In such cases, the child will be insured under the coverage of the member who has custody of the child.

8.5 Member Married to Member

8.5.1. A member married to another member is eligible for coverage under this program. Members who were married on or before January 1, 2013, were automatically enrolled for FSGLI when their marriage was reported to DEERS/MCTFS. Members married on and after January 2, 2013, who want the FSGLI spouse coverage, must complete the FSGLI enrollment documentation through their servicing personnel offices. On November 27, 2020, VA amended its regulations on SGLI-covered members who marry another SGLI-eligible member (member spouse) after January 1, 2013. or a member whose spouse becomes a member spouse after January 1, 2013, to receive FSGLI coverage on a member spouse at the maximum statutory amount or a lesser amount, or to increase existing FSGLI coverage on a member spouse.

8.5.2. A member married to a member may elect or increase FSGLI coverage for a member spouse, without a requirement to show good health, within 240 days of the member's marriage to another member, the member's spouse entering service (if they did not already have coverage prior to entering service), or the member's spouse separating from service (if they did not already have spouse coverage). If a member does not elect or increase FSGLI coverage within this 240-day "no health" period, then the member can still receive or increase FSGLI coverage by applying for such

coverage and submitting proof of the member spouse's good health. The regulation also states that FSGLI coverage in force at the time a spouse or child enters service will continue, and the member is not required to elect or reapply for such coverage.

8.6 Effective Date

Family coverage under SGLI is effective on the latest of the following dates:

8.6.1. The date member enrolled in SGLI;

8.6.2. In the case of the spouse, the date of marriage if the spouse is not a member of the Uniformed Service, or the date of the approved application for Spousal FSGLI coverage; or

8.6.3. In the case of the child, the date of birth. If a child is not a natural child of the member, then the date on which the child acquires status as a dependent of the member.

8.7 Reinstatement or Increase in Coverage

Requests to increase or restore FSGLI coverage must be entered in the SGLI Online Enrollment System (***SOES***) or by completing the ***SGLV Form 8286A*** (should only be used when SOES is unavailable). The health questions must be answered. Proof of good health of the spouse is required to be eligible to increase or restore FSGLI coverage. If the good health requirement is met, then the effective date of reinstatement or increase of coverage is the date the application is received by the member's branch of service. Proof of health is required for military spouses regardless of that spouse's own SGLI coverage.

8.8 Termination of Coverage

8.8.1. Family coverage under SGLI will stop 120 days after the date the member makes a written election to terminate SGLI or FSGLI coverage or the earliest of:

8.8.1.1. 120 days after the date of the member's death;

8.8.1.2. 120 days after the date of the member's separation from service; or

8.8.1.3. In the case of spouse, 120 days after the termination of the marriage; or

8.8.1.4. In the case of child, 120 days after the termination of the dependent status of an insurable dependent of the member.

8.8.2. Spouses, but not dependent children, can convert their FSGLI coverage during the 120-day period to an individual permanent plan of insurance with a participating SGLI Program insurer.

8.9 Refunds

See paragraph 5.4.

8.10 Beneficiary

The member is the primary beneficiary for family coverage. For the settlement of a claim, refer to section 7.0.

9.0 TSGLI

9.1 Definitions

The following definitions are applicable only to this section.

9.1.1. Traumatic Event. A traumatic event occurs during the application of external force, violence, chemical, biological, or radiological weapons, accidental ingestion of a contaminated substance, or exposure to the elements that cause damage to a living being. A traumatic event does not include cases involving adverse reactions to vaccinations, surgical trauma, or adverse outcomes of medical procedures.

9.1.2. Traumatic Injury Protection. Traumatic injury protection provides for the payment of a specified benefit amount to a member insured by SGLI (see the note at the end of paragraph 9.2) who sustains a traumatic event that results in a traumatic injury directly resulting in a scheduled loss.

9.2 Eligibility

The TSGLI under the SGLI program provides payments to severely injured members who suffer a scheduled loss as a direct result of traumatic injury incurred under conditions in subparagraph 9.1.1, such as loss of an arm or leg. If a member suffers more than one such qualifying loss as a result of traumatic injury from the same traumatic event, then payment will be made for a single loss providing the highest payment. This monetary assistance helps the member through an often long and arduous treatment and rehabilitation period. In order for a member to be eligible for TSGLI benefits, the member must meet the following requirements:

9.2.1. Be a member of the Uniformed Services and insured by SGLI (see the note at the end of paragraph 9.2) under paragraph 2.1 on the date of the traumatic event. For this purpose, the member will be considered a member of the Uniformed Services until midnight on the date of termination of the member's duty status in the Uniformed Services that established eligibility for SGLI;

9.2.2. Must suffer a scheduled loss (See the ***TSGLI Loss Schedule***) as a direct result of a traumatic injury and no other cause;

9.2.3. Must survive a period of not less than 7 full days from the date of the traumatic injury. The 7-day period begins on the date and Zulu (Greenwich Meridian) time of the traumatic injury and ends 168 full hours later; and

9.2.4. Must suffer a scheduled loss (See the TSGLI Loss Schedule) within 2 years (730 days) of the traumatic injury.

Note: If injured on or after December 1, 2005, the member must be insured by SGLI at the time of the traumatic event. If injured from October 7, 2001, through November 30, 2005, the member does not need to be insured under SGLI to qualify for a TSGLI payment.

9.3 Limitations

A benefit will not be paid if a scheduled loss is due to a traumatic injury caused by:

9.3.1. The member's attempted suicide, while sane or insane;

9.3.2. An intentionally self-inflicted injury or an attempt to inflict such injury;

9.3.3. Diagnostic procedures, preventive medical procedures such as inoculations, medical or surgical treatment of an illness or disease, or any complications arising from such procedures or treatment;

9.3.4. Willful use of illegal or controlled substance, unless administered or consumed on the advice of a medical doctor; or

9.3.5. Injuries sustained while committing, or attempting to commit, a felony.

9.4 Other Limitations

A benefit will not be paid for a scheduled loss resulting from:

9.4.1. A physical/mental illness or disease, whether or not caused by a traumatic injury, not including illness or disease caused by a pyogenic infection, biological, chemical, or radiological weapons, or accidental ingestion of a contaminated substance; or

9.4.2. A mental disorder whether or not caused by a traumatic injury.

9.5 Effective Date

All members covered by the SGLI program will be automatically covered under TSGLI. Members must decline SGLI coverage in order to cancel TSGLI. See Table 47-1 for periods of SGLI coverage.

9.6 Amount of Coverage

Members who suffer a scheduled loss as a direct result of a traumatic injury and meet all other eligibility criteria are eligible to receive monetary compensation of not less than $25,000 and not more than $100,000 per traumatic event.

9.7 TSGLI Premium

Deduct a monthly premium of $1.00 in addition to SGLI premiums from the member's pay the month the member's SGLI coverage begins. Reservists with Part-Time SGLI coverage pay $1.00 per year for TSGLI coverage. There is no cost for TSGLI coverage for a member while performing funeral honors and muster duties.

9.8 Termination of TSGLI

9.8.1. TSGLI coverage terminates at midnight of the date of the member's separation from service.

9.8.2. TSGLI coverage is not in effect during the 120-day post-separation period or during the 2-year SGLI disability extension.

9.8.3. TSGLI cannot be converted to VGLI or commercial coverage.

9.9 Payment of Traumatic Injury Protection Benefit

A member who is eligible for payment under TSGLI will have the benefit paid directly to him/her, except in the following circumstances:

9.9.1. If the member is legally incapacitated, then the member's legal guardian, conservator, or attorney acting under a valid Power of Attorney will be paid the benefit on behalf of the member.

9.9.2. If no guardian, conservator, or attorney is authorized to act as the member's legal representative, then a military trustee who has been appointed will be paid the benefit on behalf of the member. The military trustee will report the receipt of the traumatic injury benefit payment and any disbursements from that payment to the DoD per subparagraph 10.3.4.

9.9.3. If a member who is eligible for payment of TSGLI benefits dies before payment is made, then the beneficiary or beneficiaries will be paid the benefit in the following order of precedence:

9.9.3.1. SGLI beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death;

9.9.3.2. Surviving spouse;

9.9.3.3. Children and their descendants, by representation. The term "children" includes the following:

9.9.3.3.1. Legitimate Children;

9.9.3.3.2. Legally Adopted Children; and

9.9.3.3.3. Illegitimate Children. The illegitimate child of a female member is an eligible beneficiary. An illegitimate child of a male member is an eligible beneficiary only if:

9.9.3.3.3.1. The member acknowledges the child, in writing, with a signature;

9.9.3.3.3.2. The member has been judicially ordered to contribute to the child's support;

9.9.3.3.3.3. The member has been, before his death, judicially decreed to be the father of such child;

9.9.3.3.3.4. Proof of paternity is established by a certified copy of the public record of birth or church record of baptism showing that the insured was the informant and was named as father of the child; or

9.9.3.3.3.5. Proof of paternity is established from the service department or other public records, such as school or welfare agencies, which show that with his knowledge the insured was named as father of the child;

NOTE: A stepchild is not an eligible beneficiary unless adopted by the deceased member.

9.9.3.4. Father and mother in equal parts or, if either is dead, then the survivor;

9.9.3.5. Legal representative of the deceased member's estate; or

9.9.3.6. Other next of kin entitled under the law of the domicile of the deceased member.

9.10 Taxability

All benefits paid under any law administered by the VA are exempt from taxation. SGLI is a benefit administered by the VA; therefore, is not taxable. If an overpayment occurs and the overpayment is not returned, then the benefit may be taxable.

9.11 Settlement of Claims

The member must complete and sign Part A of the ***SGLV 8600***, Application for TSGLI Benefits, and then have a medical professional, who is a licensed practitioner of the healing arts acting in the scope of his/her practice, complete Part B. The application must then be submitted to the member's Service representative for review and certification. Once the claim is approved, the Service representative will forward the claim to OSGLI for payment.

9.12 Appeal of Eligibility Determination

To appeal the denial of a claim for TSGLI benefits, an appeal of eligibility determination must be submitted in writing by the member or member's legal representative, or by the beneficiary or the beneficiary's legal representative, within 1 year of the date of the denial of eligibility. If an appeal is received outside of the one-year period and contains new material evidence, it is treated as a new claim, and the appeal period starts over. The appeal must be submitted to the office of the Uniformed Service identified in the decision regarding the member's eligibility for the benefit.

10.0 DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

10.1 Authority

The Secretary concerned, in consultation with the Secretary of VA, will develop a process for the designation of a fiduciary or trustee of a member of the Uniformed Services who is insured against traumatic injury under section 9.0. The trustee will receive payment for a qualifying loss in the circumstance specified in paragraph 10.2.

10.2 Appointment of Fiduciary or Trustee

If a member is legally incapacitated and has no legal guardian, conservator, or attorney acting on his or her behalf, then a fiduciary or trustee may be appointed to act on the member’s behalf. The authority to appoint military trustees has been delegated to the Director, DFAS Cleveland.

10.2.1. The fiduciary or trustee appointed by the Director, DFAS Cleveland, has the authority to receive, expend, and account for monies received from the military and, specifically under this section, TSGLI benefits. The trustee must use the monies received for the benefit of the member.

10.2.2. All applications to appoint a trustee and related documentation should be submitted to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

10.2.3. The Director, DFAS Cleveland, may designate one of the following persons as trustee for a mentally incapacitated military member if the person (except for a lawful spouse) is 21 years of age or over:

10.2.3.1. Lawful spouse (not subject to age requirement);

10.2.3.2. Children:

10.2.3.2.1. Legitimate Child; or

10.2.3.2.2. Adopted Child;

10.2.3.3. Father and mother;

10.2.3.4. Head of an institution if member is a patient; or

10.2.3.5. Any other person or persons, if determined to be in the best interest of the member.

10.3 Authority of Fiduciary or Trustee

The fiduciary or trustee:

10.3.1. Will submit a DoD ***(DD) Form 2827***, Application for Trusteeship, as verification of appointment as trustee of the member;

10.3.2. May request either EFT or check. If fiduciary or trustee does not select a payment option, the TSGLI will be paid by check; and

10.3.3. Must provide an annual accounting of any disbursements, including the TSGLI payments, to the Director, DFAS Cleveland. The report must show all funds received, all expenditures made on behalf of the member, and a statement of the condition of the trustee's account at the time the report is submitted. Upon request, the trustee may be required to provide receipts, cancelled checks, voucher accounts, savings account passbook, and other supporting financial documents of the trustee account.

*11.0 REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

11.1 General

Effective December 23, 2016, the Secretary concerned will pay an allowance to a member of the Armed Forces based on the SGLI premium of the SGLI coverage held by a member while serving in a designated duty assignment at any time during the month. For the purpose of the reimbursement allowance for SGLI deduction, the term "designated duty assignment" means a permanent or temporary duty assignment outside the United States or its possessions in support of a contingency operation in an area that:

11.1.1. Has been designated a combat zone; or

11.1.2. Is in direct support of an area that has been designated a combat zone.

11.2 Premiums

The allowance is equal to the SGLI premium for the SGLI coverage the member elected plus the premium for TSGLI. See the following example to determine the amount of the allowance.

Example: A member, deployed in August 2019 to a designated duty assignment, chooses to retain coverage of $400,000. That member's August 2019 premium would be $21.00 ($2.50 for $50,000 of coverage times 8, plus $1.00 for TSGLI). The allowance reimbursement would equal the premium of $21.00.

11.3 Tax Implication

The premium amount for the first $50,000 of coverage is excluded from taxable income. Therefore, and based on the example in paragraph 11.2, the member's taxable amount is $18.50 ($21.00 less $2.50). The $18.50 amount may also be excludable from taxable income if the amount is earned while serving in a Combat Zone Tax Exclusion (CZTE) area. For officers, however, the exclusion of the allowance from taxable income is subject to application of the monthly maximum CZTE. See Chapter 44.

12.0 MAXIMUM COVERAGE REQUIREMENT

Effective August 13, 2018, in accordance with 38 U.S.C. § 1967, a member deployed to a combat theater of operations must be insured for the maximum amount of coverage under the SGLI program while deployed. The maximum amount of coverage begins on the date of deployment. At midnight on the last day of the month of the Servicemember's return from deployment, their coverage will return to the amount they had prior to deployment. Any member required to have such coverage will be reimbursed under section 11.0.

Example 1: A member on AD declines coverage in April 2019, then is deployed to a combat theater of operations on July 10, 2019, and returns on August 15, 2019. The member will have maximum coverage from July 10 through August 31. On September 1, SGLI coverage will return to zero.

Example 2: A Ready Reservist reduced SGLI coverage to $200,000 upon entering the Ready Reserves. The Ready Reservist is called to AD in a combat theater of operations in July 2019. SGLI coverage automatically increases to the maximum SGLI coverage level due to the change of duty status in July 2019. The Ready Reservist deploys to the combat theater of operations in August 2019. The Ready Reservist cannot decline coverage while deployed to the combat theater of operations, as the law requires maximum coverage during a deployment to a combat theater of operations. The Ready Reservist returns from

the combat theater of operations in December 2019. The Ready Reservist can now reduce their SGLI coverage to $200,000 again. However, their coverage will again increase to the maximum coverage level when they return to Reserve status because this is a change of duty status from AD to Reserve. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.

13.0 SGLI ONLINE ENROLLMENT SYSTEM

Members with full-time SGLI coverage are no longer required to complete the paper ***SGLV 8286*** to make changes to their coverage or beneficiary elections. Instead, members must utilize the online system, SOES, to manage their SGLI coverages, beneficiaries, and to make election changes.

Members should access SOES whenever they make a beneficiary designation or change a previous designation. When Servicemembers who previously declined coverage have their coverage automatically restored to the maximum coverage level due to either a change in duty status or during a deployment to a combat theater of operations (see section 12.0), they should be advised to go into SOES to name beneficiaries. If no beneficiaries are named, payment in the event of death would be made based on the order of precedence provided for in ***38 U.S.C. § 1970***.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)

RULE	When a member required to perform duty described in section 2.0, or Chapter 58, paragraphs 2.5 or 2.6	then the effective date of	and SGLI deduction (note 1)
1	enters such duty	coverage is the first day of entry on such duty (note 2). Maximum basic coverage is automatically in effect until the member elects reduced coverage or waives coverage (note 3)	starts the month of the date of entry.
2	resumes the obligation or reenters on such duty in the same Uniformed Service the day following termination of such period of obligation (note 4)	coverage is continuous (note 5)	continues at the appropriate rate.
3	elects a reduced amount of coverage after entry on such duty	coverage is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	starts in the reduced amount the first day of the month following receipt of the member's election. For deduction refunds, see paragraph 5.4.
4	applies for increase or reinstatement of coverage after entry on such duty	coverage is the date of receipt by the Uniformed Service of the application with evidence of good health and if required, approval by OSGLI (note 7)	starts the month of the date the application is received by the Military Service.
5	elects not to be covered (declines or cancels) after entry on such duty	termination is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	stops at the end of the month in which the member's election is received by the Military Service. For deduction refunds, see paragraph 5.4.
6	is covered full-time and is separated and does not reenter active duty/Ready Reserve duty or immediately resumes part-time coverage	termination is 120 days after separation (note 8)	stops the month of separation.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

RULE	When a member required to perform duty described in section 2.0, or Chapter 58, paragraphs 2.5 or 2.6	then the effective date of	and SGLI deduction (note 1)
7	is covered on a part-time basis and qualified period of duty ends	termination is the day AD or ADT ends, or the hour inactive duty ends (notes 3, 9 and 10)	see paragraph 2.1.
8	is a member of a Reserve Component not covered on a full-time basis and is called to Extended AD, AD for Special Work, or mobilization	coverage is the first day of AD (maximum basic coverage is automatic unless a member applies for reduced or no coverage).	see paragraph 2.1.
9	is covered full-time and is Absent Without Leave, confined by civil authorities under a sentence adjudged by a civilian court, or confined by military authorities under a court-martial sentence involving total forfeiture of pay and allowances	termination is at the end of the 31st continuous day of such status (note 11)	stops at the end of the month in which the 31st day of such status is reached.
10	forfeits rights to SGLI under the provisions of section 2.0 and paragraph 2.4	termination is the end of the day before the date of conviction, refusal to perform service, or refusal to wear the uniform (note 12)	stops at the end of the month in which coverage is terminated.

NOTES:

1. Members in an excess leave status normally remain eligible for coverage. (See section 4.0 for the appellate leave exception.) Establish monthly premiums in such cases as deductions against member pay accounts or collect as cash according to procedures of the Military Service concerned.
2. First-time enlistees in the Ready Reserves are eligible for coverage on the date of enlistment when assigned to a Ready Reserve unit, whether they are or are not required to participate in periods of IDT and have not yet been called to their initial AD period. This does not apply to delayed entry AD enlistees.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

3. Elections made by Reserve Component members remain in effect during continuous obligation to perform duty in the same Uniformed Service. Reserve Component members are not required to reelect or reapply for their desired level of coverage each time they perform duty. For the exception, see rule 8.
4. A new period of coverage begins, and new elections must be submitted when a member resumes an obligation to perform duty or reenters on duty in the same Uniformed Service more than 1 day following termination of previous obligation; or when a member assumes an obligation to perform duty and enters on duty in a different Uniformed Service at any time. A member entering active duty after a break in service is automatically covered by the maximum basic coverage, until the member elects otherwise, even though the member may have converted former SGLI coverage to an individual policy following last discharge or release from active duty. A former member, insured under the VGLI Program, who reenters service and is automatically covered by SGLI for $500,000, is notified by OSGLI that they have coverage under SGLI and VGLI and that maximum coverage under law is $500,000. These members should consider ending their VGLI coverage and retain their SGLI coverage. They will once again become eligible to apply for VGLI upon leaving the service after they separate from service.
5. Any previous election for less than $500,000 is cancelled. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.
6. For members covered on a part-time basis, an election for reduced or no coverage is effective at the end of the last day of the duty period being performed. If the election is made outside a duty period, then the reduced or waived coverage is effective when the election is received by the Military Service.
7. Increase or reinstatement of coverage is contingent upon application by the member and approval by the OSGLI, if required based on answers to the health questions.
8. In the case of members totally disabled on the date of separation from such duty, the member may apply for the SGLI Disability Extension with OSGLI. If approved, the insurance will be in effect at no cost to the member for two years after the date of separation or until the date the insured ceases to be totally disabled, whichever is earlier, but in no event prior to the expiration of 120 days after separation. Members will receive notice from OSGLI prior to the end of the SGLI Disability Extension that coverage will end, and they should remit their first VGLI premium prior to the end of the Extension to ensure future coverage. A VGLI application is not required in this situation.
9. Part-time coverage is in effect only on the days of:
    a. Active Periods. Eligible members of the Reserves or National Guard performing AD or ADT, under calls or orders specifying periods less than 31 days, are insured during actual days.
    b. Inactive Periods. Eligible members of the Reserves or National Guard, performing IDT (brief periods of less than a day of drills) scheduled in advance by competent authority to begin at a specific time and place, are insured during the actual time of such IDT period. Part-time coverage is in effect for IDT, if the site is outside reasonable commuting distance from the member's residence, and includes the time-period of travel to and from such duty, while remaining:

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

1. overnight immediately before the commencement of IDT;
2. overnight between successive periods of IDT; or
3. in the vicinity of the site of the IDT.

c. En Route. Members are also covered while proceeding directly to and returning directly from the Reservist active or inactive period of duty.

Note: Members eligible for part-time coverage become eligible for full-time coverage when they perform AD or ADT, under calls or orders that do not specify periods of less than 31 days.

10. Coverage continues for 120 days after the period of duty if the member, during that duty period, incurs or aggravates a disability and the disability renders the member uninsurable at standard premium rates, according to good health standards approved by the VA, and determined by the OSGLI.
11. Members carried in an absent without leave or confined status, except for an offense listed in paragraph 2.3, remain eligible for coverage. Insurance terminated under the provisions of rule 9, together with any elections made, will be automatically reinstated as of the date the member is restored to duty with pay. Start premium deductions at the appropriate rate on the month of the date the member is restored to duty with pay.
12. Members restored to duty under conditions, which, in effect, result in a remission of sentence, may apply for reinstatement of coverage under rule 4.

*REFERENCES

CHAPTER 47 – SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

1.0 – GENERAL

	38 U.S.C. § 1966 Servicemembers' and Veterans' Group Life Insurance Handbook, November 2002, revised December 2021

2.0 – SGLI COVERAGE

2.1	38 U.S.C. § 1968(a)(2) 38 U.S.C. § 1965(5)(B) National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, Public Law (P.L.) 116-92, section 952, December 20, 2019 Secretary of the Air Force Memo, December 20, 2019
2.2	38 U.S.C. § 1967 P.L. 117-209, section 2, October 17, 2022 Under Secretary of VA (USVA) Memo, November 14, 2022
2.4	38 U.S.C. § 1973
2.5	38 U.S.C. § 1968(b)

3.0 – SERVICE NOTIFICATIONS

3.1	38 U.S.C. § 1967(f) DoD Instruction (DoDI) 1341.14, January 19, 2017

4.0 – APPELLATE LEAVE

4.1	38 U.S.C. § 1968(a)(1)(B) 10 U.S.C. § 876a

5.0 – SGLI PREMIUMS

5.1	38 U.S.C. § 1971 USVA Memo, May 24, 2019 P.L. 117-209, section 2, October 17, 2022 USVA Memo, November 14, 2022
5.1.1	Department of Veterans Affairs Memo, January 10, 2025
5.2	38 U.S.C. § 1969(a)(2)(A) Office of the Assistant Secretary of Defense Force Management and Personnel (OASD (FMP)) Memo, September 1, 1998

5.3	Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, March 28, 2003 USVA Memo, March 27, 2005
5.4	38 U.S.C. § 1969(a)(4) USVA Memo, March 13, 2008 OASD (FMP) Memo, September 1, 1998

6.0 – EXTRA HAZARD COSTS

38 U.S.C. § 1969(b)

7.0 – SETTLEMENT OF SGLI CLAIMS

38 U.S.C. § 1970

8.0 – FSGLI

8.1	38 U.S.C. § 1965(10)
8.2	38 U.S.C. § 1967
8.3	USVA Memo, May 24, 2019 Department of Veterans Affairs Memo, January 10, 2025
8.5	38 U.S.C. § 1967 38 Code of Register (CFR), Part 9, November 27, 2020

9.0 – TSGLI

9.1	38 U.S.C. § 1980A 38 C.F.R. § 9.20 OUSD (P&R) Memo, November 23, 2005 38 U.S.C. § 1980A
9.2	38 U.S.C. § 1980A 38 C.F.R. § 9.20
9.9.2.	37 U.S.C. § 602
9.9.3.	38 U.S.C. § 1970(a)
9.10	38 U.S.C. § 5301

10.0 – DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

10.1	OUSD (P&R) Memo, January 28, 2010 38 U.S.C. § 1980A
10.2	37 U.S.C. § 602 38 U.S.C. § 1970(a)
10.2.1	DFAS Office of General Counsel (OGC) Memo, …March 14, 2024
10.2.3	DFAS OGC Memo, March 14, 2024

11.0 – REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

	37 U.S.C. § 437
11.1	P.L. 114-328, section 644, December 23, 2016
11.2	OUSD (P&R) Memo, April 17, 2006
	Department of Veterans Affairs Memo, January 10, 2025
11.3	26 U.S.C. § 79
	26 U.S.C. § 134
	Department of Veterans Affairs Memo, January 10, 2025

12.0 – MAXIMUM COVERAGE REQUIREMENT

P.L. 115-232, section 625, August 13, 2018
38 U.S.C. § 1967

13.0 – SGLI ONLINE ENROLLMENT SYSTEM

38 U.S.C. § 1970

VOLUME 7A, CHAPTER 48: "COURT-MARTIAL SENTENCES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.1	Updated "Automatic Reduction in Grade" in accordance with the Manual for Courts-Martial (2024 edition).	Revision
References	Updated to reflect current statutes.	Revision

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CHAPTER 48

COURT-MARTIAL SENTENCES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy regarding the impact of court-martial sentences on military pay. This chapter provides policy applicable to cases in which charges are referred to trial by court-martial on or after January 1, 2019. See the previous version of this chapter, dated February 2014, for policy applicable to cases in which the charges were referred to trial by court-martial prior to January 1, 2019.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 24, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 EFFECT OF SENTENCES ON PAY AND ALLOWANCES

2.1 Forfeitures

2.1.1. A sentence to partial forfeiture of pay deprives a member of the amount of pay stated in the sentence. The sentence applies for the number of months or days expressly stated.

2.1.2. Forfeitures apply to pay (and allowances if total forfeitures of pay and allowances are adjudged or imposed by law) becoming due on and after the date forfeitures are effective (see paragraph 6.1), unless the convening authority defers, suspends or remits the forfeitures.

2.2 Fines

A fine is in the nature of a judgment. Fines are effective upon entry of judgment in general and special courts-martial and upon convening authority approval in summary courts-martial. A fine makes a member liable to the United States for the amounts specified in the sentence.

2.3 Forfeiture of Allowances

A general court-martial sentence that includes forfeiture of pay does not include allowances unless it states that it is a forfeiture of all pay and allowances.

3.0 REDUCTIONS IN GRADE

*3.1 Automatic Reduction in Grade

An enlisted member whose court-martial sentence, as set forth in the judgment of the court-martial entered into the record, includes a dishonorable or bad conduct discharge, confinement, or hard labor without confinement, may be reduced automatically to pay grade E-1 if permitted by and under circumstances provided in, regulation prescribed by the Secretary concerned. If the sentence of a member who is thus reduced in pay grade is set aside or disapproved, or as finally affirmed, does not include any of the above punishments, all rights and privileges denied the member because of the reduction are restored. The member is entitled to the pay and allowances to which the member would have been entitled, for the period the reduction was in effect, had the grade reduction not been applied.

3.2 Reduction in Grade Adjudged in Court-Martial Sentence

A reduction in grade that is adjudged in a court-martial sentence takes effect 14 days after the sentence is announced, except in a summary court-martial. In a summary court-martial, an adjudged reduction in grade is effective the date the sentence is approved by the convening authority.

4.0 FORFEITURES

4.1 Pay Subject to Forfeiture

Forfeitures, other than total forfeitures apply to:

4.1.1. Basic pay, based on the member's years of service; and

4.1.2. Career sea pay or hardship duty pay, provided such pay continues to accrue after the effective date of the sentence.

NOTE: Pay allotted voluntarily is subject to forfeiture.

4.2 Pay Not Subject to Forfeiture

Forfeitures, other than total forfeitures of pay and allowances, do not apply to special (other than sea or hardship duty pay) or incentive pay.

4.3 Taxes

A forfeiture is a loss of entitlement to the pay involved. Consequently, forfeitures are not taxed. Compute the amount of pay to be forfeited before withholding for federal and state income and Federal Insurance Contribution Act (FICA) taxes. Compute taxes from the remaining pay not forfeited. See subparagraph 4.7.3.1 for taxation of forfeitures waived for the benefit of dependents.

4.4 Reduction in Grade

If a member's sentence includes or requires a reduction in grade, apply forfeitures to the pay of the grade to which reduced.

4.5 Concurrent Forfeitures

Forfeitures resulting from multiple court-martial sentences can run concurrently. However, the forfeitures, when combined, cannot exceed the applicable jurisdictional limit. For example, if two or more forfeitures result from courts-martial under which the maximum forfeiture which could be imposed is two-thirds of the pay subject to forfeiture, then collect no more than two-thirds of the pay subject to forfeiture for the concurrent period. Following the concurrent period, pay is forfeited under the remaining sentence at the rate specified in the sentence for the time remaining in that sentence.

4.6 Non-Collection of Ordered Forfeitures

If any amount ordered forfeited is not actually withheld or collected during the period specified by the approved sentence, such amount may be collected involuntarily as an erroneous payment as provided in Volume 16.

4.7 Automatic Forfeiture During Certain Court-Martial Confinements and Periods of Parole

4.7.1. General Court-Martial. A member automatically forfeits all pay and allowances while in confinement or in a parole status when the member's sentence includes:

4.7.1.1. Death;

4.7.1.2. Confinement for more than six months; or

4.7.1.3. Confinement of any length and either a dishonorable discharge, a bad conduct discharge, or a dismissal.

4.7.2. Special Court-Martial. The forfeiture provisions in subparagraph 4.7.1 also apply for sentences adjudged by special court-martial. However, automatic forfeitures are limited to two-thirds of all pay. Allowances are not subject to automatic forfeiture in special courts-martial.

4.7.3. Waiver of Forfeitures in Favor of Dependents. The convening authority or a person acting under ***10 U.S.C. § 860a*** or ***10 U.S.C. § 860b*** may waive any or all of the forfeitures of pay and allowances that were imposed by operation of law ("automatically") for a period not to exceed six months. The portion waived is payable to the accused member's dependent(s) as directed by the convening authority or person taking action.

4.7.3.1. Intent of Waiver and Taxability of Waived Forfeiture Amount. Direct payments to dependents, of the waived portion of a forfeiture are intended to provide transitional compensation and direct financial assistance. Because the waived portion of the forfeiture remains

wages generated by the member's military status, it is taxable income to the accused member, even though paid to the member's dependents. Therefore, after appropriate federal, state, and FICA taxes are withheld from the taxable portion of the waived forfeiture amount, the remaining (net) waived amount is paid to the member's dependent(s), as directed. See Chapter 44, Table 44-1.

4.7.3.2. Other Deductions and Collections. The Uniformed Code of Military Justice (UCMJ) contains no provisions for the deduction of any of the items appearing in Chapter 52, Table 52-1 from the waived forfeiture of pay and allowances. Therefore, only applicable taxes listed in subparagraph 4.7.3.1, may be deducted from the waived portion of pay and allowances that would otherwise be forfeited, with the remaining amount paid to the member's dependent(s), as directed by the convening authority. See Chapter 44, Table 44-1 and Chapter 45, Table 45-1.

4.7.4. Effect of Disapproval, Set Aside, or Reduction of Punishment. If the sentence of a member who forfeits pay and allowances under paragraph 4.7 is set aside, disapproved or as finally approved, does not provide for a punishment listed in subparagraph 4.7.1, then pay the member the pay and allowances the member would have been paid, except for the automatic forfeiture, for the period during which the automatic forfeiture was in effect. The payment to the member should be reduced by the amount of any payments made to the member's dependents under subparagraph 4.7.3.

NOTE: Amounts paid to a member under subparagraph 4.7.4, when a punishment has been disapproved, set aside, or reduced, are taxable income in the year they are paid to the member and are subject to appropriate withholding of federal and state taxes.

4.8 No Collection of Forfeitures of Pay During Appellate Leave

A member who has accrued leave before entering an appellate leave status will use his/her accrued leave for the period of appellate leave, unless the member elects to be paid for such accrued leave in a lump sum. Forfeitures will not be deducted from these leave payments in either situation.

5.0 EFFECTIVE DATES OF FINES AND FORFEITURES

5.1 Fines

A fine that is adjudged in a general or special court-martial takes effect when the judgment is entered into the record. A fine adjudged in a summary court-martial takes effect when the convening authority acts on the sentence.

5.2 Forfeitures

5.2.1. Forfeitures of pay or pay and allowances begin 14 days after the sentence is announced, except in the case of a summary court-martial. Forfeitures imposed by a summary court-martial begin on the date the convening authority approves the part of the sentence establishing the forfeiture.

5.2.2. Upon application by the accused, the convening authority may defer the start of the forfeiture any time after the adjournment of the court-martial and before the entry of the judgment. Deferment of a sentence to forfeiture ends when the judge enters the judgment into the record, except in a summary court-martial. In a summary court-martial, the deferment ends when the convening authority acts on the sentence. The convening authority may rescind a deferment at any time.

6.0 COLLECTION

6.1 Forfeitures

Since court-martial forfeitures constitute a loss of entitlement to the pay or pay and allowances concerned, they constitute a reduction of pay that takes precedence over all debts. (See Chapter 52, Table 52-1, rule 1).

6.2 Fines

Fines constitute indebtedness to the United States. Collect fines as follows:

6.2.1. Current Pay. Fines may be collected involuntarily from the current pay of all members. They are collected after all other prior indebtedness for the period involved has been collected. If prior deductions reduce the member's pay by two-thirds of gross pay for any month, no pay accrues against which fines may be applied. In such case, defer collection of fines until pay accrues against which they may be applied.

6.2.2. Final Pay. Fines may be collected involuntarily from a member's final pay after all other indebtedness is collected. Collections will not reduce pay received by enlisted members of the Army, Air Force, or Space Force to less than one-third of gross pay. Separation travel allowances and donations on discharge will not be used to liquidate an indebtedness for enlisted members. Otherwise, all final pay and amounts due the member at separation may be collected involuntarily. See Volume 16.

6.2.3. Appellate Leave. Members on appellate leave are subject to the collection of fines from any lump sum payment of accrued leave paid at the commencement of appellate leave.

6.3 Rate of Collection

Charge forfeitures of pay against a member's pay at the rate required by the sentence until the sentence is fully satisfied. Prorate the monthly rate of forfeiture on a daily basis for a portion of a month. The language of a sentence determines the amount of the fine or forfeiture. Pay cannot be forfeited by implication. For example, a sentence stating, "forfeiture of $20 per month for 6 months" means a forfeiture of $120 to be collected at $20 per month. Conversely, a sentence stating, "forfeiture of $20 for 6 months" means a total forfeiture of $20 is to be collected.

6.4 Non-Pay Status

During periods when a member is in a non-pay status, pay does not accrue against which forfeitures can apply. Do not count such periods in computing the time during which pay is forfeited for a specific period.

6.5 Restoration to Duty

A member restored to duty following a non-pay status is again entitled to pay against which forfeitures may apply.

6.6 Service Beyond Estimated Term of Service (ETS) for Medical Care

The pay and allowances of an enlisted member retained beyond ETS for medical care or hospitalization are subject to forfeitures and fines.

6.7 Non-Collection Due to Administrative Error

Collect court-martial forfeitures not collected due to administrative error when the error is discovered. Collection may be made for the court-martial forfeiture or for erroneous payments made during the period covered by the sentence. Indebtedness of this type cannot be remitted under statutes authorizing remission of indebtedness.

6.8 Pay Due or Accrued

Forfeitures apply to pay earned on and after the effective date of the forfeiture.

6.9 Collection From Members in a Reserve Status

All punishments remaining unserved at the time a member of a Reserve Component is released from active duty, or a normal period of inactive duty training may be carried over to subsequent periods of inactive-duty training or active duty.

7.0 REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

7.1 Death or Separation

7.1.1. The death or discharge of a member under a suspended sentence operates as a complete remission of any unexecuted or unremitted part of a sentence.

7.1.2. Discharge, release from active duty (except under paragraph 6.9), or death of a member under an unsuspended sentence to forfeiture cancels any uncollected portion of the forfeiture which would extend beyond the date of discharge, release, or death.

7.2 End of Term of Service, Unauthorized Absence, or Desertion

The end of term of service of a member in military confinement, unauthorized absence or desertion of a member, stops collections of uncollected forfeitures since no pay accrues against which forfeitures can operate. If an unauthorized absentee or deserter is restored to pay status, then resume otherwise proper collections.

7.3 Restoration to Duty

If a member who was sentenced to total forfeitures and confinement is released from confinement after serving the sentence and is restored to duty, the member is entitled to pay and allowances from the date restored to duty, and the forfeiture becomes inoperative thereafter unless the sentence expressly includes partial post-confinement forfeitures. This applies even though no other action may have been taken to suspend, remit, or mitigate the sentence to total forfeiture.

7.4 Effective Date

An order remitting, mitigating, or suspending the unexecuted portion of a sentence is effective from the date of the order, except when a later date is specified. An order remitting a sentence to fine or forfeiture relieves the member of the unexecuted portion of the forfeiture or fine on and after the effective date.

7.5 Suspension of a Sentence

Suspension of a sentence grants the accused a probationary period during which the suspended part of the sentence is not executed.

7.5.1. Remission

Upon successful completion of the probationary period, the suspended part of the sentence is remitted. Remission cancels the unexecuted part of the sentence to which it applies. When an unexecuted portion of a sentence to forfeiture or fine is remitted, the member is no longer subject to the unexecuted forfeiture or fine.

7.5.2. Vacation of Suspension

Suspensions can be vacated if the accused does not successfully complete the probationary period. When a suspension of a forfeiture or fine is vacated, the uncollected forfeiture or fine is revived and proper for collection.

8.0 SENTENCES DISAPPROVED OR SET ASIDE

8.1 When New Trial or Rehearing Is Not Ordered

When a court-martial sentence is set aside or disapproved and a new trial or rehearing is not ordered, all rights, privileges, and property affected by the executed part of the sentence are

restored to the member. Such restoration includes any pay and allowances lost as a result of an adjudged or automatic forfeiture and an adjudged or automatic reduction in grade.

8.2 New Trial or Rehearing Ordered

8.2.1. Pay Entitlements While Awaiting New Trial or Rehearing

In accordance with regulations established by the Secretary concerned, for the period after the date on which an executed part of a court-martial sentence is set aside, an accused who is pending a rehearing, new trial, or other trial shall receive the pay and allowances due at the restored grade.

8.2.2. Pay Entitlements After Rehearing or New Trial is Completed

8.2.2.1. An accused member is entitled to restoration of all rights, privileges, and property affected by an executed portion of a court-martial sentence that has been set aside or disapproved by proper authority, unless a new trial, other trial, or rehearing is ordered, and such executed part is included in the sentence imposed at the new trial, other trial, or rehearing.

8.2.2.2. When a previously executed dishonorable or bad conduct discharge is not imposed by a new trial, the member is entitled to the pay and allowances which the member would have received had the dishonorable or bad conduct discharge not been executed. When a previously executed dismissal of an officer is not imposed by a new trial, an administrative discharge is substituted. The President may reappoint the officer to the grade and rank the officer would have attained if the officer had not been dismissed. The total time between the dismissal and reappointment is considered as actual service for all purposes, including pay and allowances.

8.3 Limits on New Trial or Rehearing Sentences

Generally, a member may not receive a sentence in a new trial or rehearing in excess of or more severe than the approved sentence that was subsequently set aside.

9.0 PAY AND ALLOWANCES WHILE ON PAROLE

A member released on parole from a disciplinary barracks is considered to be in an authorized leave status and is entitled to pay and allowances to the extent the member has unused accrued leave to the member's credit, less any fines and forfeitures still remaining in effect. Once the member's accrued leave has been used, the member is considered to be in an excess leave or leave without pay status and is not entitled to pay and allowances during this period unless, upon appellate review, the conviction is completely overturned or set aside. If the member is subject to a new trial or rehearing, however, apply the provisions of paragraph 8.2.

10.0 DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

Armed Forces (regular and Reserve) court-martial forfeitures and fines of enlisted members, warrant officers, and limited duty officers in excess of government indebtedness and

amounts owed any individuals will be transferred to the Armed Forces Retirement Home Trust Fund. For purposes of this section only, the term "government indebtedness" refers to an amount due from the member for reimbursement to the government. For example, the repayment of an advance of pay is a reimbursement but, an amount due to the Internal Revenue Service, while considered a debt to the government, is not a "reimbursement" or "government indebtedness," for purposes of this section. For the purposes of this section, the term "amounts owed any individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to ***Article 139*** of the UCMJ.

10.1 Separation From Service Not Involved

When enlisted members, warrant officers or limited duty officers have been sentenced by court-martial to forfeit all or part of their pay, no part of the forfeiture is creditable to the Armed Forces Retirement Home Trust Fund until amounts equal to all outstanding indebtedness to the government and amounts owed any individuals have been withheld. Transfer only those amounts forfeited that are in excess of any government indebtedness or amounts owed any individuals.

10.2 Members Who Are Being Separated From Service

A court-martial forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the Armed Forces Retirement Home Trust Fund when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 10.3. Such forfeitures remain in the military personnel appropriation. If the unsatisfied debt at separation is less than the forfeiture, credit the difference between the aggregate unsatisfied debt and the forfeiture to the Armed Forces Retirement Home Trust Fund. (For example: If the uncollected indebtedness is $500 and forfeiture is $600, credit to the Armed Forces Retirement Home Trust Fund the difference of $100 between the unsatisfied indebtedness and the forfeiture.) Transfer amounts collected afterward to counterbalance the indebtedness not to exceed the aggregate forfeiture, less amounts previously credited to the Armed Forces Retirement Home Trust Fund.

10.3 Indebtedness After Forfeiture Becomes Effective

If debts occur to enlisted members, warrant officers or limited duty officers after a court-martial has been executed and before credit of the forfeiture has been made to the Armed Forces Retirement Home Trust Fund, such debts will not affect the disposition of the forfeiture. Credit the forfeiture to the Armed Forces Retirement Home Trust Fund as if the indebtedness did not exist.

10.4 Remission of Indebtedness

If a court-martial forfeiture of an enlisted member, warrant officer or limited duty officer is not credited to the Armed Forces Retirement Home Trust Fund due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or cancelled, do not credit the forfeiture that equals the amount of indebtedness remitted or cancelled to the Armed Forces Retirement Home Trust Fund. That amount remains in the military personnel appropriation.

10.5 Commissioned Officers

Credit court-martial forfeitures and fines of commissioned officers (except limited duty officers and warrant officers) to the appropriation to which the member's pay is properly chargeable.

11.0 FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

11.1 General

In the case of a forfeiture sentence carried forward according to paragraph 6.9, convert the stated amount of forfeiture to a percentage using the monthly rate of basic pay in Chapter 1, Tables 1-7 through 1-10 for the member's grade and length of service on the date the forfeiture sentence is entered into the record. Apply that percentage to the pay for every period of duty the member actually performs during the stated period of the forfeiture sentence.

11.2 Time Restriction

The forfeiture sentence is satisfied by collection from duty performed during the stated period of forfeiture only. If a member performs no duty during the stated period of the forfeiture sentence, no further collection action is necessary.

Example:

11.2.1. A member, E-4, receives a sentence which includes a forfeiture (either non-judicial punishment or court-martial sentence) of $200 a month for 2 months ($400).

11.2.2. The member's monthly rate of pay is $912.60.

11.2.3. Convert the original forfeiture to a percentage, (200/912.60) = 21.92%.

11.2.4. For each period of duty performed during the stated period of the sentence (2 months), collect 21.92% of the member's pay from active duty and inactive duty training pay.

*REFERENCES

CHAPTER 48 – COURT-MARTIAL SENTENCES

Manual for Courts-Martial (MCM) 2024

2.0 – EFFECT OF SENTENCES ON PAY AND ALLOWANCES

2.1	MCM 2024, Part II, Chapter X, Rule 1003(b)(2)
2.2	MCM 2024, Part II, Chapter X, Rule 1003(b)(3)
	1 Comptroller General (Comp Gen) 291 (1921)
	41 Comp Gen 296 (1961)

3.0 – REDUCTIONS IN GRADE

3.1	10 U.S.C. § 858a
	MCM 2024, Part II, Chapter XI, Rule 1102(b)(6)
3.2	10 U.S.C. § 857(a)(1)

4.0 – FORFEITURES

	36 Comp Gen 79
	36 Comp Gen 755
4.1.2.	MCM 2024, Part II, Chapter X, Rule 1003(b)(2)
4.7.1. & 4.7.2.	10 U.S.C. § 858b
4.7.3.	U.S. v. Gorski
4.8	63 Comp Gen 341, 344 (1984)
	10 U.S.C. § 706(a)

5.0 – EFFECTIVE DATES OF FINES AND FORFEITURES

	10 U.S.C. § 857
5.1	MCM 2024, Part II, Chapter XI, Rule 1102
5.2.2.	MCM 2024, Part II, Chapter XI, Rule 1103
5.2.3.	42 Comp Gen. 279

6.0 – COLLECTION

	36 Comp Gen 79
	38 Comp Gen 788
	36 Comp Gen 755
	41 Comp Gen 269
6.2.1.	37 U.S.C. § 1007(c)
6.2.2.	37 U.S.C. § 1007(d)
6.3	U.S. v. Johnson, 32 C.M.R. 127 (C.M.A. 1962)
6.9	MCM 2024, Part II, Rule 204

7.0 – REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

7.1	MCM 2024, Part II, Chapter XI, Rule 1107(e)
7.3	10 U.S.C. § 509
	37 U.S.C. § 906
7.4	U.S. v. Stewart, 62 M.J. 291, (C.A.A.F. 2006)
7.7	10 U.S.C. § 872

8.0 – SENTENCES DISAPPROVED OR SET ASIDE

	10 U.S.C. § 875
	10 U.S.C. § 858b(c)
8.2	MCM 2024, Part II, Chapter XI, Rule 1208
8.3	10 U.S.C. § 863
	MCM 2024, Part II, Chapter VIII, Rule 810(d)

9.0 – PAY AND ALLOWANCES WHILE ON PAROLE

59 Comp Gen 12

10.0 – DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

24 U.S.C. 419 (a) (4)
10 U.S.C. 2772

11.0 – FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

MCM 2024, Part II, Chapter II, Rule 204

VOLUME 7A, CHAPTER 49: "NON-JUDICIAL PUNISHMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
References	Updated to reflect current references.	Revision

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CHAPTER 49

NON-JUDICIAL PUNISHMENT

1.0 GENERAL

1.1 Purpose

This chapter describes the impact and limitations of non-judicial punishment on a member's pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 AUTHORIZED PUNISHMENTS AFFECTING PAY

Non-judicial punishments which affect pay are forfeiture of pay, reduction in grade, or a combination of these. Except as provided in this chapter, provisions of Chapter 48 relating to forfeiture of pay and reduction in grade by courts-martial also apply when such penalties are imposed as non-judicial punishment.

3.0 LIMITATIONS

3.1 Maximum Forfeiture of Pay

The maximum forfeiture of pay which may be imposed under Article 15, Uniform Code of Military Justice, is outlined in the Manual for Courts-Martial (MCM), United States (2024 Edition), Part V; and Title 10, U.S.C., section 815 (***10 U.S.C. § 815***).

3.2 Forfeiture of Pay

When punishment includes both a reduction in grade, whether or not suspended, and a forfeiture of pay, the forfeiture of pay is based on the grade to which the member was reduced. The amount to be forfeited must be expressed in whole dollar amounts only and not in a number of days pay or fractions of monthly pay. If the forfeiture is to be applied for more than 1 month, the amount to be forfeited per month and the number of months should be stated. Forfeiture of pay may not extend to any pay accrued before the date of its imposition.

4.0 SUSPENSION, REMISSION, SETTING ASIDE, AND MITIGATION OF NON-JUDICIAL PUNISHMENT

See Table 49-1.

5.0 EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

A member who incurs non-judicial punishment that the member considers unjust or out of proportion to the offense may, through proper channels, appeal to the next higher authority. The member may be required to undergo the adjudged punishment pending determination of the appeal.

6.0 EFFECTIVE DATES

Forfeitures of pay and reductions in grade, if unsuspended, are effective on the date the commander imposes the punishment. (For Navy and Marine Corps members, however, non-judicial forfeitures of pay do not run concurrently. If a forfeiture of pay is imposed by a non-judicial punishment while a prior forfeiture of pay is still in effect, it will not commence until the prior forfeiture of pay is completed.) Pay accrued by a member before the imposition of the punishment is not subject to forfeiture. When a forfeiture of pay is suspended, the suspension takes effect on the date of the action. When a member is restored to a higher grade by suspension of a reduction in grade, the member is entitled to pay of the higher grade only from the date of suspension. If, however, a reduction in grade or forfeiture of pay is set aside and all rights, privileges, and property affected by it are restored, then the member is entitled to pay as though the reduction in grade had never been imposed. When the suspension of a punishment is vacated, the effective date for pay purposes is the date of the vacation.

7.0 DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

Disposition of pay forfeited as a result of a non-judicial punishment is treated similarly to pay forfeited by court-martial action. Refer to Chapter 48, section 10.0 for disposition policies.

Table 49-1. Suspension, Remission, Setting Aside, and Mitigation of Non-Judicial Punishment

RULE	When non-judicial punishment is	and the punishment has	then the officer imposing the punishment, or the successor in command, may suspend the punishment probationally	or
1	forfeiture of pay	not been executed (note 1)	at any time	remit or set the forfeiture of pay aside (in whole or in part), or mitigate it to lesser forfeiture of pay (note 2).
2	reduction in grade	not been executed	at any time	remit or set the reduction in grade aside, or mitigate it to a forfeiture of pay (note 2 and 3).
3	forfeiture of pay	been executed	only within 4 months after execution	set the forfeiture of pay aside (in whole or in part) (note 4).
4	reduction in grade	been executed	only within 4 months after execution	set the reduction in grade aside in whole or in part, or mitigate it to forfeiture of pay (note 3 and 4).

NOTES:

1. An uncollected forfeiture of pay is considered to be unexecuted during the period for which it was imposed. Upon the expiration of the forfeiture period all unsuspended forfeitures of pay, whether or not collected, are fully executed.
2. The unexecuted portion of a forfeiture or reduction in grade can be remitted at any time.
3. If mitigated, the amount of forfeiture of pay may not be greater than the amount that could have been imposed initially by the officer who imposed the reduction in grade.
4. The power to set aside an executed punishment should ordinarily be exercised only within a reasonable time after the punishment has been executed. Four months is a reasonable time in the absence of unusual circumstances.

*REFERENCES

CHAPTER 49 – NON-JUDICIAL PUNISHMENT

1.0 – GENERAL

10 U.S.C. § 815

2.0 – AUTHORIZED PUNISHMENTS AFFECTING PAY

10 U.S.C. § 815

3.0 – LIMITATIONS

MCM, United States (2024 Edition), Part V, paragraph 1.f

4.0 – SUSPENSION, REMISSION, AND MITIGATION

10 U.S.C. § 815(d)

5.0 – EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

10 U.S.C. § 815(e)

6.0 – EFFECTIVE DATES

MCM, United States (2024 Edition), Part V, paragraph 5.g
Army Regulation 27-10, November 20, 2020, Chapter 3, section IV, paragraph 3-21
Navy Judge Advocate General Instruction 5800.7G, CH-2, December 1, 2023, Part B, section 0113
Department of the Air Force Instruction 51-202, January 4, 2022, Chapter 3, section 3C, paragraph 3.17

7.0 – DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

10 U.S.C. § 2772

Table 49-1

MCM, United States (2024 Edition), Part V, paragraph 6
10 U.S.C. § 815(e)
Note 3 10 U.S.C. § 815(d)
Note 4 MCM, United States (2024 Edition), Part V, paragraph 6.d

VOLUME 7A, CHAPTER 50: "BANKRUPTCY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the formatting and hyperlinks to comply with current administrative instructions.	Revision
2.0	Updated the "Bankruptcies" section for clarity.	Revision

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CHAPTER 50

BANKRUPTCY

1.0 GENERAL

1.1 Purpose

This chapter prescribes the policies to be followed when a Service member files a petition of bankruptcy under Title 11, United States Code (U.S.C.), Chapter 7 or 13.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with U.S.C. Titles 11 and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

*2.0 BANKRUPTCIES

2.1 General Information

2.1.1. Filing. A Service member may file a petition of bankruptcy under 11 U.S.C., Chapter 7 or 13 of the Bankruptcy Code. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

2.1.2. Automatic Stay Provisions. An amount of indebtedness owed to the United States, that was incurred prior to the filing date of the petition, is described as a pre-petition debt. Collecting debts by offset from the Service member's pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the Service member's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the Service member. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. Collection of a debt when a debtor has filed bankruptcy should be coordinated with the DFAS Office of General Counsel, Garnishment Law Directorate, as there may be exceptions that affect the collection of a debt or refund due a debtor.

2.1.3. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the Service member has listed the U.S. Government as a creditor, the military pay office will file a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and if requested by the bankruptcy trustee in a Chapter 7 case, as applicable under the appropriate chapter. The proof of claim is filed with the bankruptcy court on ***Official Form 410***, Proof of Claim.

2.1.4. Post-Petition Debt. If the bankruptcy is completed and the debtor receives a discharge, then generally, the listed indebtedness to the United States for pre-petition debts is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect liability of the debtor for post-petition debts but may affect the collectability of post-petition debts during the pendency of the bankruptcy. Therefore, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Law Directorate.

2.1.5. Dismissal. If the court subsequently dismisses a bankruptcy case, then collection is permitted by offset or other collection means as appropriate and otherwise authorized dependent upon the status of the Service member.

2.2 Procedures

2.2.1. All Bankruptcy Notices and Chapter 13 withholding orders should be submitted or faxed to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

NOTE: DFAS Office of General Counsel, Garnishment Law Directorate, is the designated agent for service of process for all military members' bankruptcy notices and bankruptcy withholding orders.

2.2.2. The following information should be included with the bankruptcy order: full name and full Social Security number.

2.2.3. The bankruptcy notice is effective when it is filed with the court and the provisions, of the automatic stay are effective on that date unless otherwise determined or terminated by the bankruptcy court.

2.2.4. When the notice does not sufficiently identify the member, it will be returned directly to the person who submitted the order, with an explanation of the deficiency.

2.2.5. Upon receipt of an effective bankruptcy notice, together with all the required information, the Garnishment Law Directorate (office of the designated official) will review the case to determine if there are any involuntary allotments or garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically states so). If applicable, the Garnishment Law Directorate will then establish the withholding order against the Service member's pay to comply with the bankruptcy order within 30 days. Withholdings will continue

until the amount specified in the order is collected, or the order is modified or terminated, or the bankruptcy case is dismissed or discharged.

2.2.5.1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the Service member stating this fact.

2.2.5.2. The letter will inform the Service member of the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

2.2.5.3. When the Service member identified in the order is found not to be entitled to money due from, or payable by, DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from, or payable by, DFAS to the named individual. When it appears that amounts are exhausted temporarily or are otherwise unavailable, the authorized person will be told why and for how long any money is unavailable, if known.

2.3 Chapter 13, Adjustment of Debts of an Individual With Regular Income - The Plan

2.3.1. A Service member may file a petition with the court to enter into a "Chapter 13 Plan" under the Bankruptcy Code. Under Chapter 13, a Service member must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income as is necessary to pay claims under the plan will be sent to the control of the bankruptcy trustee.

2.3.2. When the plan is confirmed by the court, its provisions are binding upon the Service member and all creditors of the Service member, regardless of whether they are affected by the plan or have been included in the plan.

2.3.3. Once the bankruptcy court confirms a plan, it usually orders the employer to pay a specific amount of a Service member's income to the trustee named in the order.

2.3.4. The pay of a Service member is subject to payment to the trustee appointed by the court, pursuant to Chapter 13 of the Bankruptcy Act. The payment by DFAS of part of the Service member's pay in response to a court order issued under a Chapter 13 Wage Earner's Plan case does not conflict with ***31 U.S.C. § 3713*** (Priority of Government Claims). Compliance with such a court order gives the Government a valid acquittance against the Service member since the court order is binding on the Service member.

2.3.5. If the United States is both the employer and creditor when the Service member files a Chapter 13 Plan, then the Government's priority under 31 U.S.C. § 3713 (Priority of Government Claims) may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate pay office.

REFERENCES

CHAPTER 50 - BANKRUPTCY

1.0 – GENERAL

11 U.S.C. §§ 101 – 1330 (Bankruptcy Reform Act of 2005)

2.0 – BANKRUPTCIES

2.3.4.	31 U.S.C. § 3713
2.3.5.	31 U.S.C. § 3713

VOLUME 7A, CHAPTER 51: "SAVINGS PROGRAMS AND FLEXIBLE SPENDING ACCOUNTS (FSA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.5	Updated the examples to clarify when a member can contribute to the Savings Deposit Program.	Revision
3.7	Inserted Higher Catch-up Contributions effective January 1, 2025.	Addition
6.0	Updated to include Health Care Flexible Spending Account.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 51

SAVINGS PROGRAMS AND FLEXIBLE SPENDING ACCOUNTS (FSA)

1.0 GENERAL

1.1 Purpose

The chapter provides policy for the Savings Deposit Program (SDP), the Thrift Savings Plan (TSP) to include TSP under the Blended Retirement System (BRS), and the Federal Flexible Spending Account Program (FSAFEDS).

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SDP

As prescribed by the Secretaries concerned, a member of the Armed Forces who is serving in a designated SDP area may deposit during that tour of duty, not more than the member's unallotted current pay and allowances in amounts of $5 or more, with any branch, office, disbursing officer, finance officer, or any other designated officer of the Armed Forces. Amounts so deposited will be deposited in the Treasury and kept as a separate fund and must be accounted for in the same manner as public funds. See the definitions for SDP area in subparagraph 2.2.2.

2.1 Eligibility

2.1.1. Any member serving in an assignment outside of the United States, its possessions, or the Commonwealth of Puerto Rico for at least 30 consecutive days or 1 day for each 3 consecutive months is eligible to participate in SDP if serving:

2.1.1.1. In a Combat Zone (CZ); or

2.1.1.2. While qualified to receive hostile fire or imminent danger pay while in a:

2.1.1.2.1. Qualified Hazardous Duty Area (QHDA); or

2.1.1.2.2. Designated direct support area of a CZ.

2.1.2. Members already contributing to the SDP on May 1, 2016, will be allowed to continue to contribute to the SDP until they depart from the member's SDP-eligible assignment.

NOTE: See Chapter 44 for designated direct support areas of a CZ, designated CZs, and QHDAs. For the most current listings, see ***Designated Direct Support Areas of a CZ***, ***Designated CZs***, and ***QHDAs*** on the Defense Finance and Accounting Service (DFAS) website.

2.2 Definitions

2.2.1. Designated Duty Assignment. A designated duty assignment is a permanent duty or temporary additional duty/temporary duty (TAD/TDY) assignment in an SDP area.

2.2.2. SDP Area. An SDP area is an area outside the United States, its possessions, or the Commonwealth of Puerto Rico, in a CZ or an area in which members are entitled to receive hostile fire or imminent danger pay while serving in a QHDA or in a designated direct support area of a CZ.

2.2.3. Unallotted Current Pay and Allowances. The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments (e.g., for dependents or insurance). Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, or pay and allowances for unused accrued leave. Advance pay and travel allowance for permanent change of station and TAD or TDY travel may not be deposited.

2.2.4. Missing Status. Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

2.3 Allotments

Active-duty officers and enlisted members may make deposits into the SDP by allotment. Such allotment must be processed in accordance with the procedural instructions of the Military Service concerned. However, the restrictions of this chapter are applicable when starting this type of allotment.

2.4 Member in a Missing Status

For a member who is in a missing status (see paragraph 2.2), the Secretary of the Military Department concerned may, in the interest of a member or the member's dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under the SDP, even though the member had an opportunity to make deposits and elected not to do so. Interest may be computed from the day the member entered into a missing status, or January 1, 1991, whichever is later. The $10,000 limitation on the amount that interest is payable does not apply to the deposit account of a member in a missing status.

Example 1. A member entered into a missing status on February 1, 2012. Unpaid pay and allowances have been accruing in the member's pay account at the rate of $100 per month since that date. An account was opened for the member on

May 1, 2012, with an initial deposit of $300 (February, March, and April). The member's account was credited with $100 per month on June 1, 2012, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary of the Military Department concerned. Interest accrued from February 1, 2012.

Example 2. A member entered into a missing status on February 18, 2012. The amount of unpaid pay and allowance due to the member on the payday following February 18, 2012, determined the amount of the initial deposit. The member's account was opened on March 1, 2012, with the initial deposit, and the member's account was credited with the member's unallotted pay and allowances monthly on the first day of each month thereafter as prescribed in example 1. Interest accrued from February 18, 2012.

*2.5 Deposits

2.5.1. Amounts. Amounts up to $10,000 may be deposited with interest accrual at the rate of 10 percent per annum.

2.5.1.1. The maximum amount on which 10 percent interest is computed is $10,000 (principal and accrued interest combined). Deposits may not be more than the amount defined as unallotted current pay and allowances in subparagraph 2.2.3. When, however, the member can establish to the satisfaction of the commanding officer that the member was unable to make a deposit in the normal manner, unallotted pay in excess of current pay and allowances may be deposited.

2.5.1.2. Members may not accumulate back pay prior to departing for a designated duty assignment in an SDP area in order to deposit the back pay once the member becomes eligible for the SDP.

2.5.1.3. After a member has served in a covered SDP area for at least 30 consecutive days or at least 1 day for each 3 consecutive months, the member is qualified to begin making deposits, see subparagraph 2.2.3. The initial deposit is limited to the amount earned beginning with the first day of arrival in a covered SDP location.

Example 1. A member arrives in Pakistan (a designated direct support area as defined in Chapter 44, Table 44-2 and an Imminent Danger Pay (IDP) location as defined in Chapter 10, Table 10-1) on April 1, 2024. The member is authorized to make an initial deposit on May 1, 2024, for the amount accrued beginning April 1, 2024, using the April 15th and 30th unallotted pay. The member may make additional deposits until departure from SDP eligible locations.

Example 2. A member arrives in Albania (a designated CZ area as defined in Chapter 44, Table 44-3) on July 19,2024. The member is authorized to make an initial deposit on August 18, 2024, for the unallotted pay earned beginning

July 19 through August 18, 2024. The member may make additional deposits until departure from SDP eligible locations.

Example 3. A member is TDY to the Sinai Peninsula of Egypt (a QHDA as defined in Chapter 44, Table 44-4 and an IDP location as defined in Chapter 10, Table 10-1) on April 17-20, May 2-6, and June 19-25, 2024. The member is authorized to make their initial deposit on June 20, 2024, for the amount accrued in the Sinai Peninsula of Egypt for the actual days in the SDP locations.

2.5.1.4. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end-of-month or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one-month period does not exceed the amount they are entitled to be paid for one month.

2.5.2. Power of Attorney. An agent with a power of attorney from the member may make deposits, either by allotment or by cash, into the SDP on behalf of the member, if the power of attorney states the authority to establish, change, or stop allotments. When accepting a cash deposit from the agent on the member's behalf, the disbursing officer must ensure that the amount deposited does not exceed the member's unallotted pay and allowances for the period involved.

2.6 Interest

2.6.1. Accrual of Interest. See Table 51-2.

2.6.2. Conditions Under Which Deposits, Plus Interest, Are Repaid. See Table 51-3.

2.6.3. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the members of the Uniformed Services. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to the calendar quarter. Compute the quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than $10,000. Once $10,000 is on deposit, simple interest will be computed on the $10,000. No interest is paid on amounts exceeding $10,000, except on amounts for a member who is in a missing status using simple interest.

2.6.4. Taxability of Interest Paid. Interest paid on the amounts deposited into the SDP is taxable.

2.7 Computation

2.7.1. Computing Average Quarterly Balance

2.7.1.1. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.

Example 1.

Date	Deposits	Amount On Deposits	On 10th Day of
Jan 5	$20.00	$20.00	Jan
Feb 3	20.00	40.00	Feb
Feb 20	20.00		
Mar 10	20.00	80.00	Mar
		$140.00	

$140.00 divided by 3 = $46.67 average quarterly balance.

Example 2.

Date	Deposits	Amount On Deposit	On 10th Day of
Jan 1	$0.00	$ 0.00	Jan
Feb 3	20.00	20.00	Feb
Feb 20	20.00		
Mar 3	20.00	60.00	Mar
		$80.00	

$80.00 divided by 3 = $26.67 average quarterly balance.

2.7.1.2. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example.

Date	Deposits	With-drawals	Amount On Deposit	On 10th Day of
Apr 1	$147.12	$0.00		(BAL FWD)
Apr 3	20.00		$167.12	Apr
			167.12	May
May 15	10.00			
Jun 4	30.00			Jun
Jun 15		$80.00	127.12	
			$461.36	

$461.00 divided by 3 = $153.79 average quarterly balance.

2.7.1.3. The maximum amount upon which 10 percent interest is payable is $10,000 (principal and accrued interest combined), except for amounts on deposit in the case of a member who is in a missing status. See paragraph 2.4.

Example.

Date	Quarterly Interest	Amount on Deposit
Jan 10	-0-	$10,000.00
Apr 1	250.00	10,250.00
July 1	250.00	10,500.00

2.7.2. Computation of Interest at 10 Percent Rate

Repay deposits, plus interest, under the conditions shown in Table 51-2. Compute interest at the rate of:

1 Month-1/12 of 10 percent or .00833
2 Months-2/12 of 10 percent or .01666
3 Months-(Full Quarter) 3/12 of 10 percent or .025

Example 1. Member's Request. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member requested repayment of the SDP deposit on August 12, 2009. The member was repaid the $355 deposit plus interest of $5.92 for the months of July and August (.01666… x $355) or $360.92.

Example 2. Member Discharged. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member was discharged overseas for the member's convenience on July 15, 2009. The member was repaid the $355 deposit plus interest of $2.96 for the month of July (.00833… x $355) or $357.96, assuming full repayment was in effect in the month of July.

Example 3. Member Dies. On March 8, 2009, the member had on deposit the maximum amount of $10,000 (principal plus simple interest) and made no new deposits. On November 15, 2009, while assigned in the Operation Enduring Freedom area the member dies, and settlement of unpaid pay and allowances was made to member's heir(s) on December 15, 2009. The amount of deposit repaid was $10,000 plus simple interest of $833.33 for period March 1 through December 31, 2009 (.00833… x 10), or $10,833.33.

2.8 Payment of Interest Upon Final Settlement of Deposit Account

2.8.1. Except when the 90-day limitation discussed in subparagraph 2.8.2 and paragraph 2.13 applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

2.8.2. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates.

Should the 90-day limitation period end on any day other than the last day of the month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of the month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is February 28 (February 29 in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

> Example. Ninety-Day Rule. A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member was discharged overseas for the member's convenience on July 15, 2009. The member requested repayment of the deposit on October 15, 2009. The member was repaid $355 plus interest of $8.88 for the months of July, August, and September (.025 x $355) or $363.88. Interest for October 1-15, 2009, was not allowed since the 90-day limitation period ended on October 12, 2009 (a day other than the last day of the month).

2.9 Withdrawal of Deposits – Emergency

Withdrawals may be made in an emergency only when the health or welfare of a member or the member's dependent(s) would be jeopardized if the withdrawal was not granted. Emergency withdrawals may be authorized by the member's commanding officer.

2.10 Withdrawal of Deposits – Members in a Missing Status

Withdrawals may be made when directed by the Secretary of the Military Department concerned when deemed in the best interest of the member, the member's dependent(s), or the U.S. Government.

2.11 Discharge While Eligible to Make Deposits

Members eligible to make deposits, who are discharged in order to immediately reenlist, extend an enlistment, or accept a commission, may not withdraw their deposits.

2.12 Accounts Which Have Reached $10,000

In situations where the member's principal and interest on deposit reaches $10,000, any amounts representing interest accruing in the account subsequent to that time which causes the $10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

2.13 Automatic Refund

Accounts will accrue interest no more than 90 days after a member leaves an SDP area. Members should withdraw all funds after the 90-day period. If no withdrawal is made within 120 days after the qualifying duty terminates, DFAS will automatically transfer the funds to the military pay account of the SDP account owner.

2.14 Application to Indebtedness or Forfeiture

Savings deposits and accrued interest are exempt from collection for members' debts, including debts owed to the U.S. Government or its agencies, except for levies issued by the Internal Revenue Service (IRS). Deposits are not subject to forfeiture by sentence of a court-martial and are not forfeited by desertion.

2.15 Liability of Disbursing Officers

A disbursing officer who fails to process a deposit properly into the Savings Deposit Fund account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

3.0 TSP GUIDELINES

TSP is a Government-sponsored retirement savings and investment plan operated by the Federal Retirement Thrift Investment Board (FRTIB). Members of the Uniformed Services participating in TSP will be governed by statutes and regulations applicable to TSP as set forth by the FRTIB and the IRS. Specific TSP rules for BRS members are discussed in section 4.0. Specific TSP rules for members not under BRS are discussed in section 5.0. The TSP guidelines under this section apply to both BRS members and members not under BRS.

3.1 Contributions

3.1.1. A member may make traditional or Roth TSP contributions. Traditional TSP offers tax deferral advantages similar to those offered to employees by private corporations under 401(k) plans. The Roth TSP option offers a member the option of making after-tax contributions.

3.1.2. All TSP contributions, traditional or Roth, must be made through payroll deduction.

3.1.3. A member may choose to stop contributing to TSP at any time. Any change is effective at the end of the pay period in which that election is accepted by the member's servicing activity. If basic pay contributions are terminated, TSP deductions for bonuses, incentive pays, or special pays will also be terminated with the same effective date.

3.1.4. A member may choose the percentage of basic pay to contribute. A member's contribution election may be limited by the priority of pay deductions set forth in Chapter 52.

3.1.5. In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the member must also be contributing a minimum of 1-percent of the member's basic pay or inactive-duty pay. See Table 51-1.

3.2 Contribution Limits

3.2.1. Annual Elective Deferral Contribution Limit. Total annual elective deferral contributions, for both Roth and traditional TSPs may not exceed the annual limits set forth by the IRS in accordance with ***26 U.S.C. § 402(g)***. The annual limits are available on the ***TSP*** website.

3.2.2. TSP Contributions in a CZ Tax Exclusion (CZTE) Area

3.2.2.1. Roth Contributions. Roth contributions to the TSP are limited to the annual elective contribution deferral limit even if the member is contributing from pay earned in a CZTE Area. See TSP website for annual limits.

3.2.2.2. Traditional Contributions. A member serving in a CZTE area who reaches the annual elective deferral contribution limit may still elect to make traditional contributions from their tax-exempt pay to their TSP fund, which will count against the annual additions limit for the tax year.

3.2.2.3. Annual Additions CZ Limit. Total contributions, including agency (1-percent) contributions, agency matching contributions and individual contributions, for members serving in a CZ may not exceed the annual addition limit set forth by the IRS pursuant to ***26 U.S.C. § 415(c)***. See TSP website for annual limits.

3.2.2.4. Agency Automatic (1-percent) Contributions and Agency Matching Contributions (BRS Participants Only). Agency automatic (1-percent) contributions and agency matching contributions do not count against the annual elective deferral contribution limit, but both agency automatic (1-percent) and agency matching contributions count against the annual additions limit. A member not serving in a CZ who has met the total annual individual elective deferral contribution limit will continue to receive agency automatic (1-percent) contributions. For a member serving in a CZ, all contributions must stop when the total amount of individual and agency contributions reaches the annual additions limit.

3.3 TSP Funds

3.3.1. Choice of TSP Funds. A member may indicate his or her choice of TSP Funds for the investment of deposits to TSP by making a contribution allocation among the TSP Funds at any time. A BRS Opt-In Member may maintain his or her previous contribution allocation to TSP Funds, but the BRS Opt-In Member is ultimately responsible for ensuring TSP contributions are being properly allocated under BRS.

3.3.2. Default Allocation

3.3.2.1. BRS Members

3.3.2.1.1. New Accessions. All newly enrolled members of the Uniformed Services TSP members first enrolled in the TSP on or after January 1, 2018, and covered by BRS

will have their TSP contributions invested in an age-appropriate Lifecycle Fund (L Fund) until they make a contribution allocation with the TSP.

3.3.2.1.2. BRS Opt-In Members. Members who were enrolled in the TSP prior to January 1, 2018, and who do not have a contribution allocation in effect at the time of the election, will have all deposits made after the date of such election invested in the age-appropriate TSP Lifecycle Fund. Deposits made prior to the date of the election will retain their previous contribution allocations.

3.3.2.1.3. BRS Members Who Reenter Service on or After January 1, 2018. A BRS Member who reenters service on or after January 1, 2018, who:

3.3.2.1.3.1. Has $0.00 balances in their TSP accounts from their previous period of service, will have their TSP contributions invested in an age-appropriate L Fund;

3.3.2.1.3.2. Has an existing TSP account with a balance greater than $0.00, will retain the last contribution allocation on file with the TSP; or

3.3.2.1.3.3. Has no contribution allocation on file, and who reenters service with a positive account balance will have their future TSP contributions invested in an age-appropriate L Fund.

3.3.2.2. TSP for Members Not Under BRS. If the member does not opt into BRS or was not auto-enrolled in BRS, the default investment fund will remain the Government Securities Fund (G Fund).

NOTE: Members may change the member's investment elections by contacting TSP.

3.4 Default Traditional Individual Contributions

A member's individual contributions to TSP are treated by default as traditional tax-deferred contributions. A member may elect to designate all or part of his or her individual contributions as Roth. Agency automatic (1-percent) contributions and agency matching contributions are always tax-deferred traditional contributions.

3.5 Roth TSP

Members may elect to contribute to a Roth TSP account instead of, or in addition to, a traditional TSP account. Any member eligible to contribute to a traditional TSP account may also contribute to a Roth TSP account. However, traditional TSP contributions will be deducted before Roth TSP if there is a conflict in regard to which contribution has priority.

3.5.1. Payroll Deductions. Roth TSP contributions are taken after-tax. However, members serving in a CZ, or in direct support of a CZ, may contribute tax-exempt pay to the member's Roth TSP account. In the same manner as with the traditional TSP account,

payroll deductions will begin the first full pay period after the service accepts the Thrift Savings Plan Election ***Form TSP-U-1***. Roth TSP contributions must be made through payroll deductions. Lump-sum contributions for bonuses, incentive pays, or special pays are permitted only through payroll deductions.

3.5.2. Maximum Contribution Limits. The same maximum contribution limits that apply to traditional TSP also apply to Roth TSP. If a member elects to contribute to both traditional TSP and Roth TSP, the maximum contribution limits apply to the combined accounts, not to each account separately. See the ***TSP Contribution Limits***.

3.6 TSP Loan Program

A member may apply for a TSP loan or hardship withdrawal in accordance with TSP regulations and guidance. Information on loans and hardship withdrawals may be found on the ***TSP Loans*** website.

*3.7 Catch-Up Contributions

3.7.1. General. Effective January 1, 2021, the spillover method was implemented for catch-up contributions, applicable to TSP participants who turn age 50 or older in the applicable calendar year. Eligible members will no longer need to make a separate contribution election for catch-up contributions. Once the contribution limit has been reached, the member's contributions will "spillover" toward the catch-up limit. See ***TSP Bulletin 19-5*** for spillover method catch-up contributions information. Contributions spilling over toward the catch-up limit are eligible for agency matching contributions, but only up to the 5-percent of pay to which participants are already entitled.

3.7.2. Catch-up Contributions and CZTE. The TSP cannot accept traditional tax-exempt contributions toward the catch-limit. See TSP bulletin 20-1 for additional information. Members of the Uniformed Services cannot make catch-up contributions from bonuses, incentive pays, or special pays.

3.7.3. Higher Catch-up. Effective January 1, 2025, section 109 of the SECURE Act 2.0 increased the catch-up contribution limit for active participants turning ages 60, 61, 62, or 63 in the calendar year to either $10,000 or 50 percent more than the regular catch-up contribution limit, whichever is greater. See ***TSP Bulletin 24-2***.

3.8 Make-Up Contributions

Make-up contributions are individual contributions that should have been deducted from a member's basic pay, inactive-duty pay, bonuses, incentive pays, or special pays; or agency contributions that should have been charged to the agency on an earlier date, but were not deducted or charged and, consequently, are being deducted or charged currently.

3.8.1. Make-up Contributions and CZTE. If, while the member was in a CZTE area, contributions were not deducted that should have been deducted, the member may be able to

make-up those contributions in accordance with FRTIB regulations. If make-up contributions are made when the member is no longer subject to the CZTE, the contributions will be tax-deferred, but not tax-free. No CZTE tax-free contributions may be made from taxable pay.

3.8.2. Payroll Deductions. Make-up contributions from basic pay, bonuses, incentive pays, or special pays are permitted only through payroll deductions.

3.9 Breakage (Lost TSP Earnings) Due to Agency Error

3.9.1. Detailed Information on Breakage. Breakage is the loss incurred, or the gain realized on make-up or late contributions. It is the difference between the value of the shares of the applicable investment fund(s) that would have been purchased had the contribution been made on the "as of" date and the value of the shares of the same investment fund(s) on the date the contribution is posted to the account. For detailed information concerning the breakage, refer to TSP regulations in Title 5, Code of Federal Regulations (CFR), part 1605 ***(5 C.F.R. § 1605)*** or TSP Bulletins. TSP bulletins are available on the ***TSP Agency/Service Representatives*** page on the TSP website.

3.9.2. Conditions. If a member receives earnings from which member contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, even if the member makes up those member contributions, the belated member contributions will not require payment of breakage, except under the following circumstances.

3.9.2.1. Delayed or Erroneous Contributions When Member Received Earnings

3.9.2.1.1. If a member receives earnings, but as a result of an agency error all or any part of the agency matching contribution associated with the earnings are not timely received by the TSP record keeper, the agency belated contributions will be subject to breakage.

3.9.2.1.2. If a member receives earnings where contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

3.9.2.1.3. If a member receives earnings where contributions were properly deducted but, as a result of an agency error all or any part of those member contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

3.9.2.1.4. Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the participant's account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant's account. See 5 CFR 1605.12.

3.9.2.2. Agency Delay in Basic Pay, Special Pay, Incentive Pay, and Bonus. Where, as the result of an agency error, a member does not timely receive all or any part of pay to which entitled, all such belated member contributions and agency matching contributions will be subject to breakage.

3.9.2.3. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP record keeper more than one pay period after the pay date associated with that payroll submission will be subject to breakage.

3.9.2.4. Loan Allotments. Loan allotments deducted from the member's pay but not timely received by the TSP record keeper due to agency error will be subject to breakage.

3.9.3. Minimum Dollar Amount. Breakage on loan allotments and late contributions will be calculated by the TSP system only for those contributions and loan allotments that are $1 or more.

3.9.4. Agency Responsibility. The employing agency that caused the error, or late or erroneous investment of money in the TSP is responsible for payment of any breakage resulting from that error. The paying office that submitted payment records or loan allotments that are subject to breakage is also responsible for submitting the appropriate payment records relating to those submissions. The amount of breakage that is calculated will be charged to the TSP Deposit Fund Account of the submitting paying office. Where another employing agency caused the late or erroneous submission by the submitting paying office, the paying office that was charged for the amount of breakage calculated should seek reimbursement from the other employing agency.

3.9.5. Member Election. Agency error does not result when TSP contributions are made pursuant to a member's election, but the member then subsequently elects not to continue/start contributions.

3.10 Member Transfers

3.10.1. When members transfer between components or branches of the Uniformed Services, the member's TSP contributions may be continued. The member must notify the member's gaining servicing organization of his or her existing TSP contribution election in order to continue TSP contributions and/or loan repayments without interruption.

3.10.2. If a member separates from the service and rejoins after a break in service of 31 days or more, the member may sign up immediately to contribute to TSP.

3.10.3. If a member separates from the service and rejoins after a break in service of less than 31 days, and the member had been contributing to TSP, contributions to TSP will resume the first pay period after rejoining the service.

3.10.4. A member of the Uniformed Service who is also a federal civilian employee may contribute under both programs to the TSP. The annual contribution limitations in subparagraph 3.1.6 apply to the combined accounts and not to each account separately.

4.0 TSP FOR BRS MEMBERS

4.1 Eligibility

4.1.1. This section describes policy related to TSP changes under the BRS. The BRS became effective January 1, 2018. The Deputy Secretary of Defense memorandum, "Implementation of the Blended Retirement System," dated January 27, 2017, and Volume 7B, provide comprehensive policy and guidance regarding retirement under the BRS.

4.1.2. A member, defined in this section, applies to both Auto-Enrolled and Opt-In Members.

4.1.2.1. Auto-Enrolled BRS Member. A member who is enrolled in BRS by virtue of the member's Date of Initial Entry into Military Service (commonly referred to as DIEMS) on or after January 1, 2018.

4.1.2.2. BRS Opt-In Member. A member who elected to enroll in BRS in accordance with procedures outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017.

4.2 Participation and Initial TSP Contribution

The Secretary concerned will establish a TSP account, if one does not already exist, for both Auto-Enrolled BRS Members and BRS Opt-In Members. The initial individual and agency contributions to TSP will occur no later than as specified in accordance with subparagraphs 4.2.1 and 4.2.2.

4.2.1. Auto-Enrolled BRS Members. Contributions will begin the pay period following the member's 60th day of service as calculated from Pay Entry Base Date (PEBD).

4.2.2. BRS Opt-In Members. Contributions will begin the pay period that begins on or after the date of the member's election to enroll in BRS. When an election is made on the first day of the month, which is the first day of the pay period, initial individual and agency contributions will be in effect for that month.

> Example. BRS Opt-In Member submits election on January 1st. The member will receive matching and individual contributions for the January pay period. A member who elects any other day of the January pay period will have contributions begin for the February pay period.

4.3 BRS Opt-In Member Individual TSP Contribution

4.3.1. Prior Participation in TSP and Carry-Over. If a BRS Opt-In Member previously contributed to TSP, the balance of any prior TSP contributions will carry over following enrollment in BRS. Individual TSP contributions made prior to BRS will not be matched.

4.3.2. Contribution Election as a BRS Opt-In Member. BRS Opt-In Members will not be automatically enrolled in TSP. BRS Opt-In Members must affirm their prior contribution election or make a new contribution election. A BRS Opt-In Member may contribute to TSP at the individual contribution percentage or dollar amount the member elects at the time of enrollment in BRS. A contribution election may be changed any time in accordance with TSP regulations.

4.4 Auto-Enrolled BRS Member Individual TSP Contribution

4.4.1. Default Contribution Between January 1, 2018, and September 30, 2020. A member automatically enrolled in BRS by virtue of his or her accession on or after January 1, 2018, and on or before September 30, 2020, will be automatically enrolled in TSP with an individual contribution election of 3 percent of the member's monthly basic pay or inactive-duty pay. This amount will be contributed to the member's TSP account beginning with the first pay period following the member's 60th day of service as calculated from the PEBD.

4.4.2. Default Contribution on or After October 1, 2020. A member enrolled in BRS by virtue of his or her accession on or after October 1, 2020, will be automatically enrolled in TSP at the level of 5-percent individual contribution from his or her monthly basic pay or inactive-duty pay. This amount will be contributed to the member's TSP account beginning with the first pay period following the member's 60th day of service as calculated from the PEBD.

4.4.3. Contribution Changes. Auto-Enrolled BRS Members may change the individual TSP contribution amount at any time before or after the initial deduction. All members must follow regulations prescribed by the IRS and the FRTIB when requesting a refund or changing the amount of individual contributions.

4.4.4. Annual Re-Enrollment in TSP for Auto-Enrolled BRS Members

4.4.4.1. Annual Re-Enrollment Requirement. Annual TSP re-enrollment, or "annual re-enrollment," is required for any Auto-Enrolled BRS Member who has stopped his or her automatic TSP contribution by reducing the individual contribution to 0 percent or $0 per pay period. If an Auto-Enrolled BRS Member has stopped TSP contributions and the member's individual contribution from his or her pay in the final full pay period of the year is 0 percent or $0, the member will be re-enrolled in TSP on January 1 of the following calendar year. As of October 1, 2020, the re-enrollment individual contribution rate is 5-percent of the member's basic pay or inactive-duty pay.

4.4.4.2. Exception. This provision does not apply if the member's individual contribution is at a percentage or amount greater than zero, but whose contributions may have stopped during the previous year because the member reached the maximum annual contribution limit allowed under IRS regulations.

4.4.5. Non-Contribution Periods. Auto-Enrolled Members who are in a non-TSP contribution status at the end of a year will not be auto re-enrolled in TSP in January. However, if the member does not resume contributions when eligible to do so, the member will be auto re-enrolled in TSP in January of the following year.

Example. An Auto-Enrolled BRS Member takes a hardship withdrawal in November 2018. The member should not be re-enrolled in TSP in January 2019 because the member may not contribute to TSP for a period of 6 months after the hardship withdrawal is processed. The member may restart contributions again in May 2019 (6 months after the hardship withdrawal is processed). If the member does not elect to restart TSP contributions by the final pay period of 2019, he or she must be auto re-enrolled in January 2020.

4.4.6. No Expiration of Annual Re-Enrollment. Annual re-enrollment in accordance with paragraph 4.4 will occur each year of a member's career in which the criteria are met.

4.4.7. Deadline for Declining Annual Re-Enrollment. A member may decline the annual re-enrollment described in paragraph 4.4 for the following year no earlier than December 1st of the year in which the member is determined to be subject to annual re-enrollment.

4.5 Agency Contributions for Auto-Enrolled BRS Members

4.5.1. Agency Automatic (1-percent) Contributions

4.5.1.1. Start Date. Commencing with the pay period that begins on or after the member's 60th day of service, as calculated from the PEBD, the agency will automatically contribute to that member's TSP account, at no cost to the member and without relation to the amount the member contributes, an amount equal to:

4.5.1.1.1. The equivalent of 1-percent of basic pay earned by that member during that pay period for active service; or

4.5.1.1.2. The equivalent of 1-percent of inactive-duty pay earned by that member during that pay period for Inactive-Duty Training (IDT).

4.5.1.2. End Date. The agency (1-percent) contribution will continue for each pay period in which a member is entitled to receive either basic pay or inactive-duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.5.2. Agency Matching Contributions

4.5.2.1. Start Date. Commencing with the pay period that follows a member's completion of 24 months of service, as calculated from the PEBD, the agency will contribute an amount that matches the member's individual contribution to TSP (up to 4 percent) as prescribed in Table 51-4.

4.5.2.2. End Date. No agency matching contributions will be made to a member's TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.6 Agency Contributions for BRS Opt-In Members

4.6.1. Agency Automatic (1-percent) Contributions

4.6.1.1. Start Date. Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will automatically contribute to that member's TSP account, at no cost to the member and without regard to the amount the member contributes, an amount equal to:

4.6.1.1.1. The equivalent of 1-percent of basic pay earned by that member during that pay period for active service; or

4.6.1.1.2. The equivalent of 1-percent of inactive-duty pay earned by that member during that pay period for IDT.

4.6.1.2. End Date. The agency (1-percent) contribution will continue for each pay period in which a member receives either basic pay or inactive-duty pay, or both, through the end of the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.6.2. Agency Matching Contributions

4.6.2.1. Start Date. Commencing with the pay period that begins on or after the date a member opts into BRS, the agency will contribute an amount that matches the member's individual contribution to TSP (up to 4 percent) in accordance with Table 51-4.

4.6.2.2. End Date. No matching agency contributions will be made to a member's TSP account after the pay period during which the member attains 26 years of service, as calculated from the PEBD.

4.7 Vesting of Individual TSP Contributions

Individual contributions made by an Auto-Enrolled BRS Member or a BRS Opt-In Member are immediately vested upon payment to TSP. Subsequent earnings on those contributions are also immediately vested when the earnings accrue.

4.8 Vesting of Agency Contributions

The two types of agency contributions to TSP are subject to different vesting rules. The following vesting rules apply to both Auto-Enrolled BRS Members and BRS Opt-In Members:

4.8.1. Agency (1-percent) Contributions. The agency automatic (1-percent) contributions described in subparagraphs 4.5.1 or 4.6.1, become fully vested on the first day of the 25th month of service, as calculated from a member's PEBD. Members who separate from a Uniformed Service before this date forfeit the agency automatic (1-percent) contributions and any earnings on those contributions.

4.8.2. Agency Matching Contributions. Any agency matching contributions, as described in subparagraphs 4.5.2 or 4.6.2, are fully vested upon receipt in the member's TSP account, regardless of accrued service. Any earnings on the agency matching contributions are immediately vested when they accrue.

4.9 Carry-Over of Individual TSP Elections for All BRS Members

4.9.1. Reenrollment in TSP After Separation. A member covered under the BRS who separates from a component of the Uniformed Services, and later re-affiliates with any component of a Uniformed Service following a break in service, will be re-enrolled in TSP. Effective October 1, 2020, all members are re-enrolled at an individual contribution rate of 5-percent of the member's monthly basic pay or 5-percent of inactive-duty pay regardless of any previous contribution elections made prior to separation.

4.9.2. Start Date for Individual Contributions. A reentrant will be automatically enrolled, and the 5-percent individual contribution will begin no later than the first pay period following re-entry.

4.9.3. Agency (1-percent) Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for the agency automatic (1-percent) contribution, in subparagraphs 4.5.1 or 4.6.1 will resume receiving the agency 1-percent contribution into the member's TSP account no later than the first pay period after re-entry.

4.9.4. Agency Matching Contributions. A member covered under the BRS who re-enters service after a break in service and who previously qualified for agency matching contributions in subparagraphs 4.5.2 or 4.6.2 will resume receiving agency matching contributions into the member's TSP account concurrent with re-enrollment.

4.10 TSP Elections for Transitioning Reserve Component (RC) Members

Members of the RC enrolled in the BRS are considered continuous participants in the BRS while they remain in a paid status. Payroll offices should not submit TSP separation codes for RC members. RC members will not be re-enrolled at the automatic 5-percent individual contribution level each time they transition from a paid status in the Selected Reserve (SELRES) to active-duty or from active-duty back to a paid status in SELRES. The member's previously-elected TSP contribution levels will carry-over through transitions related to activation and deactivation, unless and until the member elects to modify the member's own contribution level. Loan payments, if any, will also carry through. Such RC members are subject to annual auto re-enrollment as set out in paragraph 4.4.

4.11 BRS Erroneous Enrollment and TSP

BRS enrollment will be voided for any member who is found to be ineligible to be enrolled or to elect to enroll in BRS under the provisions outlined in the Deputy Secretary of Defense Memo, dated January 27, 2017. Such members will be placed under the correct retirement system

upon discovery of the error. Any erroneous agency TSP contributions made to the member's TSP account will be subject to correction in accordance with FRTIB regulations.

4.12 Hardship Extension of Enrollment Periods and TSP

If an agency concerned extends the BRS period in accordance with the guidance on hardship extensions of enrollment periods in Service regulations and in accordance with ***10 U.S.C. § 1409(b)*** this will not allow for retroactive TSP contributions.

5.0 TSP FOR MEMBERS NOT UNDER BRS

5.1 Participation

Any member of the Uniformed Services, not enrolled in BRS as prescribed in section 4.0, may elect to participate in TSP. A member choosing to participate in TSP is required to contribute at least 1-percent of the member's basic pay or inactive-duty pay. Members participating, not under BRS, are not eligible for agency automatic and matching contributions. These members, otherwise, remain subject to the contribution limits outlined in section 3.0.

NOTE: In order for a member to contribute bonuses, incentive pays, or special pays to TSP, the member must also be contributing a minimum of 1-percent of the member's basic pay or inactive-duty pay.

5.2 Start Date

The payroll deduction for individual TSP contributions will commence the first full pay period after the Service concerned accepts the TSP-U-1.

*6.0 CONTRIBUTIONS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

6.1 General

The DoD offers members of the Uniformed Services access to Dependent Care Flexible Spending Accounts (DCFSAs) and Health Care Flexible Spending Accounts (HCFSAs) via FSAFEDS. ***FSAFEDS*** administers DCFSAs and HCFSAs on behalf of the DoD. Eligible members of the Uniformed Services under this program may open a DCFSA or HCFSA or both and make an annual election to deposit a portion of their pay into the account for the upcoming benefit period. The members of the Uniformed Service's Military Service Pay Office withholds contributions through payroll deductions from the member's salary on a pretax basis and deposits the funds into the DCFSA or HCFSA or both. Members of the Uniformed Services may request to accelerate deductions over fewer pay periods. Members of the Uniformed Services' DCFSA contributions are for reimbursement of qualifying dependent care expenses (such as day care) for qualifying dependents. Members of the Uniformed Services' HCFSA contributions are for qualifying health care expenses (such as co-payments) for qualifying dependents. To receive

reimbursement, the member must submit a claim for funds in their HCFSA and/or DCFSA with required documentation. FSAFEDS is not a part of the TRICARE Program.

6.2 Eligibility

6.2.1. DCFSA. Members of the Uniformed Services of the Active Component, and National Guard and Reserve Component members performing Active Guard and Reserve (AGR) duty are eligible to enroll. Members of the U.S. Coast Guard Reserve, including Reserve Component Managers, performing active duty for more than 180 days are eligible. Members of the Uniformed Services must also have a qualifying dependent, which is a tax dependent under the age of 13 or a dependent of any age who is physically or mentally incapable of self-care.

6.2.2. HCFSA. Members of the Uniformed Services of the Active Component, and National Guard and Reserve Component members performing AGR duty are eligible to enroll. Members of the U.S. Coast Guard Reserve, including Reserve Component Managers, performing active duty for more than 180 days are eligible.

6.3. Federal Benefits Open Season

Eligible members of the Uniformed Services must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and members of the Uniformed Services must reenroll each year. New members of the Uniformed Services may enroll in the program within 60 days (but no later than October 1) of their entry on duty. Newly eligible members of the Uniformed Services may be eligible to enroll after open enrollment has ended, or during the plan year if they experience a change in status or qualifying life event. If a qualifying life event occurs, members of the Uniformed Services can enroll in DCFSA from 31 days before through 60 days after the qualifying life event.

6.3.1. Enrollment. Members of the Uniformed Services must enroll directly with FSAFEDS either through FSAFEDS online or by calling FSAFEDS at 1-877-372-3337.

6.3.2. HCFSA Special Enrollment Period. For the 2025 benefit period, members of the Army, Navy, Air Force, Marines and Space Force must enroll during the Special Enrollment Period scheduled for March 3 through 31, 2025 to access a HCFSA. Members of the U.S. Coast Guard must enroll during the Special Enrollment Period to access a DCFSA and/or HCFSA for the 2025 benefit period. In all future benefit periods, members of the Uniformed Services enroll in an HCFSA during Federal Benefits Open Season.

6.4 Types of FSAs

6.4.1. DCFSA. Eligible members of the Uniformed Services may contribute to DCFSA to pay for qualified dependent care expenses (such as day care) for qualifying dependents.

6.4.2. HCFSA. Eligible member of the Uniformed Services may contribute to a HCFSA to pay for qualified health care expenses (such as co-payments) for themselves and/or qualifying

dependents. Members of the Uniformed Services may claim and receive reimbursement for the entire contribution amount before FSAFEDS has deducted the full amount from the member of the Uniformed Service's pay. A full list of eligible expenses can be found at FSAFEDS online.

6.5 Contributions for DCFSAs

6.5.1. Payment of Contributions. Contributions withheld from the member of the Uniformed Service's pay are forwarded to BENEFEDS on the first of the month excluding holidays and weekends. Payments are sent to BENEFEDS in accordance with the annual payroll schedule agreed upon by DoD and BENEFEDS.

6.5.2. Carryover and Grace Period. DCFSA accounts do not permit any carryover of funds. However, a DCFSA does have a grace period allowing expenses to continue to incur through March 15 of the year following the plan year. For additional information on the grace period, see the FSAFEDS website.

6.5.3. Absent Without Leave (AWOL) and Non-pay Status

6.5.3.1. Effect of Non-pay Status. The Government will not make up a member of the Uniformed Service's contribution to a DCFSA if the member of the Uniformed Service is AWOL or in a non-pay status. If a member of the Uniformed Service maintains a DCFSA during a non-pay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

6.5.3.2. Return to a Pay Status. Upon the member of the Uniformed Service's return to pay status, the Military Service Pay Office will restart the contributions. FSAFEDS will recalculate any future contribution amounts based on the number of paydays remaining in the benefit period to ensure the member of the Uniformed Service reaches their annual election amount.

6.5.4. Separation From Active-Duty Service and Termination of FSAFEDS Participation. If a member of the Uniformed Service separates or retires, contributions will stop as of the separation or retirement date. The member of the Uniformed Service may continue to use the remaining balance in DCFSA until the end of the calendar year or until the depletion of the account balance, whichever comes first. Termination of FSAFEDS participation may occur due to a change in status causing the member of the Uniformed Service to lose eligibility or separation from military service.

6.6 Contributions for HCFSAs

6.6.1. Payment of Contributions. Contributions withheld from the member of the Uniformed Service's pay are forwarded to BENEFEDS on the first of the month excluding holidays and weekends. Payments are sent to BENEFEDS in accordance with the annual payroll schedule agreed upon by DoD and BENEFEDS.

6.6.2. Carryover. HCFSA accounts do permit carryover of funds. The maximum carryover amount is subject to IRS limits. For additional information on carryover, see the FSAFEDS website.

6.6.3. Absent Without Leave (AWOL) and Non-pay Status

6.6.3.1. Effect of Non-pay Status. The Government will not make up the member of the Uniformed Service's contribution to a HCFSA if the member of the Uniformed Service is AWOL or in a non-pay status. If a member of the Uniformed Service maintains a HCFSA during a non-pay status, members of the Uniformed Services will not be eligible for reimbursement of health care expenses incurred during the AWOL or non-pay status until the member of the Uniformed Service returns to pay status and allotments are successfully restarted.

6.6.3.2. Return to a Pay Status. Upon the member of the Uniformed Service's return to pay status, the Military Service Pay Office will restart the contributions. FSAFEDS will recalculate any future contribution amounts based on the number of paydays remaining in the benefit period to ensure the member of the Uniformed Services reaches their annual election amount.

6.6.4. Separation From Active-Duty Service and Termination of FSAFEDS Participation. If a member of the Uniformed Service separates or retires, contributions will stop as of the separation or retirement date. The member of the Uniformed Service account terminates as of the date of separation or retirement. The member of the Uniformed Service may continue to use the remaining balance in HCFSA for qualifying expenses that occurred prior to the date of separation or retirement. Expenses incurred after the separation or retirement date are not reimbursable. If the member of the Uniformed Service used the entire election amount before FSAFEDS has completed all deductions from the members of the Uniformed Service's pay, the member of the Uniformed Service is not responsible for the remaining contributions. Termination of FSAFEDS participation may occur due to a change in status causing the member of the Uniformed Service to lose eligibility or separation from military service.

Table 51-1. Pay Entitlements Available For TSP Contributions

Bonuses	Chapter, section, paragraph, or subparagraph
Accession Bonus for Health Professions	Chapter 5, section 3.0
Accession Bonus (Officer)	Chapter 3, section 3.0
Active-Duty Enlisted Members Enlistment, Reenlistment, and Retention Bonuses: -- Bonus for Transfer between Military Services; -- Bonus for Transfer between Components of a Military Service -- Conversion Bonus -- Critical Skill Retention Bonus; -- Enlistment Bonus; -- Prior Service Reenlistment Bonus; and -- Selective Retention Bonus	Chapter 9
Aviation Bonus	Chapter 20
Bonus Program for the Individual Ready Reserve and Inactive National Guard	Chapter 61
Career Status Bonus/Continuation Pay	Chapter 66
Critical Wartime Skills Accession Bonus	Chapter 5, section 4.0
Foreign Language Proficiency Bonus	Chapter 19
Incentive for Qualified Members Extending Duty at Designated Locations Overseas	Chapter 14
Nuclear Officer Continuation Bonus	Chapter 3, paragraph 7.2
Nuclear Power Accession Bonus	Chapter 3, paragraph 7.1
Ready Reserve Accession, Affiliation, Enlistment, And Retention Bonuses: -- Conversion Bonus; -- Enlisted Affiliation Bonus; -- Enlistment Bonus; -- Officer Accession and Affiliation Bonus; -- Prior Service Reenlistment Bonus; -- Selective Retention Bonus; -- Transfer between Components of a Military Service Bonus; and -- Transfer between Military Services Bonus.	Chapter 56
Retention Bonus (Health Professions)	Chapter 5, section 7.0
Retention Bonus (Officer)	Chapter 3, section 5.0
RC Affiliation Bonus	Chapter 3, section 4.0
Transfer Bonus (Officer)	Chapter 3, section 6.0

Table 51-1. Pay Entitlements Available For TSP Contributions (Continued)

Incentive Pays	Chapter, section, paragraph, or subparagraph
Assignment Incentive Pay	Chapter 15
Aviation Incentive Pays (AvIP): -- AvIP for Aviators in Operational Flying Duty or Proficiency Flying Duty Positions; -- AvIP for Aviators not in Operational Flying Duty or Proficiency Flying Duty Positions; -- Critical Skill Incentive Pay; and -- Hazardous Duty Incentive Pay for Flying	Chapter 22
Board Certification Pay	Chapter 5, section 5.0
Hazardous Duty Incentive Pays: -- Chemical Munitions Duty; -- Dangerous Viruses (or Bacteria) Lab Duty; -- Demolition Duty; -- Experimental Stress Duty; -- Flight Deck Duty; -- Maritime Visit, Board, Search and Seizure; -- Parachute Duty; -- Polar Region Flight Operations Duty; -- Toxic Fuels (or Propellants) Duty; and -- Toxic Pesticides	Chapter 24
Incentive Pay (Health Professions)	Chapter 5, section 6.0
Submarine Duty	Chapter 23

Special Pays	Chapter, section, paragraph, or subparagraph
Career Sea Pay	Chapter 18
Career Sea Pay Premium	Chapter 18
Combat-Related Injury Rehabilitation Pay	Chapter 13
Command Pay	Chapter 3, section.8.0
Designated Unit Pay	Chapter 58, paragraph 2.8
Diving Duty Pay	Chapter 11
Hardship Duty Pay	Chapter 17
Hostile Fire or Imminent Danger Pay	Chapter 10
Nuclear Career Annual Incentive Pay	Chapter 3, section 7.3
Prototype Shift Engineer Incentive Pay	Chapter 3, section 7.4
Special Duty Assignment Pay	Chapter 8
Weapons of Mass Destruction Civil Support Team Pay	Chapter 57, paragraph 4.5

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest

RULE	When an eligible member has a saving deposit account in effect and the member	and	then interest
1	was in a deserter status	is returned to military control	accrues to the end of the month before the month the member entered a deserter status and resumes the first of the month after the month the member returns to military control (note 1).
2	returns to military control after desertion	has personnel records corrected to remove a mark of desertion	accrues during the period the member was originally considered to be a deserter (note 2).
3	is separated or discharged	repayment of deposits is delayed for any reason (note 3)	accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.
4	does not request repayment after termination of eligibility to make deposits	within 90 days is again entitled to make deposits	continuously accrues.
5	is in a missing status	the Secretary of the Military Department concerned (or designee) directs repayment of total amount of deposit	accrues to the end of the month in which repayment is directed.
6	is in a missing status	a finding of death is made	accrues to the end of the month in which repayment is made not to exceed 90 days after the date pay and allowances terminate.
7	goes on official TDY or TAD away from the SDP authorized duty assignment or SDP authorized area for a period of 90 days or more		accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).

Table 51-2. Savings Deposits, Special Determinations on Accrual of Interest (Continued)

NOTES:

1. Interest does not accrue on deposits during the period a member is in a desertion status.
2. Interest will be computed and retroactively credited.
3. Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
4. Interest would again accrue upon return to the SDP authorized duty assignment or the authorized SDP area.

Table 51-3. Savings Deposits, Conditions Under Which Deposits, Plus Interest Are Repaid

RULE	When an eligible member has a savings deposit account and the member	then all deposits, plus interest will be repaid upon
1	permanently departs the authorized SDP area or has departed the authorized area for more than 90 days	the member's request after departure from the SDP authorized duty assignment or the SDP authorized location. If no request is received after 120 days from the departure from the authorized SDP area, all deposits, plus interest will be automatically repaid to the member.
2	is discharged or separated overseas (not for reentry into the Military Service)	discharge or separation from the Military Service or not to exceed 90 days thereafter.
3	is in a missing status	direction of the Secretary concerned or designee.
4	dies	settlement of member's unpaid pay and allowances as provided in Chapter 36 (note).

NOTE:

Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after the date of the member's death, or when a member's SDP authorized duty assignment terminates, whichever is earlier. See Table 51-2, Rule 6, for death cases where a missing status is involved.

Table 51-4. Automatic and Matching Contributions

Individual Contributions	Agency Automatic Contribution (Note)	Agency Matching Contribution (Note)	Total TSP Monthly Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

Note: The rules for agency automatic contributions and agency matching contributions differ between Auto-Enrolled and Opt-In Members. Specific rules are located in paragraphs 4.5 and 4.6.

*REFERENCES

CHAPTER 51 – SAVINGS PROGRAMS

2.0 – SDP

	10 U.S.C. § 1035(a)
2.1	Assistant Secretary of Defense Manpower and Reserve Affairs Memo, April 28, 2016
2.4	10 U.S.C. § 1035(e)
2.13	Office of the Under Secretary of Defense Comptroller Memo, April 16, 2008
2.2	37 U.S.C. § 551

3.0 – TSP GUIDELINES

	Deputy Secretary of Defense Memo, January 27, 2017
	5 U.S.C. § 8432b-8440
3.2	IRS Notice 2018-83
	Treasury Regulation 1.402(g)-1
3.2.2.3 & 3.2.2.4.	26 C.F.R. 1.415(c)-1(b)
3.3	5 C.F.R. § 1600.14
3.5	5 U.S.C. § 8432d
3.7	26 U.S.C. § 402(g)(1)(C)
	5 C.F.R. § 1600.23
	TSP Bulletins 19-5;20-1 and 24-2
3.9	5 U.S.C. § 8432a
	5 C.F.R. § 1605
	5 C.F.R. § 1605.12

4.0 – TSP FOR BRS MEMBERS

	Deputy Secretary of Defense Memo, January 27, 2017
	5 U.S.C. § 8440e(e)
	Under Secretary of Defense Personnel and Readiness Memo, September 28, 2020

5.0 – TSP FOR MEMBERS NOT UNDER BRS

	5 U.S.C. § 8440e(e)

6.0 – CONTRIBUTIONS FOR FSAFEDs

Executive Order 14100, Advancing Economic Security for Military and Veteran Spouses, Military Caregivers, and Survivors, June 9, 2023
Secretary of Defense Memo, March 22, 2023
Secretary of Defense Memo, September 13, 2024

Table 51-4 – Automatic and Matching Contributions

Deputy Secretary of Defense Memo, January 27, 2017

VOLUME 7A, CHAPTER 52: "PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Table 52-1	Added "Health Care Flexible Spending Account" contributions to priority 15.	Addition
Table 52-1	Renamed "Dependent Care Flexible Spending Account" contributions to "Flexible Spending Account" contributions as priority 15.	Revision
References	Updated supporting statutes and references.	Revision

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*REFERENCES 7

CHAPTER 52

PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

1.0 GENERAL

1.1 Purpose

This chapter guides military service central site pay operations and field military finance/disbursing offices, henceforth referred to as "finance offices", concerning the sequence order for processing deductions and debt collections from a Service member's military pay entitlements when the member does not have sufficient pay. Finance offices must review a Service member's military pay entitlements to determine if the member has sufficient pay to offset all deductions and debt collections. If a Service member does not have enough pay, Table 52-1, Priority of Deductions and Collections, states which deduction/collection will collect first from the current pay. If a Service member has voluntary deductions for Thrift Savings Plan (TSP) contributions and/or discretionary allotments that prevent the finance office from collecting debts due the United States, or to other entities listed in Table 52-1, the finance office has the authority to stop those voluntary deductions and process the debt collection. The finance office will notify the Service member that he/she has 30 days to voluntarily change, their TSP contribution, or discretionary allotment amounts. If they fail to make the changes, the finance office will initiate stoppages and specify when the changes will appear on the Service member's military pay account. These actions will not substitute for, but may be included in, any indebtedness notification required by Volume 16.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 11, 26, 31, 37, 38 and 42. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*Table 52-1. Priority of Deductions and Collections

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
1	Reduction of pay entitlement	Losses of pay entitlement take precedence over all items for deduction or collection: a. Forfeiture (note 1) b. Reduction for educational benefit under the "Montgomery G.I. Bill" (note 1)
2	Reimbursement to the United States	Collected amounts for deposit to the credit of the U.S. Treasury, in the following order: a. Federal Insurance Contribution Act tax b. Deductions for Armed Forces Retirement Homes c. Federal Income Tax Withholding (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required) d. Deductions for Servicemembers' Group Life Insurance (SGLI), Family SGLI, and Traumatic SGLI
3	State income tax withholding	
4	Involuntary repayment of indebtedness to the United States	a. Routine pay adjustment as referenced in Volume 16, Chapter 3, subparagraph 3.6.4 b. Repayment of advances of pay/allowances or advances of travel c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment) d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means e. Clothing allowance charges f. Transportation charges g. Subsistence charges h. Government property lost or damaged (note 2) i. Telephone or telegraph charges j. Damage to assigned housing due to negligence or abuse k. Indebtedness to a Commissary, DoD contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan l. Unpaid hospital bills for medical services furnished to a dependent m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services n. Jury duty fees received by a member o. Amounts due to other Uniformed Services or departments or agencies outside DoD, including court judgments
5	Garnishment for alimony and child support payments	

*Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
6	Statutorily required child and spousal support allotments	
7	Reimbursement to individuals and agencies	Remittances to an individual or agency by disbursing officer making deductions as follows: a. Deductions for rental of premises occupied by dependents b. Deduction for payment for damages to private property
8	Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act	(note 3)
9	Indebtedness to a nonappropriated fund activity	
10	Amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation	
11	Voluntary repayment of indebtedness to the United States	In order specified by the Military Service member (note 4)
12	Involuntary allotment for commercial debts	(note 5)
13	TSP	Payments to TSP in the following order: a. TSP loan repayments b. TSP catch-up deductions c. TSP deductions d. Roth TSP deductions

*Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
14	Allotments	Payments made to an allottee by the United States will be disbursed in the following order: a. Emergency support of dependent b. Government insurance (discretionary allotment) c. Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment) d. Purchase of U.S. Savings bonds e. Donation to charity drives f. Other discretionary allotments (note 5)
15	Flexible Spending Account Contributions	(See Chapter 51) a. Health Care Flexible Spending Account b. Dependent Care Flexible Spending Account
16	Internal Revenue Service paper levy for delinquent Federal income taxes	(See Chapter 44, section 3.0 and Table 52-1, note 5)
17	Court-Martial fines	

NOTES:

1. Gross pay to which the Military Service member would otherwise be entitled must be reduced by the monthly amount of the forfeiture or educational benefit under the Montgomery G.I. Bill. The forfeiture or educational benefit is subtracted to determine a new, reduced monthly gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.
2. This is a voluntary indebtedness for members of the Navy or Marine Corps, who fall under Volume 16, Chapter 3, Table 3-3, Rule 5.
3. In cases where the U.S. Bankruptcy Court has mandated that a sum be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The order of precedence in Table 52-1 will apply unless otherwise specified in the court order in which case the court's order prevails.
4. Upon separation, these become involuntary and fall under rule 4.
5. If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, then the tax levy should be collected before either allotment.

*REFERENCES

CHAPTER 52 – PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

Table 52-1

Rule 1(a)	36 Comptroller General 79
Rule 1(b)	38 U.S.C., section 3011(b)
Rule 2(a)	26 U.S.C. §§ 3102, 3121
Rule 2(b)	37 U.S.C. § 1007(i)
Rule 2(c)	26 U.S.C. § 3402
Rule 2(d)	38 U.S.C. § 1969
Rule 3	5 U.S.C. § 5517
Rule 4	37 U.S.C. § 1007(c) 5 U.S.C. § 5514 31 U.S.C. § 3716
Rule 4(n)	5 U.S.C. § 5537
Rule 5	42 U.S.C. § 659
Rule 6	42 U.S.C. § 665
Rule 7(b)	10 U.S.C. § 939
Rule 8	11 U.S.C. § 1325(c)
Rule 9	37 U.S.C. § 1007(c)
Rule 10	37 U.S.C. § 1007(h)
Rule 12	5 U.S.C. § 5520a(k) DoD Instruction 1344.09, February 1, 2022
Rule 13	5 U.S.C. §§ 8432, 8432b, 8432d
Rule 14	37 U.S.C. §§ 701, 703, 704, 706
Rule 15	Secretary of Defense Memo, March 22, 2023 Secretary of Defense Memo, September 13, 2024
Rule 16	26 U.S.C. §§ 6331, 6334

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 53: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 54: "TRICARE DENTAL PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated supporting statutes and references.	Revision

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CHAPTER 54

TRICARE DENTAL PROGRAM

1.0 GENERAL

1.1 Purpose

The TRICARE Dental Program (TDP), administered by United Concordia Companies, Inc., is a worldwide dental care plan offered to eligible beneficiaries by the DoD through the Defense Health Agency.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TDP

2.1 Enrollment Eligibility

The TDP is a voluntary dental plan available to eligible family members of all Active Duty Uniformed Service personnel and to Selected Reserve (SELRES) and Individual Ready Reserve (IRR) Service members and/or their eligible family members. To be eligible for the TDP, the sponsor must have at least 12 months remaining on his or her Service commitment with the parent Service at the time of enrollment. Individuals eligible to enroll in the TDP include the following:

2.1.1. SELRES and IRR Service members; and

2.1.2. Family members of active duty, SELRES, and IRR Service members. This includes spouses and unmarried children (including stepchildren, adopted children, and wards) under the age of 21. Family members will be eligible up to the end of the month in which they turn 21. Family members may be eligible after 21 if:

2.1.2.1. They are enrolled full-time at an accredited college or university and are more than 50 percent dependent on the sponsor for their financial support. These students are eligible to the end of the month in which they turn age 23. If the student terminates his or her education prior to turning 23, then eligibility ends at the end of the month in which education terminates; or

2.1.2.2. They have a disabling illness or injury that occurred before their 21st birthday or between the ages of 21 and 23 if enrolled as a full-time student at the time of illness or injury, and they were more than 50 percent dependent on the sponsor for financial support.

2.1.3. TDP Survivor Benefits

Surviving spouses and children are eligible for the TDP Survivor Benefit when a sponsor dies. Surviving family members are eligible to receive TDP benefits when:

2.1.3.1. An Active Duty sponsor dies while on active duty for a period of more than 30 days; or

2.1.3.2. A Ready Reserve sponsor [i.e., Selected Reserve or Individual Ready Reserve (mobilization asset), as specified in ***10 U.S.C., section 10143*** and ***10 U.S.C. § 10144(b)*** respectively] dies. The Reserve sponsor does not have to be on active duty for the family member to be eligible for survivor benefits.

2.1.3.3. The Government will pay for 100% of the TDP premium for survivors as follows:

2.1.3.3.1. Spouse. The surviving spouse is eligible to receive TDP Survivor Benefits for up to three years from the sponsor's date of death.

2.1.3.3.2. Children. The TDP Survivor Benefit for children ends at the age of 21, or 23 if enrolled in a full-time course of study in a secondary school or in a full-time course of study in an institution of higher education (subject to TRICARE eligibility limitations).

2.1.3.3.3. Incapacitated Children. The TDP Survivor Benefit for incapacitated children (subject to TRICARE eligibility limitations) is the greater of:

2.1.3.3.3.1. Three years from the sponsor's date of death (not to exceed 21 years of age);

2.1.3.3.3.2. The date on which such dependent attains 21 years of age; or

2.1.3.3.3.3. The date on which the dependent attains 23 years of age if enrolled in a full-time course of study in a secondary school or in a full-time course of study in an institution of higher education (subject to TRICARE eligibility limitations).

2.2 Individuals Who Are Not Eligible for TDP Coverage

Active duty Service members are not eligible for the TDP. In addition, former spouses, parents, parents-in-laws, disabled veterans, foreign military personnel, Service members in the Transitional Assistance Management Program following activation for a contingency operation, and retirees and their families are not eligible for TDP benefits.

2.3 Enrollment Period

All new enrollees must remain enrolled in the TDP for at least 12 months. Enrollment may continue on a month-to-month basis after completing the 12-month minimum enrollment lock-in period. Anyone who fails to pay premiums or disenrolls for other than a valid disenrollment reason is prohibited from reenrolling in the program for 12 months.

2.4 Enrollment Form

The sponsor must initiate enrollment by completing a TDP Enrollment Form. If the sponsor is not available to complete and sign the form, an individual with a Power of Attorney (POA) can initiate enrollment, provided the POA allows the individual to enter into contracts. TDP Enrollment Forms are available at the local military dental treatment facility, TRICARE Service Center, Health Benefits Advisor/installation point of contact, ***TRICARE Dental***, or the ***Beneficiaries Web Enrollment*** website.

2.5 Effective Date of Coverage

In most cases, coverage is effective the first day of the month after the month in which the TDP contractor receives the completed form and 1 month's premium payment. TDP Enrollment Forms must be received by the 20th of the month for coverage to begin on the first day of the next month. For applications received after the 20th of the month, coverage will not become effective until the first day of the second month.

2.6 Disenrollment

New enrollees must remain enrolled in the TDP for a minimum of 12 months. Anyone who fails to pay premiums during the 12-month lock-in period or disenrolls for other than valid reasons will be locked-out of the program for 12 months. The following are valid reasons for disenrolling from the TDP prior to completion of the mandatory 12-month enrollment:

2.6.1. When a sponsor or family member loses Defense Enrollment Eligibility Reporting System (commonly referred to as DEERS) eligibility due to death, divorce, marriage of a child, end of entitlement, or when a family member reaches age 21 (or 23 if enrolled full-time at an accredited college or university);

2.6.2. When TDP-enrolled members relocate outside the continental United States service area, the Service members may elect (within 90 calendar days of the relocation) to disenroll their family members and/or themselves from the TDP (TRICARE Service Centers are available to assist with enrollment options.);

2.6.3. When an active duty Service member transfers with enrolled family members to a duty station where space-available dental care for the enrolled members is readily available at the local Uniformed Service dental treatment facility, the active duty Service member may elect (within 90 days of the transfer) to disenroll his/her family members from the TDP; or

2.6.4. When an active duty, SELRES or IRR member is transferred to the Standby Reserve or Retired Reserve.

2.7 Other Disenrollment Situations

The TDP contractor will notify the sponsor of the disenrollment and explain the enrollment/disenrollment options and any associated premium changes and time limitations for the following situations:

2.7.1. If one member in a marriage of two Service members leaves the Uniformed Services and has family members assigned to him, then the family members can be reenrolled to the other Service member without incurring a new 12-month lock-in period;

2.7.2. When an Active Component Service member transfers to the Reserve Component (SELRES, Guard/Reserves on active duty, or IRR), the enrolled family members will be enrolled under the sponsor's new status;

2.7.3. When a Service member of the Reserve Component transfers to an Active Component, the enrolled member, and/or family members will be enrolled under the sponsor's new status;

2.7.4. When the sponsor changes from one branch of service to another;

2.7.5. When a Service member of the SELRES or IRR (Special Mobilization Category) changes status to IRR (other than Special Mobilization Category), the enrolled member, and/or family members are disenrolled from their current plan and automatically reenrolled into the appropriate plan. The reenrolled member/family members may elect to disenroll from the TDP if desired; or

2.7.6. When a Service member of the SELRES or IRR is called to active duty for more than 30 consecutive days, the member is disenrolled effective on the first day of the active duty orders. Enrolled family members remain enrolled in the current TDP plan until the last day of the month in which the sponsor changes status. Family members are automatically reenrolled in the program as active duty family members with the lower premium rate under the existing lock-in period.

2.8 Premium Amounts

The TDP premium rate period runs on an annual basis. The most current rate period and premium rates are available at ***TRICARE Dental Costs***.

2.9 Premium Billing Allotments

If the Service member has a payroll account, and there are sufficient funds available at the time of collection, then the Government will collect the member's share of the premium, in advance, through a Uniformed Service finance office, or on the TRICARE Dental website under

the "Monthly Premiums" section, "Ongoing Recurring Payments" paragraph. Members must verify monthly that the correct dental allotment appears on their Leave and Earnings Statement.

2.10 Direct Billing Process

If there are insufficient funds or no payroll account is available at the time of collection, then the Service member must pay the premium costs by means of direct billing. When this occurs, premium collection will transfer, from the Uniformed Service finance office or site payroll allotment, to direct billing by the TDP contractor. Once the TDP contractor direct bills, this payment process will continue, until the member requests the TDP contractor to restart the payroll allotment. The TDP contractor will immediately direct bill for premiums due from IRR Service members and from SELRES and IRR family members.

*REFERENCES

CHAPTER 54 – TRICARE DENTAL PROGRAM (TDP)

1.0 – GENERAL

1.1	TDP Handbook, October 2021

2.0 – TDP

	10 U.S.C., § 1076a

VOLUME 7A, CHAPTER 55: "RESERVE INCOME REPLACEMENT PROGRAM"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated language to comply with current DoD Instruction 1241.05, Reserve Income Replacement Program, dated May 15, 2018.	Revision

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CHAPTER 55

RESERVE INCOME REPLACEMENT PROGRAM

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the Reserve Income Replacement Program (RIRP) for members of the Reserve Components (RC) as defined in Volume 7A Definitions.

1.2 Authoritative Guidance

The RIRP policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 910 (***37 U.S.C. § 910***). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Involuntary Active Duty

For the purposes of this chapter, involuntary active duty is defined as an order to active duty without the consent of the member in accordance with the authority under ***10 U.S.C. § 688***, ***10 U.S.C. § 12301(a)***, ***10 U.S.C. § 12301(g)***, ***10 U.S.C. § 12302***, ***10 U.S.C. § 12304***, ***10 U.S.C. § 12304a***, or ***10 U.S.C. § 12304b***, an order to full-time National Guard duty under ***32 U.S.C. § 502(f)(1)*** or ***14 U.S.C. § 3713***.

2.2 Monthly Active-Duty Income Differential

This differential is the difference between the average monthly civilian income of the member and the member's total monthly military compensation (TMMC) when the member's average monthly civilian income exceeds the TMMC.

2.3 TMMC

TMMC is the amount computed on a monthly basis that is the sum of the member's regular military compensation and the amount of any special pays, incentive pays, and allowances (not included in regular military compensation) that are paid on a monthly basis (e.g., Foreign Language Proficiency annual bonus that may be paid in monthly installments). Bonuses paid in a lump sum or anniversary installments, such as enlistments, reenlistment, and affiliation bonuses, will not be included in TMMC. Cost of living allowances will be included in TMMC. Per Diem, to include meals and incidental expenses, will not be included in TMMC.

3.0 RIRP ELIGIBILITY

3.1 Service Requirement

An RC member currently serving on involuntary active duty is eligible for RIRP payments for any entire month of involuntary active duty that is served after the member:

3.1.1. Completes 547 continuous days of service on active duty under an involuntary mobilization order;

3.1.2. Completes 730 cumulative days on active duty under an involuntary mobilization order during the previous 1,826 days; or

3.1.3. Is involuntarily mobilized for service on active duty for a period of 180 days or more within 180 days after the date of the member's separation from a previous period of active duty for a period of 180 days or more.

> Example: If continuous service on active duty began on February 1, 2016, the 547 days to establish eligibility would end at midnight on July 31, 2017. The member would meet the eligibility requirement for RIRP on August 1, 2017, and would be entitled to RIRP payment on September 1, 2017, for the month of August 2017, if the member serves on active duty for the entire month of August.

3.2 RIRP Entitlement

Payment for RIRP is based on each full month of involuntary active duty following the date on which the member meets the service requirement in paragraph 3.1 and has a monthly active-duty income differential. RIRP payments are based on full months of service only partial payments are not authorized. Changes in pay grade, longevity, number of dependents, and special pays will be taken into account in calculating the RIRP payment in the month following the change.

3.3 Special Conditions

Effective January 29, 2008, the entitlement of an RC member to RIRP payment will commence, or if previously commenced, will continue if the member satisfies the service requirement specified in paragraph 3.1, and is retained on active duty under 10 U.S.C. § 12301(h)(1)(A) or (B) because of an injury or illness incurred, or aggravated while assigned to duty in an area for which special pay under ***37 U.S.C. § 351*** is available.

4.0 RESTRICTIONS

A civilian employee of the Federal Government, who is also a member of an RC is not entitled to a payment of RIRP for any period for which the employee is entitled to a civilian pay differential payment under ***5 U.S.C. § 5538***, as described in Volume 8, Chapter 3, paragraph 5.9; or a comparable civilian pay benefit under an administratively established program for civilian

employees absent from a position of employment with the Federal Government in order to perform active duty in the Uniformed Services.

5.0 PAYMENT

5.1 Frequency

After an RC member has met the service requirement in paragraph 3.1, the member is entitled to payment of RIRP on a monthly basis. Payment is made on the first day of the calendar month after performing a full calendar month of involuntary active-duty service, if the member has a monthly active-duty income differential. See the example in subparagraph 3.1.3.

5.2 Limitation

RIRP payments will be made to an eligible RC member only if the monthly active-duty income differential is greater than $50. The RIRP payment to a member will not exceed $3,000 per month, notwithstanding a higher monthly active-duty income differential.

5.3 Termination of Payment

5.3.1. Payment will terminate when one of the conditions in Table 55-1 is met.

5.3.2. Unless reauthorized by Congress, RIRP may not be paid after the date on the ***Duration of Authority*** table, unless a member's entitlement to RIRP payments commenced on or before that date.

6.0 TAXABILITY

6.1 Federal and State Tax Deduction

RIRP payments are subject to federal and state income tax withholding.

6.2 Federal Insurance Contribution Act (FICA)

RIRP payments are not subject to FICA withholding.

Table 55-1. Date to Terminate RIRP Payment

RULE	When the	then RIRP payment is terminated after
1	member is released from a qualifying period of active duty	the last full month of qualifying service. A partial month is not pro-rated.
2	member no longer meets eligibility requirements due to changes in the TMMC	the last full month of service in which the member had a monthly active-duty income differential. A partial month is not pro-rated.
3	member's monthly active-duty income differential decreases to $50 or less due to changes in TMMC	the last full month of service in which the member had a monthly active-duty income differential exceeding $50. A partial month is not pro-rated.
4	member's order duty status changes from involuntary to voluntary	the last full month of involuntary active duty. A partial month is not pro-rated.

REFERENCES

CHAPTER 55 – RESERVE INCOME REPLACEMENT PROGRAM

2.0 – DEFINITIONS

DoD Instruction (DoDI) 1241.05 May 15, 2018, paragraph G.2

3.0 – RIRP ELIGIBILITY

37 U.S.C. § 910(b)

3.1 DoDI 1241.05 May 15, 2018, paragraph 3.1

3.2 DoDI 1241.05 May 15, 2018, paragraph 3.2.e

3.3 DoDI 1241.05 May 15, 2018, paragraph 3.1.b

4.0 – RESTRICTIONS

37 U.S.C. § 910(b)(3)
5 U.S.C. § 5538

5.0 – PAYMENT

5.2 37 U.S.C. § 910(c)
DoDI 1241.05 May 15, 2018, paragraph 3.3

5.3 37 U.S.C. § 910(g)

VOLUME 7A, CHAPTER 56: "READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
3.2 4.2	Updated bonus amount limitations to comply with current statutes.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 56

READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy guidance pertaining to the accession, affiliation, enlistment, and retention bonuses for members of the RR.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), sections 331 and 332, (*37 U.S.C. § 331* and *37 U.S.C. § 332*). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 OFFICER ACCESSION AND AFFILIATION BONUS

2.1 Officer Accession Bonus

2.1.1. Conditions of Entitlement. Pursuant to 37 U.S.C. § 332(a)(1), and implemented by *DoD Instruction (DoDI) 1304.34*, July 11, 2016, the Secretary concerned may pay an accession bonus to an eligible officer who enters into an agreement with the Secretary:

2.1.1.1. To accept an appointment as an officer in the Armed Forces; and

2.1.1.2. To serve in the Selected Reserve (SELRES) of the RR in a designated skill for the period specified in the agreement.

2.1.2. Skills Designation. The Secretary will designate the officer skills to which the bonus authority is to be applied. A skill may be designated if it is critical to increase the number of members accessed who are qualified in that skill or are to be trained in that skill, or to mitigate a current or projected significant shortage of personnel who are qualified in that skill.

2.2 Officer Affiliation Bonus

2.2.1. Conditions of Entitlement. In accordance with 37 U.S.C. § 332(a)(2) and DoDI 1304.34, the Secretary concerned may pay an affiliation bonus to an eligible officer in the Military Department who enters into an agreement with the Secretary to serve, for the specified period in the agreement, in the SELRES of the RR. The officer must enter into an agreement:

2.2.1.1. To serve in a critical officer skill designated by the Secretary; or

2.2.1.2. To meet a manpower shortage in:

2.2.1.2.1. A unit of that SELRES; or

2.2.1.2.2. A particular pay grade in that Armed Force.

2.2.2. Eligibility Criteria. An officer is eligible for an affiliation bonus if the officer either:

2.2.2.1. Is serving on active duty for a period of more than 30 days; or

2.2.2.2. Is a member of a Reserve Component (RC) not on active duty (if the member formerly served on active duty but was released from active duty under honorable conditions); and

2.2.2.3. Is not entitled to retired or retainer pay.

2.2.3. Critical Skills Designation. The Secretary concerned will designate the critical officer skills to which the bonus authority is to be applied. A skill may be designated as a critical officer skill if it is critical to have a sufficient number of officers who are qualified in that skill.

2.3 Period of Obligated Service

An agreement entered into with the Secretary concerned will require the person entering into that agreement to serve in the SELRES for a specified period. The period specified in the agreement will be any period not less than 3 years that the Secretary determines appropriate to meet the needs of the RC in which the service is to be performed.

2.4 Bonus Amounts

2.4.1. The maximum accession bonus may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

2.4.2. The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

2.5 Payment

2.5.1. Upon acceptance of a written agreement by the Secretary, the total amount of the bonus payable under the agreement becomes fixed. The agreement will specify whether the bonus is to be paid in one lump sum or installments.

2.5.2. A person entitled to a bonus who is called or ordered to active duty will be paid, during that period of active duty, any amount of the bonus that becomes payable to the member during that period of active duty.

2.6 Relation to Other Accession Bonus

A person may not receive an affiliation bonus, accession bonus, and financial assistance through a loan repayment program for the same period of service.

2.7 Repayment

A person or officer who receives a bonus in accordance with 37 U.S.C. § 332, and fails to complete the period of obligated service or other conditions of service specified in the written agreement for which the bonus is paid, must repay any unearned portion of the bonus consistent with ***37 U.S.C. § 373*** and Chapter 2.

2.8 Duration of Authority

Unless reauthorized by Congress, an officer accession or affiliation bonus may not be paid after the date listed on the ***Duration of Authority*** table, located on DFAS.MIL, unless an officer accession or affiliation agreement was entered into prior to the date on the table.

3.0 ENLISTMENT BONUS

The Secretaries concerned may pay a bonus to a person who enlists in or affiliates with the SELRES and agrees to serve for a specified period of obligated service in a designated skill, unit, or pay grade, or to meet some other condition or conditions imposed by the Secretary concerned.

3.1 Eligibility

An enlistment bonus is authorized for individuals who enlist in an RC for a specific period and, if applicable, for service in a skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

3.1.1. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development (GED) program certificate; and

3.1.2. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in the RC of an Armed Force, as defined in subparagraphs 3.1.2.1 and 3.1.2.2.

3.1.2.1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, but was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

3.1.2.2. Prior Service Enlistee. A Prior Service Enlistee is a person who has prior experience but has not previously received an enlistment or retention bonus, or who currently is not entitled to a Selective Retention Bonus (SRB) under section 7.0.

3.1.3. Enlist for at least 2 years in an RC of an Armed Force and serve for a specified period of obligated service in at least one of the following categories:

3.1.3.1. A designated skill;

3.1.3.2. Career field;

3.1.3.3. Unit; or

3.1.3.4. Grade;

3.1.4. Execute a written agreement with the Secretary concerned that specifies the:

3.1.4.1. Amount of the bonus;

3.1.4.2. Method of bonus payment;

3.1.4.3. Period of obligated service; and

3.1.4.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

3.1.5. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

3.1.6. Not have previously received or be eligible to receive an SRB under section 7.0 or a Critical Skills Retention Bonus (CSRB);

3.1.7. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

3.1.8. Meet any additional service specific eligibility criteria and quality standards established by the Secretary concerned.

NOTE: Reservists currently obligated to Military Service under the delayed entry program are not eligible for an enlistment bonus from another Military Service.

*3.2 Amount

The bonus amount to be paid will:

3.2.1. Be fixed upon acceptance of the agreement by the Secretary concerned;

3.2.2. Be paid in a lump sum or in periodic installments; and

3.2.3. 37 U.S.C. § 331 limits the amount not to exceed $75,000 for a minimum 2-year period of obligated service for an enlistment described in paragraph 3.1. The current DoD limit is found in the ***DoD Instruction (DoDI) 1304.31***.

3.3 Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

3.4 Duration of Authority

Unless reauthorized by Congress, an enlistment bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an enlistment bonus agreement was entered into prior to the date on the table.

4.0 ENLISTED AFFILIATION BONUS

4.1 Eligibility

The Secretary concerned may pay an affiliation bonus to an enlisted member who:

4.1.1. Is currently serving on active duty or has served on active duty and is discharged or released under honorable conditions;

4.1.2. Has less than 20 years of total uniformed service;

4.1.3. Provides the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty (copy 1 or copy 4), or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for each period of prior military service;

4.1.4. Executes an agreement to serve as an enlisted member in the SELRES of the RR of an Armed Force for a period of not less than 2 years as specified in subparagraph 3.1.2, in a:

4.1.4.1. Skill;

4.1.4.2. Unit; or

4.1.4.3. Pay grade designated after being discharged or released from active duty under honorable conditions;

4.1.5. Executes a written agreement with the Secretary concerned that specifies the:

4.1.5.1. Amount of the bonus;

4.1.5.2. Method of bonus payment;

4.1.5.3. Period of obligated service; and

4.1.5.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

4.1.6. Is not in receipt of an enlistment, retention, or transfer bonus for the same period of time as an affiliation bonus; and

4.1.7. Has not previously received an affiliation bonus in the SELRES.

*4.2 Amount

The bonus amount:

4.2.1. Is fixed upon acceptance of the agreement by the Secretary concerned;

4.2.2. May be paid in a lump sum or in periodic installments; and

4.2.3. Is limited by 37 U.S.C. § 331 to a maximum amount of $75,000 for a minimum 2-year period of obligated service for an affiliation described in paragraph 4.1. The current DoD limit is found in the DoDI 1304.31.

4.3 Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

4.4 Duration of Authority

Unless reauthorized by Congress, an enlistment affiliation bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an enlistment affiliation bonus agreement was entered into prior to the date on the table.

5.0 PRIOR SERVICE ENLISTMENT BONUS

5.1 Eligibility

The Secretary concerned may pay an individual with prior military service who reenlists in an RC of an Armed Force after a break in reserve duty. The individual must:

5.1.1. Enlist in an RC of an Armed Force;

5.1.2. Reenlist for a period of at least 2 years or extend the initial period of obligated service;

5.1.3. Execute a written agreement with the Secretary concerned to serve as an enlisted member in an RC that specifies the:

5.1.3.1. Amount of the bonus;

5.1.3.2. Method of bonus payment;

5.1.3.3. Period of obligated service; and

5.1.3.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

5.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

5.1.4.1. A designated skill;

5.1.4.2. Career field;

5.1.4.3. Unit; or

5.1.4.4. Grade;

5.1.5. Successfully complete training or retraining and become technically qualified in a designated military skill, when additional training is required;

5.1.6. Provide the original DD 214 (copy 1 or copy 4), or a reproduction of the DD 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior uniformed service, or other official documentation verifying member's satisfactory participation for all periods of prior service in the Regular Component;

5.1.7. Qualify under any additional eligibility criteria prescribed by the Secretary concerned;

5.1.8. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a GED program certificate; and

5.1.9. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in a SELRES of an Armed Force in subparagraph 5.1.2.

5.2 Limitations

A member may not be paid a Prior Service Enlistment Bonus if he/she:

5.2.1. Has previously received an enlistment bonus;

5.2.2. Has previously received or is currently entitled to an SRB per DoDI 1304.31 or a CSRB under ***37 U.S.C. § 355***;

5.2.3. Has more than 16 years of total uniformed service and received a less than honorable discharge at the conclusion of any of the prior periods of service;

5.2.4. Was released or is being released from active duty for the purpose of enlistment in an RC;

5.2.5. Is not projected to occupy a position for which the member previously served successfully and has completed training or retraining in the critical specialty for the position;

5.2.6. Does not execute an agreement to serve in the SELRES of the RR for a period of not less than 3 years as specified in subparagraph 5.1.4; or

5.2.7. Fails to provide the original DD 214 as specified in subparagraph 5.1.6.

5.3 Amount

The bonus amount to be paid will:

5.3.1. Be fixed upon acceptance of the agreement by the Secretary concerned; and

5.3.2. Not exceed $15,000 for each year of obligated service in a reserve component.

5.4 Method of Payment

5.4.1. The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

5.4.2. Members with prior uniformed service who do not require formal training to be technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.

5.5 Repayment

A member who receives all or part of the bonus under the agreement, who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

5.6 Duration of Authority

Unless reauthorized by Congress, a prior service enlistment bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a prior service enlistment bonus agreement was entered into prior to the date on the table.

6.0 NONAVAILABILITY

6.1 RR

Members of the RR who incur a period of authorized absence (such as temporary overseas residence, missionary obligation, or overseas employment obligation) will have their incentive suspended, and will not be entitled to incentive payments. The period of authorized absence may be up to 1 year for valid personal reasons as determined by the Secretary concerned. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. If subsequently assigned to the Reserve status and skill that they had previously contracted for, members may be reinstated in the incentive program if they extend their term of service, or service obligation, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve Service, as appropriate. The date will be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

6.2 SELRES

Members of the SELRES may incur a period of authorized absence of up to 1 year for valid personal reasons as determined by the Secretary concerned. In cases with unusual and extenuating circumstances, the Secretary of the Military Department concerned may grant a one-time suspension up to 3 years on a case-by-case basis. These members will be:

6.2.1. Transferred to the Individual RR or the Inactive National Guard, as appropriate, during the period of authorized absence, and will be suspended from their incentive. During the period of authorized absence, the member will not be entitled to subsequent incentive payments or any incentives available to members of the RR, not in the SELRES; and

6.2.2. If, within 1 year, members are subsequently reassigned to a SELRES skill or unit type that they had previously contracted for, then the members may be reinstated in the incentives program if they extend their term of service, or contract for service, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory creditable SELRES service. The date will be adjusted for that

period of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

7.0 SRB

An SRB authorized under 37 U.S.C. § 331(a)(3) and implemented in DoDI 1304.31, provides a monetary incentive that may be offered to retain adequate numbers of qualified enlisted personnel in certain reenlistment categories. The bonus may be used to obtain the reenlistment or voluntary extension of an enlistment in exchange for a member's agreement to serve for a specified period.

7.1 Eligibility

The Secretary concerned may pay an SRB to a person, including a member of the Armed Forces who reenlists in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

7.1.1. Serve in pay grade E-3 or higher;

7.1.2. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year in an active status in the SELRES in a Military Service;

7.1.3. Execute a written agreement with the Secretary concerned that specifies the:

7.1.3.1. Amount of the bonus;

7.1.3.2. Method of bonus payment (lump sum amount or periodic installments);

7.1.3.3. Period of obligated service; and

7.1.3.4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

7.1.4. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

7.1.4.1. A designated military skill;

7.1.4.2. Career field;

7.1.4.3. Unit; or

7.1.4.4. Grade;

7.1.5. Meet skill qualification prior to payment of an SRB for a member transferring into a designated skill; and

7.1.6. Qualify under any additional eligibility criteria prescribed by the Secretary concerned.

7.2 Limitations

7.2.1. A re-entry or reenlistment must occur no later than 3 months after the date of discharge or release from active duty.

7.2.2. Veterans with more than a 3-month but less than a 4-year break in active status may qualify for reentry after a break in service or prior service reentry, subject to the regulations prescribed by the Secretary concerned.

7.2.3. The original DD 214 (copy 1 or copy 4), a reproduction of the DD 214 with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member's satisfactory participation for all periods of prior service in the active component and SELRES are acceptable documentation of prior active duty service for a break in active duty service greater than 24 hours.

7.2.4. Individuals with prior enlisted service and subsequent service as officers who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same RC of a uniformed service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraph 7.1.

7.2.5. Members who reenlist or voluntarily extend an enlistment to gain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

7.2.6. A member is not eligible for an SRB if the member was discharged or released from active duty, or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

7.2.7. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary concerned to be consistent with the requirements of ***37 U.S.C. § 371***.

7.2.7.1. A preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable.

7.2.7.2. A preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously

authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with an SRB.

7.2.8. An SRB may be paid to an enlisted member with up to 28 years of active duty or service in an active status. The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary of the Military Department concerned.

7.3 Amount

An SRB may not exceed $15,000 for each year of obligated service in an RC. The maximum amount for an SRB is $90,000.

7.3.1. The Secretary concerned must determine the amount of an SRB based on a business case model that targets retention of adequate levels of enlisted personnel in a reenlistment or extension category.

7.3.2. RC members may receive more than one SRB at a time, but the total combined SRB payments over a career must not exceed $180,000.

7.3.3. SRB amounts may be prorated for extension requests greater than 1 year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $90,000 per SRB and $180,000 over a career.

7.4 Method of Payment

An SRB may be paid either in installments or in a lump sum. If an SRB is paid in periodic installments:

7.4.1. The installment amount will be at the discretion of the Secretary concerned and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 28 years of service.

7.4.2. The initial payment to a Service member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

7.4.3. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

7.4.4. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

7.5 Repayment

A member who does not complete the term of enlistment within the element of the SELRES for which the bonus was paid to the member under this section will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

7.6 Duration of Authority

Unless reauthorized by Congress, an SRB may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an SRB agreement was entered into prior to the date on the table.

8.0 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

8.1 Eligibility

Consistent with 37 U.S.C. § 331 the, Secretaries concerned may pay a conversion bonus to a member who agrees to convert to a designated military skill in which there is a shortage of trained and qualified personnel and to serve for a period of not less than 3 years on active duty, or in an active status in the SELRES in that military skill or specialty. In addition to other enlisted bonus program eligibility requirements specified in DoDI 1304.31, a member must:

8.1.1. Be serving in a pay grade E-6 or below with no more than 12 years of service as computed in accordance with ***37 U.S.C. § 205***; and

8.1.2. Have completed all service obligations incurred for receipt of an enlistment or retention bonus, in accordance with 37 U.S.C. §§ 331 or 355 for a CSRB at the time of conversion.

8.2 Amount

The bonus payment will not exceed $10,000 for a reenlistment or conversion that involves an agreement to convert to a designated military skill.

8.3 Payment

The bonus may be payable in a lump sum, upon approval and completion of the conversion training.

8.4 Repayment

A member who does not convert and complete the period of service in the MOS specified in the agreement will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

8.5 Duration of Authority

Unless reauthorized by Congress, an MOS conversion bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless an MOS conversion bonus agreement was entered into prior to the date on the table.

9.0 TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

9.1 Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(4) to an enlisted member who agrees to transfer from the Regular Component to the RR or vice versa of the same service. The member must:

9.1.1. Execute a written agreement with the Secretary concerned that specifies the:

9.1.1.1. Amount of the bonus;

9.1.1.2. Method of bonus payment (lump sum amount or periodic installments);

9.1.1.3. Period of obligated service; and

9.1.1.4. Designated military skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

9.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

9.1.2.1. A designated skill;

9.1.2.2. Career field;

9.1.2.3. Unit; or

9.1.2.4. Grade;

9.1.3. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

9.1.4. Satisfactorily complete all terms of enlistment within their current component; and

9.1.5. Qualify for reenlistment in the Regular Component or RC of the Armed Force to which the member is transferring.

9.2 Amount and Method of Payment

The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). The bonus amount may not exceed $10,000 and is payable upon approval of the Secretary concerned.

9.3 Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

9.4 Duration of Authority

Unless reauthorized by Congress, a transfer between components of a military service bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a transfer between components of a military service bonus agreement was entered into prior to the date on the table.

10.0 TRANSFER BETWEEN MILITARY SERVICES BONUS

10.1 Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(5) to an enlisted member who agrees to transfer and serve in another uniformed service for a specified period in a designated skill, career field, unit, or grade, or to meet some other condition or conditions imposed by the Secretary concerned. The member must:

10.1.1. Execute a written agreement with the Secretary concerned that specifies the:

10.1.1.1. Amount of the bonus;

10.1.1.2. Method of bonus payment;

10.1.1.3. Period of obligated service; and

10.1.1.4. Designated skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

10.1.2. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

10.1.2.1. A designated skill;

10.1.2.2. Career field;

10.1.2.3. Unit; or

10.1.2.4. Grade;

10.1.3. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

10.1.4. Qualify for reenlistment in the Regular Component of the Armed Force to which the member is transferring;

10.1.5. Prior to the transfer, have fulfilled the requirements established by the Secretary with jurisdiction over the Armed Force to which the member is transferring; and

10.1.6. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

10.2 Amount and Method of Payment

The Secretary of the gaining Service may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary concerned. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

10.3 Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2.

10.4 Duration of Authority

Unless reauthorized by Congress, a transfer between military services bonus may not be paid after the date listed on the Duration of Authority table, located on DFAS.MIL, unless a transfer between military services agreement was entered into prior to the date on the table.

*REFERENCES

CHAPTER 56 – READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

2.0 – OFFICER ACCESSION AND AFFILIATION BONUS

	DoDI 1304.34, July 11, 2016
2.1	37 U.S.C. § 332(a)(1)
2.2	37 U.S.C. § 332(a)(2)
2.4	DoDI 1304.34, July 11, 2016, paragraph 3.1.c
2.6	DoDI 1304.34, July 11, 2016, paragraph 1.2.c
2.7	DoDI 1304.34, July 11, 2016, paragraph 3.1.f

3.0 – ENLISTMENT BONUS

	37 U.S.C. § 331(a)(2)
3.0	DoDI 1304.31, November 5, 2020, paragraph 4.1
3.2	DoDI 1304.31, November 5, 2020, paragraph 4.1.e

4.0 – ENLISTED AFFILIATION BONUS

	37 U.S.C. § 331(a)(2)
	DoDI 1304.31, November 5, 2020, paragraph 4.2

5.0 – PRIOR SERVICE ENLISTMENT BONUS

	37 U.S.C. § 331
5.2	DoDI 1304.31, November 5, 2020, paragraph 4.3.b
5.2.6	DoDI 1304.31, November 5, 2020, paragraph 4.3.b.7
5.3	DoDI 1304.31, November 5, 2020, paragraph 4.3.c

6.0 – NONAVAILABILITY

	DoDI 1304.31, November 5, 2020, paragraph 3.1.i

7.0 – SRB

	37 U.S.C. § 331(a)(3)
7.2.8	DoDI 1304.31, November 5, 2020, paragraph 4.4.d.(3)(b)
7.3	DoDI 1304.31, November 5, 2020, paragraph 4.4.d(5)

8.0 – MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

	37 U.S.C. § 331
8.2	DoDI 1304.31, November 5, 2020, paragraph 4.4.e(2)

9.0 – TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

37 U.S.C. § 331(a)(4)
DoDI 1304.31, November 5, 2020, paragraph 4.5.a

10.0 – TRANSFER BETWEEN MILITARY SERVICES BONUS

37 U.S.C. § 331(a)(5)
DoDI 1304.31, November 5, 2020, paragraph 4.5.b

VOLUME 7A, CHAPTER 57: "RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 57

RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)

1.0 GENERAL

1.1 Purpose

This chapter establishes the policy guidance pertaining to reserve entitlements for AD.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlements

2.1.1. AD With Pay. A member of a Reserve Component (RC) serving on AD with pay is entitled to receive pay according to the member's years of service and the grade in which the member is serving.

NOTE: The term AD is defined in the Definitions chapter.

2.1.2. AD Without Pay. An RC member may, with the member's consent, be ordered to AD without pay when authorized by the Secretary of the Military Department concerned. See section 5.0 for entitlement to allowances.

2.1.3. Combination AD and Inactive Duty. An RC member may be paid the equivalent total of more than 360 days of pay in a year, when so directed, if this total is based on a combination of AD pay and inactive duty training (IDT) pay.

2.1.4. Effective Date of Promotion for Increase in Pay and Allowances, Reserve and National Guard Officers. See Table 57-1.

2.1.5. Effective Date of Promotion for Increase in Pay and Allowances, Enlisted Members of the RC. Chapter 1, Table 1-4, rules 8 through 14 apply to these members.

2.2 Saved Pay

The provisions of Chapter 1, paragraph 3.3 apply to RC members.

2.3 Limitation

An RC member cannot be paid inactive duty pay on any day that the member is entitled to AD pay.

2.4 Waiver of Benefits

2.4.1. An RC member who is drawing retirement pay or retainer pay from the United States for prior Military Service, and who performs duty for which the member is entitled to pay, may elect to receive either:

2.4.1.1. The pay and allowances authorized by law for the duty that the RC member is performing. A member who receives military pay and allowances loses entitlement to one calendar day of retired or retainer pay for each calendar day of AD or inactive duty performed. Thus, receipt of military pay for two inactive duty periods performed in one calendar day results in the loss of one calendar day of retired or retainer pay; or

2.4.1.2. If the RC member specifically waives those payments, the retired or retainer pay to which the member is entitled because of the member's earlier military service.

2.4.2. An RC member who is drawing disability compensation or pension from the United States for prior Military Service, and who performs duty for which the member is entitled to pay, may elect to receive either:

2.4.2.1. The disability compensation or pension to which the member is entitled because of the member's earlier military service; or

2.4.2.2. If the RC member specifically waives those payments, the pay and allowances authorized by law for the duty that the member is performing. A member who receives military pay and allowances loses entitlement to Department of Veterans Affairs (VA) disability compensation or VA pension payments for the corresponding number of days of AD or number of inactive duty periods performed. Thus, receipt of military pay for two inactive duty periods performed in one calendar day results in the loss of VA disability compensation or VA pension benefits for two calendar days.

2.4.3. Refer to Chapter 1 subparagraph 3.1.4.3 for reserve members called to duty for more than 30 days during a time of war or national emergency.

2.5 Allotments of Pay

Except as prescribed in paragraph 7.8, an RC member may not have pay allotted. Members of the RC serving on AD under competent orders that specify periods of duty of more than 180 days, or upon involuntary recall, are excluded from this restriction when prescribed in Military Service regulations and may allot their pay, even though such pay is chargeable to Reserve or National Guard appropriations. Chapter 34, section 5.0 applies should a member enter a missing status, and Chapter 57, paragraph 6.4 applies should a member incur a disability.

NOTE: Due to the military pay system limitations, members of an RC are not able to make allotments from their pay.

2.6 Leave

An RC member who serves on AD with pay for periods of 30 consecutive days or more accrues leave at the rate of 2.5 calendar days for each month of AD, excluding periods of:

2.6.1. Absence from duty without leave;

2.6.2. Absence over leave; or

2.6.3. Confinement as a result of a court-martial.

NOTE: The member is entitled to lump-sum settlement of unused accrued leave upon completion of a tour per Table 57-2. When consecutive tours are involved, a member may be reimbursed for unused accrued leave or it may be carried forward, at the member's option, until completion of the final tour. When computing the length of a period of AD, include allowable travel time. See also Chapter 35, paragraphs 2.1 and 2.2, and procedural instructions of the Military Services concerned. Refer to Chapter 35, Tables 35-1 through 35-4 for specific entitlement criteria.

2.7 Allowable Travel Time for Pay Entitlement Purposes

The provisions of Chapter 1, paragraph 3.5 apply to RC members.

3.0 COMPUTATION OF PAY

3.1 Annual Salary

The provisions of Chapter 1, subparagraph 3.2.3 apply to RC members.

3.2 Computation of Monthly Pay

3.2.1. AD for 30 Days or More. When a member is ordered to AD for 30 days or more, and a tour of duty starts on the first day or an intermediate day of a calendar month, the member is entitled to pay and allowances through the 30th day. Payment is not authorized for the 31st day of a calendar month. This includes a member who is ordered to AD for less than 30 days and is continued on AD for 30 days or more by new orders or an amendment to the original orders. When computing the number of days for which pay is due, include the entire period the member actually serves on AD, including allowable travel time. See Table 57-2, rules 1 and 2.

3.2.2. AD for Less Than 30 Days. A member ordered to AD for less than 30 days is entitled to pay and allowances at 1/30 of the monthly rate for each day actually served, including the 31st day of a calendar month. This includes a member ordered to AD for 30 days or more, but released before performing at least 30 days of AD, including allowable travel time. See Table 57-2 rule 3.

3.2.3. AD During February. See Table 57-2, rules 4 through 11.

3.3 Absence From Duty

3.3.1. AD for Less Than 30 Days. Deduct 1/30 of the monthly rate of pay for each day of unauthorized absence.

3.3.2. AD for 30 Days or More. The provisions of Chapter 1, subparagraph 3.2.1 apply to RC members.

3.4 Basic Pay Rates

Reference the ***Military Pay Tables*** for the current monthly rates of basic pay.

4.0 SPECIAL AND INCENTIVE PAYS

4.1 Entitlement

Members of the RC on AD are entitled to special and incentive pays under the same conditions as members of the Regular Component. For exceptions, see paragraphs 4.2 through 4.7.

4.2 Career Sea Duty and Hardship Duty Pay

For career sea duty and hardship duty pay, the ship or duty station at which a member is performing AD is considered the member's permanent duty station.

4.3 Aviation Incentive Pay (AvIP) and Hazardous Duty Incentive Pay (HDIP) for the Performance of Aerial Flights

4.3.1. Entitlement. An RC officer is entitled to AvIP (continuous or conditional) while performing AD, as defined in subparagraph 2.1.1, when the requirements of Chapter 22, section 3.0 have been met and are within limitations and restrictions for AvIP as defined in Chapter 22, paragraph 2.2. Active Guard Reserve aviators will be entitled to AvIP (continuous or conditional) under provisions of Chapter 22, paragraph 3.3.

4.3.2. Excess Flying Time. The excess flying time provisions in Chapter 22 for rated officers, flight surgeons, and rated or designated warrant officers entitled to AvIP, and for enlisted crewmembers entitled to Critical Skill Incentive Pay, apply to an RC member only if on continuous AD for a period of 30 days or more.

4.3.3. Combined Flight Requirements. When a member performs both AD and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month, as defined in Chapter 58, paragraph 3.2.

4.3.4. Flying Pay for Allowable Travel Time. A member on AD for 30 days or less is entitled to flying pay (if otherwise entitled) for travel time from duty station to home, even though the period extends into the following calendar month.

4.3.5. Entitlement to AvIP While on AD for Members Who Perform IDT Without Pay. An officer who performs IDT without pay is entitled to AvIP when performing AD only if the member is considered to be performing aviation service on a career basis.

4.4 Parachute Duty Pay

Parachute jumps performed during periods of AD, or during IDT periods, if performed per Chapter 24, section 3.0, may be used to qualify the member for parachute pay for either type of duty. Parachute jumps performed while on extended active duty do not qualify a reservist for parachute pay in an IDT status.

4.5 Weapons of Mass Destruction Civil Support Team Pay

When determined necessary to address recruitment and retention concerns, the Secretary of the Military Department concerned may pay up to $150 per month in special pay to RC members assigned to Weapons of Mass Destruction Civil Support Teams. In order to be eligible for Weapons of Mass Destruction Civil Support Team pay, a member must be:

4.5.1. Entitled to basic pay for full-time duty in the National Guard;

4.5.2. Fully qualified for Weapons of Mass Destruction Civil Support Team operations; and

4.5.3. Serving on an approved AD tour in excess of 139 days in the DoD designated and certified Weapons of Mass Destruction Civil Support Team position.

4.6 Foreign Language Proficiency Bonus

An officer or enlisted member on AD is entitled to Foreign Language Proficiency Bonus if otherwise entitled under Chapter 19.

4.7 Assignment Incentive Pay (AIP)

An RC member may be authorized to receive AIP. See Chapter 15 for current programs.

5.0 ALLOWANCES

5.1 Basic Allowance for Subsistence (BAS)

5.1.1. Entitlement – AD With Pay. An RC member ordered to AD with pay is entitled to BAS as prescribed in Chapter 25.

5.1.2. Entitlement – AD Without Pay. An RC member ordered to AD without pay is entitled to subsistence in kind or commutation thereof. When a member is ordered to AD without pay and allowances, no payment is authorized.

5.1.2.1. If commutation of subsistence in kind is authorized, then the commutation will be paid at the rate of BAS specified in Chapter 25 that is applicable to the situation.

5.1.2.2. If a military technician (dual status) is performing AD outside the United States without pay, while on leave from technician employment as authorized under *5 U.S.C § 6323*, then the Secretary of the Military Department concerned may authorize a per diem allowance in lieu of the commutation for subsistence.

5.2 Basic Allowance for Housing (BAH)

The provisions of Chapter 26 apply to members of the RC.

5.3 Family Separation Allowance (FSA)

5.3.1. The provisions of Chapter 27 apply to a member of an RC on AD with pay for periods of more than 30 days.

5.3.2. An RC member may be entitled to FSA or Family Separation Housing, depending on the length of tour specified in orders and whether or not dependent travel is authorized at government expense under Chapter 26, section 7.0.

5.4 Station Allowances Outside the United States

The provisions of Chapter 68 apply to members of the RC.

5.5 Clothing Monetary Allowances – Enlisted Members

5.5.1. AD for Periods of 6 Months or Less. An enlisted member of the RC ordered to AD for 6 months or less is not entitled to a clothing monetary allowance, except as specified in subparagraphs 5.5.3 and 5.5.4.

5.5.2. AD for Periods of More Than 6 Months. See Chapter 29 for specific references to enlisted members of the RC ordered to AD for periods of more than 6 months.

5.5.3. Initial Cash Allowance for Enlisted Member. An enlisted RC member is entitled to an initial cash allowance for the purchase of items specifically designated by the Secretary of the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 2.1.

5.5.4. Maternity Clothing. Pregnant enlisted women of an RC are entitled to a supplemental maternity clothing allowance in accordance with the provisions of:

5.5.4.1. Army: ***Army Regulation 700-84***, Chapter 4, section 4-9;

5.5.4.2. Navy: See Chapter 29, Table 29-6;

5.5.4.3. Air Force: Chapter 29, Table 29-7; and

5.5.4.4. Marine Corps: Marine Corps provides supplemental clothing allowances as a combination of in-kind issues and cash payments, see Chapter 29, Table 29-8 for cash payments.

NOTE: Current rates for Tables ***29-6***, ***29-7***, and ***29-8*** are located on the Defense Finance and Accounting Service (DFAS) website.

5.6 Officers' Uniform and Equipment Allowances

See specific references to Reserve officers in Chapter 30.

6.0 MISCELLANEOUS PAYMENTS

6.1 Advance Pay

6.1.1. An RC member in receipt of orders for Permanent Change of Station movement (140 days or more) is entitled to advance pay per Chapter 32, paragraph 2.1. Army and Air Force enlistees with no prior service may be paid an advance pay under the conditions set forth in Table 32-1, rule 4.

6.1.2. A member of an RC (including the Retired Reserve), the Fleet Reserve, or Fleet Marine Corps Reserve, who is mobilized or recalled to AD for any period is entitled to advance pay and allowances per Chapter 32, paragraph 2.2.

6.2 Payments on Behalf of Mentally Incompetent Members

The provisions of Chapter 33 apply to these members.

6.2.1. A member may qualify for disability pay and allowances under the provisions of paragraph 6.4.

6.2.2. A member may be entitled to miscellaneous payments resulting from separation (that is, travel allowance and accrued leave).

6.3 Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents

The provisions of Chapter 34 apply to members of the RC.

6.4 Incapacitation Pay/Disability Entitlements for RC Service Members

6.4.1. RC Service Member Unable to Perform Military Duties

6.4.1.1. Entitlement. In accordance with ***37 U.S.C. § 204(g)*** and DoD Instruction ***(DoDI) 1241.01***, "Reserve Component (RC) Line of Duty Determination for Medical and Dental Treatments and Incapacitation Pay Entitlements," an RC member is entitled to the pay and allowances (incapacitation pay) provided by law or regulation for a member of a Regular Component of corresponding grade and length of service whenever such member is physically disabled as the result of an injury, illness, or disease incurred or aggravated in the line of duty (LOD) while:

6.4.1.1.1. Performing AD;

6.4.1.1.2. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force, approved Electronic Based Distributed Learning, or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

6.4.1.1.3. Traveling directly to or from such duty or training;

6.4.1.1.4. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

6.4.1.1.5. Serving on funeral honors duty;

6.4.1.1.6. Traveling to or from the place at which the funeral honors duty was to be performed; or

6.4.1.1.7. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

6.4.1.2. Special Considerations

6.4.1.2.1. In the case of a member who receives earned income from nonmilitary employment or self-employment performed in any month in which the member is otherwise entitled to pay and allowances under subparagraph 6.4.1.1, the total pay and allowances must be reduced by the amount of such income. In calculating such earned income, income from an income protection plan, vacation pay, or sick leave which the member elects to receive must be considered.

6.4.1.2.2. The total amount of pay and allowances (incapacitation pay) for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service.

6.4.1.2.3. Pay and allowances may not be paid for a period of more than 6 months. The Secretary concerned may extend such period in the interest of fairness and equity.

6.4.1.2.4. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

NOTE: Reference Table 57-3 for specific rules regarding disability entitlements for Reserve Forces.

6.4.2. RC Service Member Able to Perform Military Duties

6.4.2.1. Entitlement. In accordance with 37 U.S.C. § 204(h) and DoDI 1241.01, an RC member who is physically able to perform military duties is entitled, upon request, to a portion of the monthly pay and allowances provided by law or regulation for a member of a Regular Component of corresponding grade and length of service for each month for which the member demonstrates a loss of earned income from nonmilitary employment or self-employment as a result of injury, illness, or disease incurred or aggravated in the LOD while:

6.4.2.1.1. Performing AD;

6.4.2.1.2. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force, approved Electronic Based Distributed Learning, or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

6.4.2.1.3. Traveling directly to or from such duty or training;

6.4.2.1.4. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT;

6.4.2.1.5. Serving on funeral honors duty;

6.4.2.1.6. Traveling to or from the place at which the funeral honors duty was to be performed; or

6.4.2.1.7. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

6.4.2.2. Special Considerations

6.4.2.2.1. The monthly entitlement may not exceed the member's demonstrated loss of earned income from nonmilitary or self-employment. In calculating such loss of income, income from an income protection plan, vacation pay, or sick leave that the member elects to receive will be considered earned income from nonmilitary or self-employment.

6.4.2.2.2. The total amount of pay and allowances for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of a uniformed service of corresponding grade and length of service for that period.

6.4.2.2.3. Pay and allowances may not be paid for a period of more than 6 months. The Secretary of the Military Department concerned may extend such period in the interest of fairness and equity.

6.4.2.2.4. A member is not entitled to benefits if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

6.4.3. Miscellaneous Provisions

6.4.3.1. Duty Without Pay. Duty without pay is considered for all purposes as if it were a duty with pay. The rules in Table 57-3 apply equally to duty with and duty without pay. The rate of pay and allowances applicable is the rate the member would have been entitled to if in a pay status at the time the injury, illness, or disease was incurred or aggravated.

6.4.3.2. Incentive Pay for Hazardous Duty. A member who is entitled to any of the incentive pays identified in Chapters 22 through 24 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the orders to perform the hazardous duty remain in effect, all performance requirements were met, and any other conditions in Chapters 22 through 24 are satisfied.

6.4.3.3. Special Pays. A member who is entitled to any special pays on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the special conditions are met.

6.4.3.4. Disability Not in LOD

6.4.3.4.1. In the case of ordered to AD, not in LOD determinations will cause pay and allowances to cease on the date of expiration of the ordered AD plus allowable travel time, if any, or on the date the member is relieved from AD by competent authority.

6.4.3.4.2. In the case of inactive duty performance, not in LOD determinations cause pay to cease on the day disability occurs.

6.4.4. Termination of Pay and Allowances. Subject to the provisions in Table 57-3, a member's entitlement to pay and allowances while disabled terminates upon:

6.4.4.1. Retirement;

6.4.4.2. Separation for physical disability;

6.4.4.3. Discharge from the RC;

6.4.4.4. For members receiving pay and allowances under subparagraph 6.4.1, determination by the Military Service medical personnel that the member has recovered sufficiently to perform normal military duties, or when actually restored to normal military duties, whichever occurs first. The member must submit to timely Service medical examination(s) necessary for the preparation of required medical certificate(s) in order to extend entitlement to pay and allowances beyond the ordered duty or training period; or

6.4.4.5. For members receiving pay and allowances under subparagraph 6.4.2, when a member can no longer demonstrate a loss of earned income from nonmilitary employment or self-employment as a result of an in LOD condition.

6.5 Payments on Behalf of Deceased Members

6.5.1. Death Gratuity. The eligible beneficiaries of a member of an RC are entitled to payment of death gratuity under the provisions of Chapter 36.

6.5.2. Settling Deceased Members Accounts. The provisions of Chapter 36, section 3.0 apply to members of the RC.

6.5.3. Allowance for Housing to Surviving Dependents. The provisions of Chapter 26, paragraph 10.13 apply to the surviving dependents of RC members who were on AD at the time of death.

6.6 Disability Severance Pay

6.6.1. A member called or ordered to AD for more than 30 days and separated for a physical disability, which was the proximate result of the performance of such duty, is entitled to disability severance pay if otherwise qualified under appropriate personnel regulations.

6.6.2. A member on AD for 30 days or less, or a member on AD training for any period and separated for physical disability resulting from injury, is entitled to disability severance pay when injury was the proximate result of performance of such duty, if otherwise qualified under appropriate personnel regulations.

6.6.3. Computation of disability severance pay will be as prescribed in Chapter 35.

7.0 DEDUCTIONS AND COLLECTIONS

7.1 Income Tax Withholding

7.1.1. Federal Income Tax Withholding (FITW). The FITW provisions of Chapter 44 apply to members of the RC.

7.1.2. State Income Tax Withholding. A reservist's taxable income for FITW purposes is also subject to state tax withholding providing the state has entered into a withholding agreement with the Secretary of the Treasury as published within the Treasury Financial Manual (TFM). See

also ***States and territories that entered withholding agreements with Treasury*** on www.dfas.mil for states that have entered into such an agreement.

7.1.3. Legal Residence. Each member must designate a legal residence and report any change of legal residence. The provisions of Chapter 44, subparagraph 2.6.2 apply to members of the RC.

7.1.4. Local Tax Withholding. Only localities having agreements with the Department of the Treasury, as published in the TFM, are eligible for withholding. Withholding is only mandatory when the reservist resides and performs duty in the same city or county covered by the agreement, and the reservist is a:

7.1.4.1. National Guard member performing duty under ***32 U.S.C. § 502***; or

7.1.4.2. Member of the Ready Reserve participating in scheduled drills or training periods, or serving on active duty for training under ***10 U.S.C. § 10147***.

7.2 Federal Insurance Contributions Act

The provisions of Chapter 45 apply to members of the RC.

7.3 Deductions for Armed Forces Retirement Home (AFRH)

An RC member's pay is not subject to deductions for AFRH.

7.4 Servicemembers' Group Life Insurance

7.4.1. Duty in Excess of 30 Days Specified. The provisions of Chapter 47 apply to members of the RC who are under a call or order to duty that does not specify a period of 30 days or less.

7.4.2. Duty of 30 Days or Less Specified. The provisions of Chapter 58, section 8.0 apply to members of the RC, who are under a call or order to duty that specifies a period of 30 days or less.

7.5 Court-Martial Sentences

The provisions of Chapter 48 apply to members of the RC.

7.6 Non-judicial Punishment

The provisions of Chapter 49 apply to members of the RC.

7.7 Stoppages and Collections Other Than Court-Martial Forfeitures

The provisions of Volume 16, Chapter 3, section 3.0 apply to members of the RC.

7.8 Allotments for National Guard Members

Members of the National Guard who are not on AD are authorized to make one allotment from pay for the payment of premiums under a group life insurance program sponsored by the state military department in which such member holds a National Guard membership or by the state associations of the National Guard. Details covering the administration of the allotment program for National Guard members are contained in the pay procedural instructions of the Military Services concerned.

NOTE: Due to the military pay system limitations, members of an RC are not able to make allotments from their pay.

7.9 TRICARE Dental Program (TDP)

Reserve members on AD with dependents, who meet the eligibility requirements under Chapter 54, paragraph 2.1, may enroll their dependents in the TDP. Enrollment forms are available at the local military dental treatment facility or TRICARE Service Center, with the Health Benefits Advisor or installation point of contact, or on ***TRICARE Dental***. Members must intend to be on AD for the minimum period of enrollment set in Chapter 54, paragraph 2.3.

7.10 Uniformed Services Savings Deposit Program (USSDP)

Members serving on AD who meet the eligibility criteria as set forth in Chapter 51, section 2.0 are eligible to participate in the USSDP.

Table 57-1. Increase in Pay on Promotion – Reserve and National Guard Officers

RULE	When a Reserve officer is	in the	then the effective date of increase in pay and allowances is the
1	promoted to a higher Reserve grade	Army or Air Force Reserve or National Guard	effective date of the promotion stated in the orders (note 1).
2	promoted to a grade above lieutenant (junior grade)	Navy Reserve	date on which member became eligible for promotion to the higher grade (see note 2).
3	promoted to a grade above first lieutenant	Marine Corps Reserve	date on which member became eligible for promotion to the higher grade (see note 2).
4	promoted to the grade of lieutenant (junior grade)	Navy Reserve	date given as date of rank.
5	promoted to the grade of first lieutenant	Marine Corps Reserve	date given as date of rank.

NOTES:

1. For officers serving on AD (other than for training) which is not on the AD list, see Chapter 1, Table 1-4.
2. If an officer has not established the moral and professional qualifications prescribed by the Secretary of the Navy within 1 year after the date on which the President approved the selection board's recommendation for promotion, the officer is entitled to the pay and allowances of the grade to which promoted only from the date appointed to that grade.

Table 57-2. Entitlement to Pay and Allowances for Various Periods of AD

RULE	If a member serves on AD under competent orders for	during the period	then the member is entitled to pay and allowances for AD for	and lump-sum settlement of accrued leave
1	31 days	May 1-31	30 days (note 1)	Yes
2	40 days	Jan 2-Feb 10	39 days (note 1)	Yes
3	29 days	Jan 4-Feb 1	29 days	No
4	28 days	Feb 1-28 (not leap year)	28 days	No
5	28 days	Feb 1-28 (leap year)	28 days	No
6	29 days	Feb 1-29 (leap year)	29 days	No
7	33 days	Feb 6-Mar 10 (not leap year)	35 days (note 2)	Yes
8	29 days	Feb 2- Mar 2 (not leap year)	29 days	No
9	30 days	Feb 2-Mar 2 (leap year)	31 days (note 3)	Yes
10	31 days	Feb 1-Mar 2 (leap year)	32 days (note 3)	Yes
11	29 days	Feb 1-Mar 1 (not leap year)	29 days	No
12	30 days	Jan 2-Jan 31	29 days (note 1)	Yes

NOTES:

1. Member is not entitled to pay and allowances for the 31st day of the calendar month.
2. Member is entitled to pay and allowances for the constructive days of February 29 and 30.
3. Member is entitled to pay and allowances for the constructive day of February 30.

Table 57-3. Disability Entitlements for the Reserve Forces

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
1	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)	X			AD pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
2	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)		X		AD pay and allowances for the period of orders, plus authorized travel time. Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
3	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)			X	AD pay and allowances for the period of the orders, plus authorized travel time	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
4	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)	X			IDT compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8).
5	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)		X		IDT compensation for the day (both periods if two had been scheduled). Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
6	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)			X	IDT compensation for the day (both periods if two had been scheduled)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
7	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
8	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)		X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
9	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)			X	beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
10	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)
11	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence		X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	If a member is physically disabled in LOD while	and the member is not fit for military duty	and the member is fit for military duty and can show lost civilian income Yes	and the member is fit for military duty and can show lost civilian income No	then the member is entitled to	and
12	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from member's residence			X	beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months (notes 3, 5, 6, 9, and 10)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS (note 8)

NOTES:

1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. A member who is called to AD to undergo a physical examination, not incident to a call to AD for more than 30 days, becomes entitled to provisions of rules 1, 2, or 3, as applicable, on the day of incurrence of disability.
3. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of pay and allowances.
4. A member is entitled to compensation (but not retirement point credit) at the rate of 1/30 of monthly basic pay for each scheduled IDT period the member is unable to attend because of the disability; however, there is no entitlement if, while traveling to or from the training or duty site, the member was disabled because of the member's gross negligence or misconduct. This entitlement will be factored into the pay and allowances payable so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
5. The Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.
6. There is no entitlement to pay and allowances beyond the training or duty period if the disability resulted from the member's gross negligence or misconduct.
7. Earned income is the total amount a member received from civilian employment or self-employment. It includes receipts from an income protection plan, vacation pay, or sick leave the member elects to receive.
8. There is no entitlement to medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling to or from the training or duty site.

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

NOTES (Continued):

9. Lost civilian earned income is the difference between the member's normal wages or salary or other earnings (including self-employment earnings) that would have been payable for the disability period had the member been fully engaged in civilian employment, less any payments the member received. Civilian earned income does not include retirement income. The member must report all income from an income protection plan, vacation pay, or sick leave that is received during the disability period. If the sum of all these equals or exceeds the member's usual and customary earned income, then no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAH and BAS).
10. Any military duty, which the member performs, will be factored into the pay and allowances payable in note 2 so that the total payments to the member do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
11. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service.

REFERENCES

CHAPTER 57 – RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD)

2.0 – GENERAL PROVISIONS

2.1.1.	10 U.S.C. § 12315 37 U.S.C. § 204
2.1.2.	10 U.S.C. § 12315 44 Comptroller General Decision (Comp Gen) 613
2.1.3.	Comp Gen B-207339, February 8, 1983
2.2	37 U.S.C. § 907
2.3	37 U.S.C. § 206
2.4	10 U.S.C. § 12316
2.4.1.3.	Comp Gen B-179882, December 4, 1974
2.5	Comp Gen B-176604, August 28, 1972
2.6	10 U.S.C. § 701 37 U.S.C. § 501
2.7	Executive Order (EO) 10153, August 17, 1950, as amended by EO 10649, December 28, 1955

3.0 – COMPUTATION OF PAY

3.2.1.	5 U.S.C. § 5505 54 Comp Gen 952 45 Comp Gen 395
3.2.2.	37 U.S.C. § 1004 54 Comp Gen 952
3.2.3.	47 Comp Gen 515 54 Comp Gen 952
3.3	12 Comp Gen 452 5 U.S.C. § 5505

4.0 – SPECIAL AND INCENTIVE PAY

4.1	37 U.S.C. §§ 331-356
4.5	DoDI 1340.09, January 26, 2018

5.0 – ALLOWANCES

5.1	37 U.S.C. § 1002
5.3	37 U.S.C. § 427(b)
5.5	37 U.S.C. § 418
5.6	37 U.S.C. §§ 415-417

6.0 – MISCELLANEOUS PAYMENTS

6.4.1.	37 U.S.C. § 204(g)
6.4.1.2.1	37 U.S.C. § 204(g)(2)
6.4.2.	37 U.S.C. § 204(h)
6.4.3.1.	10 U.S.C. § 12315
	37 U.S.C. § 1002
6.4.3.4.	37 U.S.C. § 204(b), (g) & (h)
	9 Comp Gen 236
	Comp Gen B-146551, December 13, 1961
6.4.4.1.	47 Comp Gen 531
6.4.4.4.	36 Comp Gen 692
	70 Comp Gen 350
6.6	10 U.S.C. §§ 1203, 1206, 1212
	DoDI 1332.18, November 10, 2022, paragraphs 7.1 and 7.2

7.0 – DEDUCTIONS AND COLLECTIONS

7.1	5 U.S.C. § 5517
	5 U.S.C. § 5520
7.8	37 U.S.C. § 707

Table 57-1 – INCREASE IN PAY ON PROMOTION – RESERVE AND NATIONAL GUARD OFFICERS

Rules 2, 3	37 U.S.C. § 905(a)
	10 U.S.C., Chapter 1405
Rules 4, 5	37 U.S.C. § 905(b)
	10 U.S.C. § 14308
Note 2	10 U.S.C. § 624

Table 57-2 – ENTITLEMENT TO PAY AND ALLOWANCES FOR VARIOUS PERIODS OF AD

Rules 1, 2, 7, 10	5 U.S.C. § 5505
Rules 3, 4, 5, 8, 9, 11	37 U.S.C. § 1004

Table 57-3 – DISABILITY ENTITLEMENTS FOR THE RESERVE FORCES

Rules 1, 4, 7	37 U.S.C. § 204(g)
Rules 2, 3, 5, 6, 8, 9	37 U.S.C. § 204(h)
	10 U.S.C. §§ 1074 and 1074a
Rules 10, 11, 12	37 U.S.C. § 204(g) and (h)
Column D	37 U.S.C. § 402
Note 1	58 Comp Gen 232
Note 2	33 Comp Gen 551

	Comp Gen B-181762, July 18, 1975
Note 3	Comp Gen B-195470, November 14, 1979
Notes 4, 5, 9, 10	37 U.S.C. § 204(h) and (i)
Note 6	37 U.S.C. § 204(i)
Note 7	37 U.S.C. § 204(g)
Note 8	10 U.S.C. § 10

VOLUME 7A, CHAPTER 58: "PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
2.5	Inserted clarification of Muster Duty Allowance.	Addition
8.5	Increased the maximum coverage to $500,000 for Servicemembers' Group Life Insurance.	Revision
Table 58-1	Updated to include the Muster Duty Allowances rates for calendar years 2024 and 2025.	Revision
References	Updated to reflect current statutes and references.	Revision

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CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for IDT for members of the National Guard and Reserve Component. For the purpose of this chapter, the term "Reserve Component" includes both National Guard and Reserve members unless stated otherwise.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 PROVISIONS

2.1 Entitlement

2.1.1. IDT With Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years of service for the performance of each authorized period of:

2.1.1.1. Regular IDT; and

2.1.1.2. Equivalent training, instruction, or duty as specified in Service regulations.

2.1.1.2.1. Army. For details and exceptions, see ***Army Regulation 140-1*** and ***Army Regulation 350-1***.

2.1.1.2.2. Navy. See Bureau of Naval Personnel Instruction 1001.39F CH-1, (***BUPERSINST 1001.39F CH-1***).

2.1.1.2.3. Air Force. See ***Air National Guard Instruction 36-2001*** and ***Air Force Instruction 36-2254 V1***.

2.1.1.2.4. Marine Corps. See ***Marine Corps Order 1001R.1L Ch.*** ;

2.1.1.3. Readiness Management Periods (for Marine Corps, see subparagraph 2.1.2);

2.1.1.4. Additional flying training period (AFTP);

2.1.1.5. Additional Training Periods; and

2.1.1.6. Training that resulted in the successful completion of a course of instruction undertaken by the member, using electronic-based distributed learning methodologies, to accomplish training requirements related to unit readiness or mobilization, as directed for the member by the Secretary of the Military Department concerned (for Marine Corps, see subparagraph 2.1.2).

NOTE: To qualify for pay for a period of IDT, each member must engage in such duty or training for the period (not less than 2 hours) as prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. A member cannot qualify for pay for more than two periods of IDT during a single calendar day.

2.1.2. IDT Without Pay. The Secretary of the Military Department concerned may authorize members of a Reserve Component, with their consent, to IDT without pay.

2.1.3. Combination Active Duty (AD) and Inactive Duty. Members of a Reserve Component may be paid the equivalent total of pay for more than 360 days in a year, when so directed based on the actual entitlement if the total is based on a combination of AD pay and IDT compensation.

2.2 Limitation

A member cannot accrue compensation for IDT performed on a day on which he or she is also entitled to basic pay for AD or on a day on which he or she is entitled to Muster Duty Allowance (MDA).

2.3 Waiver of Benefits

The provisions of Chapter 57, paragraph 2.4 apply to members of a Reserve Component who perform IDT in a pay status.

2.4 Allotment of Pay

Except as prescribed in Chapter 57, paragraph 2.5, there is no authorization for members of a Reserve Component to allot IDT compensation.

*2.5 MDA for Ready Reserve Service Member

2.5.1. Entitlement. The Secretary of Defense may order a member of the Individual Ready Reserve (IRR) without the member's consent, to muster duty one-time each year. A member ordered to muster duty will be required to perform a minimum of 2 hours muster duty, as determined by the Secretary of the Military Department concerned, on the day of muster.

2.5.2. Amount Payable. The General Services Administration Office of Government-wide Policy, Office of Travel, and Relocation Policy calculates the Average Domestic Per Diem Rate to establish the MDA rate. The MDA is 125 percent of the average per diem rate in effect on September 30 of the calendar year preceding the calendar year in which the muster duty is performed. See Table 58-1 for the most current rates; see the ***Muster Duty Allowance*** table on DFAS.MIL.

2.5.3. Payment. A Ready Reserve Service member may be paid the MDA before, on, or after the date on which he or she performs muster duty, but not more than 30 days after that date. The Ready Reserve Service member is not entitled to other payment of any kind, including IDT compensation under paragraph 2.1, for the performance of muster duty.

2.5.3.1. MDA shall constitute the single, flat-rate monetary allowance authorized for the performance of muster duty and shall constitute payment in full to the member, regardless of grade or rank in which serving, as commutation for travel to the immediate vicinity of the designated muster duty location, transportation, subsistence, and the special or extraordinary costs of enforced absence from home and civilian pursuits, including such absence on weekends and holidays.

2.5.3.2. MDA is not the same as drill pay (IDT) or training pay (ADT).

2.5.4. Retirement Point Credit. Muster duty will not be credited in determining entitlement to, nor computing, retired pay.

2.5.5. Collections. From the MDA, collect:

2.5.5.1. Federal Income Tax Withholdings (FITW) at the authorized rate for one-time payments;

2.5.5.2. State Income Tax Withholdings (SITW) at the authorized rate for one-time payments; and

2.5.5.3. The premium for Servicemembers' Group Life Insurance (SGLI) program. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: MDA is not subject to collection of the Federal Insurance Contributions Act (FICA) taxes.

2.6 Electronic Screening Allowance (ESA) Stipend for Ready Reserve Service Member

2.6.1. Entitlement. The Secretary of the Military Department concerned may authorize payment of an ESA stipend to a member of the IRR for participating in the screening performed by electronic means. Electronic screening may be performed in lieu of muster duty performed. A maximum of one ESA is paid during a calendar year. The ESA stipend authorized may not be disbursed in kind. Payment of a stipend to a member of the IRR for participation in screening will be made on or after the date of participation in such screening, but not later than 30 days after such date.

2.6.2. Maximum Amount Payable. The aggregate amount of the ESA stipend paid to an IRR member, in any calendar year, may not exceed $50, regardless of pay grade.

2.6.3. Restriction. ESA stipend is the only monetary compensation authorized to be paid to a member for the performance of electronic screening and will constitute full payment to the member, regardless of the grade or rank in which the member is serving.

2.6.4. Collections. From the ESA stipend, collect:

2.6.4.1. FITW at the authorized rate for one-time payments;

2.6.4.2. SITW at the authorized rate for one-time payments; and

2.6.4.3. The premium for SGLI program. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: ESA stipend is not subject to collection of FICA taxes.

2.7 Funeral Honors Duty Allowance (FHDA)

2.7.1. Entitlement. The Secretary of the Military Department concerned may authorize payment of FHDA to members of the Ready Reserve and the Retired Reserve. A member is entitled to FHDA for a minimum of 2 hours of funeral honors duty (FHD). A maximum of 1 FHDA may be earned and paid in 1 calendar day.

2.7.2. Amount Payable. FHDA is payable at $50 for each FHD period regardless of pay grade, or one-thirtieth of the member's basic pay rate for each FHD period.

2.7.3. Restriction. Except for expenses reimbursed for travel and transportation incident to FHD, the FHDA is the only monetary compensation authorized to be paid to a member for the performance of FHD and will constitute full payment to the member.

2.7.4. Collections. From the FHDA, collect:

2.7.4.1. FITW at the rate claimed on the member's Internal Revenue Service (IRS) ***Form W-4, Employee's Withholding Allowance Certificate***. When a W-4 is not submitted, collect at the rate authorized for one-time payments;

2.7.4.2. SITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2.7.4.3. The premium for SGLI coverage, if elected by Retired Reserve members when performing FHD. See Chapter 47, section 5.0 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: FHDA is not subject to collection of FICA taxes.

2.8 Designated Unit Pay

2.8.1. A member assigned to a unit designated as a high-priority unit of the Selected Reserves (SELRES) by the Secretary of the Military Department concerned is, while performing IDT for compensation, entitled to a maximum of $50 Designated Unit Pay for the performance of each authorized period of:

2.8.1.1. Regular IDT; or

2.8.1.2. Equivalent training, instruction, or duty provided each authorized period is not less than 4 hours duration. Authorized periods, as listed in paragraph 2.1, may be performed on a Sunday or a legal holiday.

2.8.2. A member of a designated unit is entitled to Designated Unit Pay for authorized periods of drill or duty performed with a non-designated unit, but members of a non-designated unit may not receive Designated Unit Pay for authorized periods of drill or duty performed with a designated unit.

2.8.3. From the Designated Unit Pay, collect:

2.8.3.1. FITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2.8.3.2. SITW at the rate claimed on the member's W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments.

NOTE: Designated Unit Pay is not subject to collection of FICA taxes.

2.8.4. No payment of Designated Unit Pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high-priority unit, nor may any payment be made for any period of drill or instruction performed after the date on the ***Duration of Authority*** table.

3.0 INCENTIVE PAY (IP)

3.1 Entitlement

Members of a Reserve Component who are in a pay status and under competent orders are entitled to IP for hazardous duty performed during IDT periods if they otherwise meet the requirements of this section. Members entitled to IP for hazardous duty are entitled to an increase in compensation equal to one-thirtieth the applicable monthly rate for each authorized period of IDT of not less than 2 hours.

3.2 Aviation IP (AvIP), Continuous or Conditional, or Hazardous Duty IP (HDIP) for Flying Duty

3.2.1. Entitlement

3.2.1.1. Members of a Reserve Component who perform IDT in a pay status are entitled to AvIP or HDIP for flying under the conditions of Chapter 22, sections 2.0 or 3.0. The provisions of Chapter 22, paragraph 2.1 or subparagraph 3.2.5, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to otherwise eligible members who are performing IDT. Exception: Minimum flight requirements are one half of those prescribed for a member on AD - that is, 2 hours per month when the calendar month is the IDT period. If a fraction of a calendar month is the IDT period, then flying time required for such period will be as shown in Chapter 22, Table 22-1 under "Inactive Duty."

3.2.1.2. A member, who has performed less than the total number of regularly scheduled drills during a month or a fractional part of a month, must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills actually performed. When scheduled IDT was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

3.2.2. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any AvIP or HDIP flight requirements for that month.

3.2.2.1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. The combined flying time that is in excess of the requirements of the month in which it was performed, or that otherwise cannot be used in the month earned, will be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., AD flying time for AD requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth in subparagraph 3.2.2.1.1 through 3.2.2.1.4.

NOTE: Unless the member is performing continuous AD in excess of 30 days, or unless the AD period extends uninterrupted from one month into the following month, the excess/unused active flying duty hours may not be banked, as described in subparagraph 3.2.2.1.1, for potential application to other requirements.

3.2.2.1.1. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month, all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

Example 1: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 1.5 hours while on inactive duty. The 5.0 hours earned while on AD are in excess to the 2.0 hours required, and the 1.5 hours earned while on

inactive duty are in excess to the 1.0 hour required. The 3.0 hours that are in excess of the AD requirement will be "banked" as AD time if the criteria of the note in subparagraph 3.2.1.1 are met. The 0.5 hour in excess of the inactive duty requirement will be banked as inactive duty time.

3.2.2.1.2. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess AD hours will be applied to the inactive duty requirement. Any remaining excess or unused AD hours will be retained for application to the requirements for other months of AD, if otherwise allowable. If the excess AD hours applied to the inactive duty requirement are not sufficient to meet the inactive duty requirement for that month, then any banked inactive hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days of AD and was in an IDT status for 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 0.5 hour while on inactive duty. The AD flying time is in excess of the AD requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour. Apply 0.5 of the excess AD hours to the inactive requirement. The remaining 2.5 excess AD hours may be banked as AD time, if the criteria of the note in subparagraph 3.2.1.1 are met.

3.2.2.1.3. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the AD requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the AD requirement are not sufficient for a month's AD requirement, then any banked AD hours will be applied. If the AD requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.5 hour of flying duty while on AD and 1.5 hours while on inactive duty. The member has 0.0 hours of AD flying time and 3.0 hours of inactive flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hour. Apply the 0.5 excess inactive duty hours to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.0 hour. In this case, there are no banked AD hours, and the AD requirement remains unfulfilled. Therefore, the 0.5 unused AD hour may be banked as AD time if the criteria of the note in subparagraph 3.2.1.1 are met and the 0.5 hour of unused inactive duty time will be banked as inactive duty time.

3.2.2.1.4. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. The inactive duty hours flown will first be applied to the AD requirement. If the combined active and inactive duty hours flown are not sufficient to meet the AD requirement, then any banked AD hours will also be applied. If the AD requirement is still not satisfied, then the AD hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown are not sufficient for the inactive duty requirement, then any banked inactive duty hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.3 hours of flying duty while on AD and 0.4 hours while on inactive duty. The member has 0.1 hours of AD flying time (because of a period of AD that began near the middle of the previous month and was continuous into the present month) and 0.2 hours of inactive duty flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour.

First, apply the 0.4 hours of inactive duty flying time to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there are 0.1 hours of banked AD flying time, but that also is insufficient, and the AD requirement remains unfulfilled.

Next, apply the 0.3 hours of AD flying time to the inactive duty requirement. Again, the coverage is not sufficient, because it is 0.3 hours short of the inactive duty requirement. In this case, there are 0.2 hours of banked inactive duty flying time, but that also is insufficient, and the inactive duty requirement remains unfulfilled.

Finally, since neither the active nor the inactive requirements are fulfilled, the unused time will be banked as allowed. The unused 0.3 hours of active flying time may be banked as AD time if the criterion of the note in subparagraph 3.2.1.1 is met and the unused 0.4 hour of inactive flying time will be banked as inactive duty time.

3.2.2.2. When AD of less than 30 days continues uninterrupted from one month into the following month, flights performed on IDT may be combined to satisfy requirements for the whole period of AD if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an IDT status from April 1-23. The member did not fly during AD for the training period of April 24 to May 7, or while in an IDT status May 8-31. A total of 1.1 hours of excess flying time was accumulated before April 1. Flying time of 3.4 hours is first applied

to the IDT flight requirements for April (1.6 hours) and then to AD flight requirements for April (1.0 hour). The 0.8 hours of excess flying time during April added to the 1.1 hours of excess flying time accumulated before April results in 1.9 hours of excess flying time available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days of inactive duty requires 1.6 hours; 7 days of AD requires 1.0 hour). See Chapter 22, Table 22-3. Accumulated excess hours first are applied to the IDT flight requirements. Do not credit pay for the period of May 1-7 since 0.3 unused hours available is less than the 1.0-hour requirement.

Example 2: A member performed the following flights while on active and IDT during parts of 2 calendar months. No excess flying hours were available on March 1.

Periods	Time Flown	Flight Requirements
(Inactive) March 1	1.8 hours	1.0 hour
(Active) March 16-31	1.2 hours	2.2 hours
(Active) April 1-9	1.0 hour	1.2 hours
(Inactive) April 10-30	1.6 hours	1.4 hours

NOTE: The continuous period of AD (March 16 to April 9) is an AD period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the AD flight period, which covers parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, a member qualifies for flying pay for each inactive duty period and for the AD periods.

3.2.3. AFTP. A member who performs an AFTP in a pay status, if otherwise qualified, is entitled to IP for flying if he or she meets the flight for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for IDT and the provisions of subparagraphs 3.2.1.1 and 3.2.1.2 may also be used for requirements for periods of AD.

3.2.4. Operational Flying. Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

3.3 AvIP

An officer of a Reserve Component who performs IDT in a pay status is eligible for AvIP under the provisions of Chapter 22, section 3.0.

3.4 Submarine Duty Pay

A member of a Reserve Component who participates in scheduled drills aboard a submarine during underway operations, while under competent orders and in a pay status, is entitled to IP for Submarine Duty.

3.5 HDIP for Parachute Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP for Parachute Duty under the provisions of Chapter 24, section 3.0.

3.5.1. Parachute jumps performed during periods of IDT or AD qualify a member for IP for either duty.

3.5.2. Parachute jumps performed while on extended active duty do not qualify a member for IP in an IDT status (see Chapter 57, paragraph 4.4).

3.6 HDIP for Flight Deck Duty, Demolition Duty, and Experimental Stress Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 24.

3.7 Unmanned Aerial Systems IP and Critical Skills IP

A member of the Air Force Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 22.

4.0 SPECIAL PAY

4.1 Entitlement

Members of a Reserve Component are not entitled to special pay for periods of inactive duty except as noted in the following paragraphs.

4.2 Foreign Language Proficiency Bonus (FLPB)

The Secretary of the Military Department concerned may pay FLPB to a member of a Reserve Component who is certified proficient by the Defense Language Proficiency system of tests in one, two, or three language modalities of reading, listening, and speaking with respect to foreign languages identified on the Services' or ***DoD Strategic Language List***. A member of a Reserve Component, who meets the requirements of Chapter 19, section 2.0; and any additional requirements of the Military Service concerned (see applicable Service FLPB Instructions), is entitled to FLPB for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The total

of FLPB for Ready Reserve Service member must equal the annual FLPB paid to an AD member with the same certified language proficiency.

4.3 Diving Duty Pay

The Secretary of the Military Department concerned may pay a member of a Reserve Component who is entitled to compensation under ***37 U.S.C. § 206***, a special pay in the amounts set forth in Chapter 11, Tables 11-2 through 11-9 for which the member:

4.3.1. Is assigned by orders to the duty of diving;

4.3.2. Is required to maintain proficiency as a diver by frequent and regular dives; and

4.3.3. Is either:

4.3.3.1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or

4.3.3.2. Meeting the requirements to maintain proficiency as described in Chapter 11, subparagraph 2.2.2 while serving in an assignment that includes diving duty other than as a primary duty.

NOTE: A member of a Reserve Component who meets the requirements of Chapter 11, and any additional requirements of the Military Service concerned, is entitled to diving duty pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 11, paragraph 3.4.

4.4 Special Duty Assignment Pay (SDAP)

4.4.1. A member of a Reserve Component who is entitled to compensation under 37 U.S.C. § 206 may qualify for SDAP when the member performs duties designated by the Secretary of the Military Department concerned as extremely demanding requiring a greater than normal degree of responsibility or difficulty, or requiring special qualifications, as described in Chapter 8. A member entitled to SDAP may receive such pay in addition to any other pay or allowances to which entitled. The rate of compensation for such member is provided in Chapter 8, para. 2.3.1.

4.5 Command Pay

The Secretary of the Military Department concerned may designate positions of unusual responsibility that are of a critical nature to an Armed Force under his or her jurisdiction and authorize special pay to officers performing the duties of such a position. An officer of a Reserve Component, who meets the requirements of Chapter 3, section 8.0, and any additional requirements of the Military Service concerned, is entitled to command pay for each day of the performance of duties in a designated position. This applies to days on which regular periods of instruction, or periods of appropriate duty are performed, including periods of instruction received or duty performed on a Sunday or holiday and duties as the Secretary of the Military Department concerned may prescribe.

4.6 Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP)

See Chapter 10.

4.7 Assignment IP (AIP)

The Secretary of the Military Department concerned may pay AIP to a member of a uniformed service who is entitled to compensation under 37 U.S.C. § 206 and performs an assignment, location, or unit designated by the Secretary of the Military Department concerned as described in Chapter 15.

5.0 ALLOWANCES

5.1 Clothing Monetary Allowances, Enlisted Members

Except as provided for in subparagraphs 5.1.1 through 5.1.3, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on IDT.

5.1.1. Special Initial Clothing Monetary Allowance (Navy). Chief Petty Officers of the Naval Reserve who are assigned to SELRES and Voluntary Training Units (VTU) are entitled to a special initial clothing monetary allowance upon first advancement to Chief. Payment will be made in one full prescribed cash portion payment. See Chapter 29, paragraph 3.4 and the ***Military Clothing Allowances*** table on DFAS.MIL.

5.1.2. Quarterly Maintenance Clothing Allowance (Navy). Chief Petty Officers of the Naval Reserve who are assigned to SELRES and VTU, and who maintain satisfactory reserve participation per current Bureau of Naval Personnel policy in the quarter concerned, are entitled to an annual Reserve Maintenance Clothing Allowance (RMA) in the equivalent amount of 18 percent of the ***Special Cash Clothing Replacement Allowances*** (see DFAS.MIL). A Chief Petty Officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter. New Chiefs are not entitled to the RMA until the first day of the following fiscal year after advancement.

5.1.3. Initial Cash Allowance for Enlisted Members. An enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of items specifically designated by the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 2.1.

5.2 Officers' Initial Uniform Allowance

An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of IDT as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See Chapter 30, section 2.0.

5.3 Basic Allowance for Subsistence (BAS)

Enlisted members of a Reserve Component may receive subsistence in kind or a cash commutation for meals when not entitled to basic pay if the member's period of instruction or duty totals at least 8 hours in 1 day. This entitlement is at the discretion of the Secretary of the Military Department concerned who will issue written instructions specifying eligibility criteria. When a cash commutation is authorized, it will be paid at one-thirtieth of the applicable monthly BAS rate from Chapter 25 for each such day authorized, further pro-rated by meal. Breakfast will be pro-rated at 20 percent of the daily BAS rate; lunch and dinner will each be prorated at 40 percent of the daily BAS rate.

6.0 MISCELLANEOUS PAYMENTS

6.1 Pay and Allowances While Disabled

See Chapter 57, paragraph 6.4 for entitlements when a member of a Reserve Component is disabled while performing IDT.

6.2 Payment on Behalf of Deceased Members

6.2.1. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member's misconduct, if the member dies:

6.2.1.1. While on IDT;

6.2.1.2. While traveling directly to or from IDT; or

6.2.1.3. Within 120 days after discharge or release from IDT, if the Department of Veterans Affairs (VA) determines that the death resulted from an injury or disease incurred or aggravated while performing or traveling directly to or from such training.

6.2.2. Eligible Beneficiaries. The provisions of Chapter 36, Table 36-1 apply to members of a Reserve Component.

6.2.3. Determining Eligible Beneficiaries. The provisions of Chapter 36, paragraph 2.5 apply to members of a Reserve Component.

6.2.4. Determination Affecting Entitlement. The provisions of Chapter 36, paragraph 2.6 apply to members of a Reserve Component.

6.2.5. Amounts Payable. The provisions of Chapter 36, paragraph 2.7 apply to members of a Reserve Component.

6.2.6. Expediting Payments. The provisions of Chapter 36, paragraph 2.8 apply to members of a Reserve Component.

6.2.7. Erroneous Payment. The provisions of Chapter 36, paragraph 2.10 apply to members of a Reserve Component.

6.2.8. Settling Deceased Member's Accounts. The provisions of Chapter 36, section 3.0, and Chapter 2 apply to members of a Reserve Component.

6.3 Disability Severance Pay

6.3.1. A member who performs IDT, and is separated for physical disability due to injury, which was the proximate result of the performance of such duty, is entitled to severance pay, if otherwise qualified under appropriate personnel regulations.

6.3.2. Computation of severance pay will be as prescribed in Chapter 35.

6.4 Ready Reserve Service Members' Involuntary Separation Pay (RISP)

6.4.1. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member of the SELRES who has at least 6 years but less than 15 years of service as of the date of discharge from a Reserve Component or involuntary transfer from the SELRES.

6.4.2. Computation

6.4.2.1. Using an official statement of service, determine years of service, computing to three decimal places and rounding to two decimal places. Do not include in the service any days or points for which the member previously received separation, severance, or readjustment pay.

6.4.2.2. Multiply the number of years of service times 15 percent times 62 times the member's daily rate of basic pay if serving on AD as of the date of separation or transfer from the SELRES. The product is the RISP.

Example: A member who is an E-5 over 8 years total service for pay purposes (daily rate of pay $47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 2016, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15 percent x 62 x $47.55 (daily rate of pay) = $2,162.43 RISP.

6.4.2.3. Withhold federal and state income taxes. RISP payments are not subject to FICA or Medicare taxes.

6.4.2.4. A recipient of RISP who later receives basic pay, IDT compensation, or retired or retainer pay will have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

6.4.2.5. A member who has received RISP, who later receives disability compensation from the Department of VA, will have deducted from such disability compensation the total amount of RISP. However, there will be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6.4.2.6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60.

7.0 DEDUCTIONS AND COLLECTIONS

7.1 Income Tax Withholding

See Chapter 44, paragraph 2.1 for provisions for members of a Reserve Component who are performing IDT.

7.2 FICA

See Chapter 45.

7.3 Courts-Martial Sentences

The provisions of Chapter 48 apply to members of a Reserve Component who are performing IDT.

7.4 Non-judicial Punishment

7.4.1. The provisions of Chapter 49 apply to members of a Reserve Component who are performing IDT.

7.4.2. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the IDT compensation to which entitled

during the period of the sentence. This applies also to a member who is on AD when the non-judicial punishment is imposed and reverts to an inactive duty status during the period of the sentence.

7.5 Stoppages and Collections Other Than Courts-Martial Forfeitures

The provisions of Volume 16 apply to members of a Reserve Component who are performing IDT.

7.6 Waiver of Claims for Erroneous Payment of Pay and Allowances

See Volume 16.

7.7 Legal Process for the Enforcement of Child Support and Alimony Obligations

See Chapter 41, section 3.0.

8.0 SGLI PROGRAM FOR RESERVE COMPONENTS

8.1 Basic Coverage

SGLI automatically insures eligible members against death for $500,000, unless the member elects a reduced coverage or declines coverage. SGLI is payable upon the member's death while insured.

8.2 Periods of Coverage

See Chapter 47, Table 47-1.

8.3 Changes in Coverage

See Chapter 47, Table 47-1. A member who is covered for an amount less than the maximum coverage may later apply for increased coverage in writing, with proof of good health, up to the maximum coverage stated in paragraph 8.1.

8.4 Full-Time Coverage

All members of the Ready Reserve and National Guard, who are assigned or attached to a unit or position that requires performing AD, and who will be scheduled to perform at least 12 periods of IDT annually that is creditable for retirement purposes, are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance. Additionally, members of the IRR are automatically insured for full-time SGLI coverage, unless the member elects in writing to decline the insurance, if they volunteer to be mobilized involuntarily and if they are selected by the Secretary concerned, based upon the needs of the service and the grade and military skills of the member. These IRR members may not be carried in this status, and therefore will not be entitled to full-time coverage beyond 24 months from their

separation date from active duty. Services' SGLI procedures must provide for timely determination of the effective start dates for eligible members and stop dates whenever a member does not meet the eligibility criteria. When a member ceases to meet the conditions of eligibility for full-time SGLI coverage, the Service must notify the member of the pending termination of benefits. Also, see Chapter 47, paragraph 2.1.

8.4.1. Member in a Pay Status. SGLI premiums will be collected from the member's AD pay or drill pay whenever possible. This should apply to members who drill regularly, even if they are not scheduled to drill every month. Even though a member may not drill on a particular month and may not receive any pay, premium due is still included in the monthly transfer of funds to the Department of VA and must be collected from the member as quickly as possible. This can be done by deduction either from pay or direct payment from the member. DFAS will establish a debt on the member's pay account and collect the total premium due when pay is due. When a member ceases to meet the conditions of eligibility for SGLI coverage, the member's parent Service must inform DFAS in a timely manner to allow any final premium liability to be deducted from final pay and to preclude further overpayments.

8.4.2. Member in a Non-Pay Status. When a member is insured under an insurance policy purchased by the VA, the Secretary concerned will contribute from the appropriation for AD pay, the share of the cost attributable to insuring the member under this policy during any month in which:

8.4.2.1. The member is in a non-pay status; and

8.4.2.2. The member is assigned to the Ready Reserve of a Uniformed Service, which requires the member to perform at least 12 periods of IDT annually that is creditable for retirement purposes. This includes Direct Remitters who are scheduled to drill but don't attend, in addition to those drilling for points.

Note: Any amounts contributed on behalf of the member must be collected by DoD via direct remittance, if the member has been identified by the Service concerned as a Direct Remitter. Collection may include establishing a debt against the member's pay account and monies collected must be credited to the appropriation from which the contribution was made.

8.4.3. Direct Remitters. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

8.4.3.1. Failure to Make Remittance Within 60 Days. When a member fails to make the direct remittance within 60 days from the due date, the Secretary of the Military Department concerned must notify the member of termination of SGLI coverage unless the member justifies the delinquency to the satisfaction of the Secretary of the Military Department concerned.

8.4.3.2. Termination of SGLI Coverage. When the Secretary of the Military Department concerned determines that the member failed to make direct remittance within 60 days of the due date, the Secretary will send a "Notice of SGLI Termination" to the member's official address. The notice must clearly state that effective 60 days from the date of such notice, the member's SGLI will be terminated. If a member fails to justify the delinquency within 60 days, then the Secretary of the Military Department concerned will send the "Final Notice of SGLI Termination" by certified mail to the member's official address. The Secretary of the Military Department concerned must notify DFAS of the member's effective date of termination. Once SGLI coverage is terminated, it will remain terminated with reinstatement only as approved by the Secretary of VA.

8.4.3.3. Continuation of Coverage. SGLI coverage may be continued if, and only if, the member remits all required premiums within 60 days from the "Notice of SGLI Termination" and justifies the reason for the late payment (subject to approval by the Secretary of the Military Department concerned). A copy of all requests for continuation of SGLI coverage and the Service's final determination will be forwarded within 30 days to:

Director of Compensation
Attn: Termination of SGLI Coverage
ODASD(FMP)(MPP)(Comp)
Washington, DC 20301-4000

*8.5 Part-Time Coverage

Part-time coverage is available to certain eligible members of a Reserve Component who do not qualify for full-time coverage while performing AD under calls or orders of specified periods of 30 days or less. Members may elect coverage of $500,000 or less in $50,000 increments or decline coverage. See Chapter 47, section 5.0 for premium rates.

8.5.1. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage, or before an election of a lesser amount of coverage, are not refunded. If a member elects to increase coverage during a year in which the duty period has already been performed, the difference between the two annual premiums should be collected during the first period of duty in which the member is in a pay status that same year. Proof of good health is required for any increase of coverage. A member may use the SGLI On-Line Enrollment System or electronic ***Servicemembers' Group Life Insurance Election and Certificate*** if permitted, to make election changes.

8.5.2. Continuation of Coverage. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days. For mobilization, see Chapter 47, Table 47-1, rule 8.

8.6 Appellate Leave

See Chapter 47, section 4.0.

8.7 Forfeiture of Coverage

See Chapter 47, paragraph 2.4.

8.8 Refunds

See Chapter 47, paragraph 5.4.

8.9 Settlement of SGLI Claims

See Chapter 47, section 7.0.

8.10 Retired Reserve

Ready Reserve Service members with full-time coverage have 240 days to apply to convert their SGLI coverage to Veterans' Group Life Insurance (VGLI) without proof of insurability. Ready Reserve Service members have a total of 1 year and 120 days to apply for VGLI following separation but must meet good health requirements if they apply more than 240 days following separation.

8.11 Family Coverage Under SGLI

See Chapter 47, section 8.0.

*Table 58-1. MDA

MDA	
Effective	**Amount**
January 1, 2009	$197.86
January 1, 2010	$205.00
January 1, 2011	$215.63
January 1, 2012	$207.28
January 1, 2013	$209.71
January 1, 2014	$210.90
January 1, 2015	$216.25
January 1, 2016	$211.25
January 1, 2017	$230.00
January 1, 2018	$241.25
January 1, 2019	$241.25
January 1, 2020	$237.50
January 1, 2021	$242.50
January 1, 2022	$231.25
January 1, 2023	$236.25
January 1, 2024	$242.50
January 1, 2025	$253.75

*REFERENCES

CHAPTER 58 – PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

2.0 – PROVISIONS

2.1	DoD Instruction (DoDI) 1215.06, March 11, 2014, Incorporating Change 2, July 12, 2022
2.1.1	37 U.S.C. § 206
2.1.2	10 U.S.C. § 12315
	37 U.S.C. § 1002
2.1.3	Comptroller General (Comp Gen) B-207339, February 8, 1983
	37 U.S.C. § 204
2.2	37 U.S.C. § 433(d)
2.3	10 U.S.C. § 12316
	Comp Gen B-179882, December 4, 1974
	Comp Gen B-207913, April 15, 1983
2.5.1	10 U.S.C. § 12319
	37 U.S.C. § 433
2.5.2	37 U.S.C. § 433
2.5.3.1 & 2	37 U.S.C. § 433
2.5.4	10 U.S.C. § 12319(d)
2.6	10 U.S.C. § 10149
	10 U.S.C. § 12319
	37 U.S.C. § 433a
2.7	37 U.S.C. § 435
2.8	37 U.S.C. § 355
	37 U.S.C. § 206(d)(2)
	DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
2.8.4	37 U.S.C. § 355(h)

3.0 – INCENTIVE PAY (IP)

3.1	37 U.S.C. § 351
3.2	Executive Order (EO) 11157, June 22, 1964
	DoDI 7730.67, October 20, 2016
3.2.1	EO 11157, June 22, 1964
3.2.1.1	Comp Gen B-132283, August 21, 1957 (Example 1)
3.2.1.2	EO 11157, June 22, 1964
3.2.2	37 U.S.C. § 351
	EO 11157, June 22, 1964
3.3	37 U.S.C. § 334
	DoDI 7730.67, October 20, 2016
	37 U.S.C. § 206

REFERENCES (Continued)

	EO 11157, June 22, 1964
3.4	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
3.5	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018 Incorporating Change 1, February 2, 2024
3.6	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
3.7	37 U.S.C. § 353 37 U.S.C. § 334 DoDI 7730.67, October 20, 2016

4.0 – SPECIAL PAY

	37 U.S.C. § 353 37 U.S.C. § 352
4.2	37 U.S.C. § 353 DoDI 1340.27, August 17, 2022
4.3	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
4.4	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
4.5	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019
4.6	37 U.S.C. § 351 DoDI 1340.09, January 26, 2018
4.7	37 U.S.C. § 352 DoDI 1340.26, September 25, 2017, Incorporating Change 1, January 11, 2019

5.0 – ALLOWANCES

5.1	37 U.S.C. § 418
5.2	37 U.S.C. §§ 415-417
5.3	37 U.S.C. § 402(e)

REFERENCES (Continued)

6.0 – MISCELLANEOUS PAYMENTS

6.2.1	10 U.S.C. §§ 1475-1476
6.2.2	10 U.S.C. § 1477
6.2.3	10 U.S.C. § 1477
6.2.4	10 U.S.C. § 1480
6.2.5	10 U.S.C. § 1478
6.2.6	10 U.S.C. § 1479
6.2.7	Comp Gen B-132407, August 22, 1957
6.2.8	10 U.S.C. § 2771
	37 U.S.C. § 501(d)
6.3	10 U.S.C. § 1206
6.4	10 U.S.C. § 12732
	10 U.S.C. § 12733
	10 U.S.C. § 12681 Notes

7.0 – DEDUCTIONS AND COLLECTIONS

7.1	10 U.S.C. § 12315
7.3	10 U.S.C. § 802
7.4	10 U.S.C. § 815
	Comp Gen B-165244, October 2, 1968
7.5	37 U.S.C. § 1007
	10 U.S.C. § 8271
	10 U.S.C. § 9837(a)

8.0 – SGLI PROGRAM FOR RESERVE COMPONENTS

8.1 – 8.2	38 U.S.C. §§ 1965-1976
	Title 38, Code of Federal Regulations, PART 9
8.4	10 U.S.C. § 10144
	10 U.S.C. § 12304
8.4.2.2	DoDI 1341.14, January 19, 2017
	Office of Assistant Secretary of Defense Force Management Policy Memo, September 1, 1998

Table 58-1	37 U.S.C. § 433

VOLUME 7A, CHAPTER 59: "PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
4.9	Updated the termination date on the "Duration of Authority" table on DFAS.MIL to comply with the National Defense Authorization Act for Fiscal Year 2024, Public Law 118-31, section 613(d)(8), dated December 22, 2023.	Revision
5.2	Updated the "Servicemembers' Group Life Insurance" paragraph for clarity and accuracy.	Revision
References	Verified and updated supporting statutes and references.	Revision

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CHAPTER 59

PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

1.0 GENERAL

1.1 Purpose

This chapter establishes policy pertaining to the pay and allowances for members of the SROTC.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENTS

2.1 Pay While Attending Training

Under ***Title 37, U.S.C., section 203(c)***, pay for cadets and midshipmen at the U.S. Military, Naval, and Air Force Academies is authorized at a prescribed rate. The rate for a cadet or midshipman, who is a member of the regular component of an Armed Force, will be at the rate of basic pay applicable to the member. These rates apply for:

2.1.1. A cadet or midshipman in the SROTC, while attending training or practice cruises, if the training or cruise is of at least four weeks duration and is completed before the cadet or midshipman is commissioned; or

2.1.2. An applicant for membership in the SROTC program, while attending field training or practice cruises to satisfy the requirements for admission to advanced training.

NOTE: A member or applicant for membership in the SROTC program is not entitled to longevity increases or basic pay while performing authorized travel to or from a training site.

2.2 Advance Pay

See Chapter 32, paragraph 2.10.

2.3 Commutation In Lieu of Uniforms

2.3.1. Army. See Army Regulation ***(AR) 700-84***, Chapter 10.

2.3.2. Navy. See Regulations for Officer Development, Naval Service Training Command *(NSTC) Manual-1533.2D* Series.

2.3.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force Reserve Officers' Training Corps (ROTC) Cadet Payment Programs (Holm Center Instructions 65-101) is available via the Air Force Portal.

2.4 Textbook Allowances, Scholarship Cadets, and Midshipmen

2.4.1. Army. The Commander, U.S. Army Cadet Command prescribes the rates.

2.4.2. Navy. See Naval ROTC (NROTC), NSTC Manual 1533.2D Series.

2.4.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101) is available via the Air Force Portal.

2.5 Restrictions

2.5.1. Travel Allowances. A member or applicant for membership in the SROTC program is not entitled to travel allowances while performing field training or at-sea training, except as authorized in section 8.0.

2.5.2. Special and Incentive Pay. A member or applicant for membership in the SROTC program is not entitled to special or incentive pay, except as provided in section 4.0.

2.5.3. Navy Reserve Drill Pay. Drill payments to Navy SROTC members are authorized only for students selected for advanced training in their freshman and sophomore years, and who specifically request continuation in a drill status.

3.0 SUBSISTENCE ALLOWANCE

3.1. Scholarship Cadets or Midshipmen

Except as prescribed in paragraph 3.7, a member of the SROTC program selected for advanced training is entitled to a monthly subsistence allowance; see the ***SROTC Monthly Subsistence Allowance Table***. Entitlement begins on the day the cadet or midshipman starts advanced training and ends upon the completion of their instruction. In no event, however, will any member receive such pay for more than 30 months.

3.2 SROTC Members Appointed in Reserves

Except as prescribed in paragraph 3.7, a member of the SROTC, enrolled in the first two years of a four-year program, is entitled to a monthly subsistence allowance as provided in the

SROTC Monthly Subsistence Allowance Table when appointed for a maximum of 20 months. A member enrolled in the advanced course is entitled to subsistence as prescribed in paragraph 3.1.

3.3 Non-scholarship SROTC Members Not in Advanced Training

A member of the SROTC who has entered into an agreement under ***10 U.S.C. § 2103a*** is entitled to a monthly subsistence allowance at the rate provided in the SROTC Monthly Subsistence Allowance Table. That allowance may be paid to the member by reason of such agreement for a maximum of 20 months.

3.4 Non-scholarship Cadets or Midshipmen

Non-scholarship cadets and midshipmen are not entitled to subsistence allowance, except as noted in paragraph 4.7.

3.5 Subsistence Allowance for Marine Corps Platoon Leaders Class

Except while serving on active duty, members of the Marine Corps Platoon Leaders Class program are entitled to subsistence allowance at the rates provided in the SROTC Monthly Subsistence Allowance Table. Only members in the sophomore, junior, and senior class (Levels II, III, and IV) are entitled to a subsistence allowance. Members of the freshman class are not entitled to a subsistence allowance. Detailed instructions governing the payment of the subsistence allowance are in the Marine Corps Total Force System Personnel Reporting Instructions Manual.

3.6 Accelerated Completion of Military Instruction

A cadet or midshipman participating in advanced training at an institution that has withdrawn from the program may complete the third and fourth year (or the fourth and fifth year of a five-year program) of military training in the third year (or the fourth year of a five-year program) and be paid subsistence allowance during the fourth academic year (AY) (or the fifth year of a five-year program), as though enrolled for training in the fourth year (or the fifth year of a five-year program).

3.7 Limitations

3.7.1. Deduction for Field Training and At-Sea Training. A cadet or midshipman is not entitled to subsistence allowance while performing field training or at-sea training. During the period of field training or at-sea training, the cadet or midshipman is entitled to basic pay as specified in paragraph 2.1.

3.7.2. Vacation Periods

3.7.2.1. A cadet or midshipman enrolled in the first 2 years of the program is not entitled to subsistence allowance for any period(s) between academic school years, such as for

summer vacations between academic school years. Holiday breaks do not interrupt the entitlement.

3.7.2.2. A cadet or midshipman enrolled in the advanced course is entitled to subsistence allowance uninterrupted by any periods between academic school years, subject only to the overall 20 months (30 months in an approved five-year program) of entitlement limitation and subject to deduction for any periods of field training or at-sea training.

3.7.3. Government Meals Furnished Without Charge. SROTC members will have deducted from their subsistence allowance, on a per-meal basis, the charge for government meals furnished without charge. The total deduction for any day will not exceed 1/30th of the subsistence allowance. This recoupment provision does not apply, when meals are furnished while participating in training events conducted during the AY.

3.8 Payment Procedures

Detailed instructions governing the payment of subsistence allowance to the respective SROTC members are contained in:

3.8.1. Army. See ***AR 145-1***;

3.8.2. Navy. See NROTC, ***NSTC Manual 1533.2A*** Series; and

3.8.3. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101) is accessible via the Air Force Portal.

4.0 SROTC SKILL PROFICIENCY BONUS (SPB)

4.1 Eligibility

The Secretary of the Military Department concerned may pay an SROTC SPB under this section and the DoD Instruction ***(DoDI) 1340.27***, "Military Foreign Language SPB," to a cadet or midshipman of SROTC who:

4.1.1. Is enrolled as a cadet or midshipman of SROTC, as determined in accordance with regulations prescribed by the Secretary of Defense;

4.1.2. Participates in a language immersion program approved for the purposes of SROTC, or in study abroad, or is enrolled in an academic course that involves instruction in a foreign language of strategic interest. A foreign language of strategic interest includes a language listed on the DoD Strategic Language List, or other foreign language of strategic interest, which may be designated by the Secretary of the Military Department concerned as critical for purposes of foreign language SPB to the DoD, as designated by the Secretary of Defense for purposes of this section;

4.1.3. Enters into a written agreement under paragraph 4.3;

4.1.4. Pursues a course of study to acquire a critical foreign language as defined by the Secretary of the Military Department concerned; and

4.1.5. Satisfactorily completes the course. To satisfactorily complete the course, a contracted cadet or midshipmen must attain a letter grade of "B" or higher to warrant the SPB payment.

NOTE: An SROTC member may be paid an SROTC SPB even though the is in the first year of a four-year SROTC course.

4.2 Limitations

4.2.1. SROTC SPB will not be paid retroactively for courses completed at another institution in the event a newly contracted cadet or midshipman transfers from that institution to an ROTC-affiliated college or university or ROTC consortium.

4.2.2. SROTC SPB will not be paid to cadets or midshipmen who take the College Level Examination Program test, distance learning, or on-line courses to receive college credit for foreign language or cultural studies classes.

4.3 Written Agreement

The Secretary of the Military Department concerned will require a contracted cadet or midshipman to enter into a written agreement. The written agreement will specify:

4.3.1. The required status of the cadet or midshipman as a contracted ROTC student while participating in an SROTC SPB course of study;

4.3.2. The amount of the SROTC SPB;

4.3.3. The academic period(s) in which the SROTC SPB will be paid;

4.3.4. The required SROTC SPB course of study or language-related event; and

4.3.5. That the cadet or midshipman will be paid the SPB after satisfactory completion of the SROTC SPB course.

4.3.6. That the cadet or midshipman may be subject to repayment provisions of 37 U.S.C. § 353(g), 37 U.S.C. § 373, and Chapter 2, and any additional stipulations identified by the Secretary concerned.

4.4 Amounts

4.4.1. An SROTC SPB will not exceed $3,000 for each 12-month period that follows a qualifying academic period in which a cadet or midshipmen satisfactorily completes a course of study to develop an SROTC SPB critical skill.

4.4.2. Any SROTC SPB payments for summer language immersion or study abroad programs, combined with any previous SPB payments for that AY, must not exceed the 12-month (full AY) SROTC SPB entitlement (summer immersion payment plus previous SPB payments) limit of $3,000.

NOTE: The Secretary of the Military Department concerned may change the start and end dates of this 12-month period to accommodate different schedules, for their ROTC-affiliated colleges or universities or ROTC consortiums, provided that the newly defined 12-month period reflects a minimum of 365 consecutive days.

4.5 Method of Payment

The SROTC SPB, for a qualifying course(s) or immersion training will only be paid in a lump-sum payment, following the satisfactory completion of that course or immersion training.

4.6 Certification of Proficiency and Waiver

The DoD may waive the annual proficiency certification requirement for an SPB. In order for the DoD to waive this requirement, the contracted cadet or midshipman must satisfactorily complete the course of study, during the qualifying academic period or year preceding the payment of the SPB.

4.7 Monthly Subsistence Allowance

During the period covered by the SROTC SPB, the student is entitled to a monthly subsistence allowance as detailed in section 3.0, even though the student has not entered into an agreement under 10 U.S.C. § 2103a. If paid, the monthly subsistence allowance will be as authorized in the SROTC Monthly Subsistence Allowance Table. An SROTC cadet may only receive a single monthly subsistence allowance.

4.8 Repayment

A member, who is paid a proficiency bonus under this section, but does not satisfactorily complete participation in the language program or study as described in paragraph 4.1 (or does not complete the requirements of the SROTC, as applicable), may be subject to the repayment provisions of Chapter 2. SROTC SPB must not be calculated in the cost of advanced education, should the Secretary of the Military Department concerned choose to exercise his/her written agreement option to seek reimbursement of the cost of a former student's advanced education.

*4.9 Duration of Authority

Unless reauthorized by Congress, SROTC SPB may not be paid after the date on the ***Duration of Authority*** table unless an SROTC SPB agreement was entered into prior to the date on the table.

5.0 DEDUCTIONS

5.1 General

The basic pay of a member, or applicant for membership, in the SROTC program is subject to Federal Income Tax Withholding and Federal Insurance Contributions Act taxes. See the Department of the Treasury ***Internal Revenue Service Publication 15-A*** and Chapter 45, Table 45-1, for tax withholding rates.

*5.2 Servicemembers' Group Life Insurance (SGLI)

Members, cadets and midshipmen of the SROTC are provided SGLI coverage while attending field training or practice cruises in accordance with the Servicemembers' and Veterans' Group Life Insurance ***(VGLI) Handbook, Appendix F***. See Chapter 47, section 2.0 and Chapter 58, section 8.0.

5.3 Allotments

A member or applicant for membership in the SROTC program is not authorized to register allotments.

6.0 DISABILITY BENEFITS

6.1 Entitlements for Cadets and Midshipmen Disabled While En Route To or From Field or At-Sea Training

A cadet or midshipman who is disabled en route to or from field or at-sea training and is otherwise entitled to a subsistence allowance described in section 3.0, is entitled to a subsistence allowance for the day of incurrence of the disability and continuing thereafter, subject to the provisions of section 3.0.

6.2 Entitlement for Cadets and Midshipmen Disabled While Attending Field or At-Sea Training

A cadet or midshipman who is disabled while attending field or at-sea training, is entitled to the monthly cadet rate of pay prescribed in the ***Military Pay Tables*** through the last day of the ordered training period. If the disability continues beyond the ordered tour, the cadet or midshipman, if otherwise entitled, is entitled to a subsistence allowance described in section 3.0.

7.0 PAYMENTS ON BEHALF OF DECEASED MEMBERS

Beneficiaries of any member or applicant for membership in the SROTC program, who dies under the conditions specified in paragraph 6.2 are entitled to Death Gratuity under the provisions of Chapter 36, section 2.0, and unpaid pay and allowances under section 3.0.

8.0 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to SROTC cadets and midshipmen are prescribed in the ***Joint Travel Regulations***.

*REFERENCES

CHAPTER 59 – PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

2.0 – ENTITLEMENTS

2.1	37 U.S.C. § 203(c) 10 U.S.C., Subtitle A, Part III, Chapter 103 10 U.S.C. § 2104(b)(6)(A) and (B)
2.1.1. & 2.1.2.	37 U.S.C. § 209(d)
2.3	DoDI 1215.08, January 19, 2017, Incorporating Change 1, effective March 7, 2018, paragraph 3.9

3.0 – SUBSISTENCE ALLOWANCE

3.1	37 U.S.C. § 209(a) Assistant Secretary of Defense Memo, July 24, 2001 Office of the Under Secretary of Defense (Personnel & Readiness) Memo, August 22, 2005

4.0 – SROTC SPB

4.0	DoDI 1340.27, August 17, 2022
4.1	37 U.S.C. § 353(f)
4.7	37 U.S.C. § 353(b)(2)
4.8	10 U.S.C. § 2005(a)(3) 37 U.S.C. § 353(g) 37 U.S.C. § 353(i)
4.9	Public Law 118-31, section 613(d)(8), December 22, 2023

5.0 – DEDUCTIONS

5.2	Servicemembers' and Veterans' Group Life Insurance Handbook, November 2002, revised August 2023

6.0 – DISABILITY BENEFITS

6.1	10 U.S.C. § 2109
6.2	5 U.S.C. § 8140

7.0 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

10 U.S.C. §§ 1475-1480

8.0 – TRAVEL AND TRANSPORTATION ALLOWANCES

37 U.S.C. § 422

VOLUME 7A, CHAPTER 60: "HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated November 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Merged Chapter 62 into this chapter, updated formatting, and hyperlinks to comply with current administrative instructions.	Revision
2.2	Increased Accession Bonus not to exceed $100,000 in accordance with Title 10 United States Code, section 2128(a).	Revision
Table 60-1	Updated the Stipend and Financial Assistance Grant to include the 2025 – 2026 school year amounts in accordance with Assistant Secretary of Defense Health Affairs Memo dated May 22, 2025.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 60

HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to establish policy pertaining to the Health Professions Scholarship Program for Active and Reserve Service. The Secretary of the Military Department concerned may provide for the payment of all educational expenses incurred by a member of the Armed Forces Health Professions Scholarship Program (AFHPSP), including tuition, fees, books, and laboratory expenses. Such payments, however, will be limited to those educational expenses normally incurred by students at the institution and in the health profession concerned. An educational institution cannot charge the government for educational costs that it does not charge to all students attending their university in pursuit of the degree in question.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.) Titles 10, 26,37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 ACTIVE DUTY

2.1 AFHPSP

2.1.1. Purpose. The purpose of the AFHPSP is to obtain adequate numbers of commissioned officers on active duty who are qualified in the various health professions, including health professionals with specific skills to assist in providing mental health care to members of the Armed Forces.

2.1.2. Responsibility. The Secretary of the Military Department concerned, under regulations prescribed by the Secretary of Defense, may establish and maintain a Health Professions Scholarship and Financial Assistance Program (FAP) for their department. The Secretary of the Military Department concerned will allocate a portion of the total number of scholarships available in their department to health professionals with specific skills in mental health care. This is to assist such members in pursuing a degree at the master and doctoral level, with obligatory periods of military training, in any of the following disciplines:

2.1.2.1. Social work;

2.1.2.2. Clinical psychology;

2.1.2.3. Psychiatry; or

2.1.2.4. Other disciplines that contribute to mental health care programs in that Military Department.

2.1.3. Eligibility. To be eligible for participation in the AFHPSP, a person must be a citizen of the United States and must:

2.1.3.1. Be accepted for admission to, or enrolled in, an institution in a course of study, or selected to receive specialized training, or, if offered, agree to accept residency training in a health profession skill which has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill;

2.1.3.2. Sign an agreement to complete all of the following:

2.1.3.2.1. Complete the educational phase of AFHPSP;

2.1.3.2.2. Accept an appropriate reappointment or designation within his or her military service, if tendered, based upon his or her health profession, following satisfactory completion of AFHPSP;

2.1.3.2.3. Participate in the intern program of his or her service, if selected for such participation;

2.1.3.2.4. Participate in the residency program of his or her service, if selected, or be released from active duty for the period required to undergo civilian residency, if selected for such training;

2.1.3.2.5. Participate in military training while in AFHPSP, under regulations prescribed by the Secretary of Defense; and

2.1.3.2.6. Meet the requirements for appointment as a commissioned officer.

2.1.4. Active–Duty Obligation. A member of AFHPSP incurs an active–duty obligation based upon the following conditions:

2.1.4.1. The period of obligation, as prescribed under regulations by the Secretary of Defense, may not be less than 1 year for each year of participation in AFHPSP;

2.1.4.2. A period spent as a military intern or in residency training will not be creditable in satisfying the active-duty obligation;

2.1.4.3. A member of AFHPSP, who is dropped from AFHPSP for deficiency in conduct or studies or for other reasons, may be required to perform active duty in an appropriate military capacity in accordance with the active-duty obligation imposed in this program;

2.1.4.4. The Secretary of the Military Department concerned may relieve a member of AFHPSP, who is dropped from AFHPSP, from an active-duty obligation, but such relief will not relieve the member from any military obligation imposed by any other law; and

2.1.4.5. A member of AFHPSP, who is relieved of the member's active-duty obligation before the completion of that active-duty obligation, may be given, with or without the consent of the member, any of the following alternative obligations, as determined by the Secretary of the Military Department concerned:

2.1.4.5.1. A service obligation in another Armed Force for a period of time not less than the member's remaining active-duty service obligation;

2.1.4.5.2. A service obligation in a component of the Selected Reserve for a period not less than twice as long as the member's remaining active-duty service obligation; or

2.1.4.5.3. Repayment of a percentage of the total cost incurred pursuant to the repayment provisions of Chapter 2.

2.1.4.6. If a member is relieved of an active-duty obligation by reason of separation because of a physical disability, then the Secretary of the Military Department concerned may give the member a service obligation as a civilian employee. The member may be employed as a health care professional, in a facility of the uniformed services, for a period equal to the member's remaining active-duty service obligation.

*2.2 Accession Bonus (AB)

2.2.1. Eligibility. To be eligible for AFHPSP, an individual must meet the requirements of subparagraph 2.1.3.

2.2.2. Amount. The Secretary of Defense may offer a member, who enters into an agreement under subparagraph 2.1.3.2, an AB not to exceed $100,000.

2.2.3. Relationship to Other Payments. An AB paid to a member is in addition to any other amounts payable under the AFHPSP.

2.2.4. Repayment. A member who receives an AB under this section, but fails to comply with the agreement under subparagraph 2.1.3.2, or fails to commence, or complete the active-duty obligation discussed in subparagraph 2.1.4, will be subject to the repayment provisions of Chapter 2.

2.3 Pay Entitlements

2.3.1. Active Duty. Members participating in AFHPSP will be commissioned officers in the Reserve Component of the Armed Forces and will be ordered to active duty for a period of 45 days during each year of participation. Members in AFHPSP:

2.3.1.1. Pursuing a course of study will serve on active duty in pay grade O–1 with full pay and allowances of that grade.

2.3.1.2. Pursuing specialized training will serve on active duty in a pay grade commensurate with their educational level, as determined by appointment, with full pay and allowances of that grade for a period of 14 days during each year of participation in AFHPSP.

2.3.1.3. Will be detailed as students at accredited civilian institutions, located in the United States or Puerto Rico, for the purpose of acquiring knowledge or training in a designated health profession. This active-duty period may be served at the location where the member is receiving specialized training, if it would otherwise interrupt the member's residency or fellowship training to serve elsewhere on active duty.

2.3.2. Prior Active Service. Effective January 28, 2008, a member, who has been selected as a medical student and who has prior military service at a pay grade with years of service credited for pay, will be paid basic pay at such prior pay grade and years of service, if this rate of basic pay exceeds the rate of basic pay to which he would be entitled as a medical student. The amount of the basic pay will be increased on January 1 of each year by the percentage of increase established by executive order. The member will continue to receive the higher basic pay of his or her prior pay grade until the basic pay for the member's actual grade and years of service credited for pay exceeds the basic pay, he or she is receiving, regardless of whether this occurs before or after the conclusion of his or her participation as a medical student.

2.3.3. Stipend. Except during periods of active duty (see subparagraph 2.3.1), members enrolled in this program are entitled to a monthly stipend shown on Table 60-1. These rates are payable during periods of absence. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance ***(AFHPS&FA) Program Grant*** table on DFAS.MIL.

2.3.3.1. Payment. Payment starts on the date of execution of the oath of office, the date of execution of AFHPSP contract, or the date of commencement of the academic curriculum, whichever is latest. Payment normally continues until the date of graduation or completion of specialized training. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study, and the beginning and end of any active-duty period.

2.3.3.2. Termination. If a member of AFHPSP is suspended or disenrolled from the designated course of training, stipend payments terminate on that date. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases, where the actual award of a professional degree is a prerequisite to re-commissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training, if this date precedes the date of graduation by more than 45 days.

2.3.3.3. Recoupment. Educational costs of AFHPSP and stipends are subject to recoupment when members of AFHPSP are dropped for deficiency in conduct or studies, or when

members, for other reasons, fail to fulfill their contractual agreement as a result of action not initiated by the government. Recoupment is subject to the repayment provisions of Chapter 2.

2.3.4. Advance Pay. Members may be paid an advance pay when reporting for the 45-day active-duty tour, see Chapter 32, paragraph 2.8.

2.3.5. Travel Time. During the active-duty period, including allowable travel time under Chapter 1, Table 1-6, members serve in pay grade O–1 and are normally entitled to full pay and allowances (see Chapter 57) for that grade.

2.3.6. Officer's Initial Uniform Allowance. A member of the AFHPSP is entitled to an initial uniform allowance upon reporting for the first period of active duty, see Chapter 30, section 2.0.

2.3.7. Servicemembers' Group Life Insurance (SGLI). Members, while under this program, are entitled to SGLI coverage for the 45-day active-duty tour. For premiums during active-duty periods, see Chapter 47, section 5.0.

2.3.8. Tax Withholding. Active-duty pay paid under this program is subject to federal income tax withholding (FITW), state income tax withholding (SITW) (if applicable), and federal insurance contribution act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45. Monthly stipends:

2.3.8.1. Paid to students entering AFHPSP are subject to FITW and SITW.

2.3.8.2. Are not subject to FICA.

NOTE: Amounts paid directly to schools on behalf of students for tuition, books, fees, laboratory expenses, and any reimbursements for such items paid to students participating at any time in AFHPSP are not subject to withholding for FITW, SITW, or FICA.

2.3.9. Settlement of Deceased Member's Accounts. See Chapter 36, section 3.0 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

2.3.10. Creditable Service. Except as provided in subparagraph 2.3.10.2, service performed while a member of AFHPSP will not be counted in:

2.3.10.1. Determining eligibility for retirement, other than by reason of physical disability incurred while on active duty as a member of AFHPSP; or

2.3.10.2. Computing years of service creditable.

2.3.10.3. The Secretary of the Military Department concerned may authorize service performed by a member of AFHPSP, in pursuit of a course of study under this section, to be counted as creditable service, if the member:

2.3.10.3.1. Completes the course of study;

2.3.10.3.2. Completes the active-duty obligation; and

2.3.10.3.3. Possesses a specialty designated by the Secretary of the Military Department concerned as critically needed in wartime.

2.3.10.4. Service credited under subparagraph 2.3.10.2 counts only for the award of retirement points for the computation of years of service and retired pay.

2.3.10.5. The number of points credited to a member under subparagraph 2.3.10.3.1 for a year of participation in the course of study is 50. The points will be credited to the member at the end of each year after the completion of the course of study, when the member serves in the Selected Reserve and is credited with at least 50 points.

2.3.10.6. Service may not be counted under subparagraph 2.3.10.2 for more than 4 years of participation in the course of study as a member of AFHPSP.

2.3.10.7. A member is not entitled to any retroactive award of, or increase in, pay or allowances by reason of an award of service credit under subparagraph 2.3.10.2.

2.4 FAP

2.4.1. Grant. Effective July 1, 2008, a member participating in the AFHPSP specialized training will be paid an annual grant in an amount not to exceed $45,000, in addition to the stipend under subparagraph 2.3.3. For the most current rates, see Table 60-1 and the AFHPS & FA Program Grant table on DFAS.MIL.

2.4.1.1. A grant is paid annually based on the rate in effect on the date of entitlement.

2.4.1.2. A grant is prorated only for partial years of participation, to include the final payment. Subsequent installments are to be issued on the anniversary date of the initial payment.

2.4.1.3. The amount of the grant is reviewed and increased as appropriate in the same manner as provided for the stipend.

2.4.1.4. Payment starts on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of the academic curriculum, whichever is latest.

2.4.1.5. Payment will continue until the date of graduation or completion of specialized training, unless the program participant is suspended or disenrolled from the designated course of study or specialized training or fails to comply with terms of the program agreement, Service policy, or regulation.

2.4.1.6. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

2.4.2. Recoupment. A member of the FAP who fails to complete specialty training because of a deficiency in conduct or studies, or who, for other reasons, fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or a portion of payments received during participation in FAP. Recoupment is subject to the repayment provisions of Chapter 2.

3.0 RESERVE DUTY

3.1 Pay Computation

3.1.1. Stipend. When a participant has agreed to serve in the Selected Reserve, the amount of a stipend listed on Table 60-1, or one-half of that rate if the participant has agreed to serve in the Individual Ready Reserve. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance (AFHPS & FA) Program Grant table on DFAS.MIL.

3.1.1.1. Payment. The stipend is payable during specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

3.1.1.2. Termination. When an officer's eligibility for the stipend program is terminated, the officer no longer is entitled to receive a stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the DoD.

3.1.1.3. Recoupment. A member of the program who, under regulations prescribed by the Secretary of Defense, is dropped from the program for deficiency in training, or for other reasons, will be required:

3.1.1.3.1. To perform 1 year of active duty for each year (or part thereof) for which such person was provided financial assistance under this section; or

3.1.1.3.2. To comply with the repayment provisions of ***37 U.S.C. § 373*** and Chapter 2.

NOTE: The Secretary of the Military Department concerned may relieve a member who is dropped from the program from any requirement that may be imposed under subparagraph 3.1.1.3, but such relief will not relieve the member from any military obligation imposed by any other law.

3.1.1.4. Prohibition of Duplicate Benefits. Financial assistance may be provided under this section to a member receiving financial assistance under ***10 U.S.C. § 2107***.

3.1.2. Servicemembers' Group Life Insurance. For coverage, see Chapter 47, section 2.0. For premiums during active-duty periods, see Chapter 47, section 5.0.

3.1.3. Tax Withholding. Active-duty pay paid under this program is subject to FITW and FICA withholding in the same manner as prescribed in Chapters 44 and 45. Monthly Stipends:

3.1.3.1. Paid to students entering the program are subject to FITW.

3.1.3.2. Are not subject to FICA withholding.

3.1.4. Settlement of Deceased Members' Accounts. See Chapter 36, section 3.0 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

3.2 Required Active-Duty Training

3.2.1. Selected Reserve. A person who is required under the agreements described in paragraphs 3.3 through 3.7 to serve in the Selected Reserve will serve not less than 12 days of active duty for training each year during the period of service required by the agreement.

3.2.2. Nonavailability. Members of the Ready Reserve, who incur a period of authorized nonavailability, will be suspended without recoupment from their incentive. If subsequently assigned to the Reserve status and skill originally contracted for, then members may be reinstated in the incentive program if they extend their term of service or contract for service to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve service, as appropriate. These members are assigned temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the period of authorized nonavailability and are required to extend their Selected Reserve service agreement for a period that equals the period of authorized nonavailability.

3.2.2.1. Members of the Selected Reserve may incur a period of authorized nonavailability for up to 1 year for valid personal reasons as determined by the Secretary of the Military Department concerned.

3.2.2.2. During the period of nonavailability, a member is suspended without concurrent recoupment. A member will not be entitled to subsequent payments or any other available incentives.

3.2.2.3. An officer is entitled to stipend payments when the anniversary date of satisfactory and creditable Ready Reserve service is adjusted for the period of authorized nonavailability.

3.3 Medical and Dental School Students

3.3.1. Eligibility. The Secretary of the Military Department concerned may enter into an agreement with a person who:

3.3.1.1. Is eligible to be appointed as an officer in a Reserve Component (RC);

3.3.1.2. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in medicine or dentistry;

3.3.1.3. Signs an agreement that, unless sooner separated, the person will:

3.3.1.3.1. Complete the educational phase of the program;

3.3.1.3.2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3.3.1.3.3. Participate in a residency program; and

3.3.1.4. If required by regulations prescribed by the Secretary of Defense, agrees to apply for (if eligible) and accept (if offered), residency training in a health profession skill, which has been designated by the Secretary of Defense as a critically needed wartime skill.

3.3.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in medicine or dentistry while enrolled in an accredited medical or dental school. The participant shall:

3.3.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Ready Reserve.

3.3.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.3.2.3. Agree to serve in the Selected Reserve, upon successful completion of the program, for the period of 1 year for each 6 months, or part thereof, for which the participant is provided a stipend pursuant to the agreement.

NOTE: In the case of a participant who enters into a subsequent agreement under section 5.0 and successfully completes residency training in a specialty designated by the Secretary of Defense as a specialty critically needed by the Military Department in wartime, the requirement to serve in the Selected Reserve may be reduced to 1 year for each year, or part thereof, for which the stipend was provided while enrolled in medical or dental school.

3.4 Physicians and Dentists in Critical Wartime Specialties

3.4.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.4.1.1. Is a graduate of a medical school or dental school; and

3.4.1.2. Is eligible for appointment, designation, or assignment as a medical officer or dental officer in the RC of the Armed Force concerned or has been appointed as a medical or dental officer in the RC of the Armed Force concerned; or

3.4.1.3. Is enrolled or has been accepted for enrollment in a residency program for physicians or dentists in a medical or dental specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

3.4.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period of the residency program in which the participant enrolls or is enrolled. The participant shall:

3.4.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as a medical officer or dental officer for service in the Ready Reserve.

3.4.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.4.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

3.5 Registered Nurses in Critical Specialties

3.5.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.5.1.1. Is a registered nurse;

3.5.1.2. Is eligible for appointment as a Reserve Officer for service in an RC as a nurse; and

3.5.1.3. Is enrolled or has been accepted for enrollment in an accredited program in nursing in a specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

3.5.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the

remainder of the period of the nursing program in which the participant enrolls or is enrolled. The participant shall:

3.5.2.1. Not be eligible to receive such stipend before being appointed as a Reserve Officer for service in the Ready Reserve as a nurse.

3.5.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.5.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

3.6 Baccalaureate Students in Nursing or Other Health Professions

3.6.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.6.1.1. Will, upon completion of the program, be eligible to be appointed, designated, or assigned as a Reserve officer for duty as a nurse or other health professional; and

3.6.1.2. Is enrolled, or has been accepted for enrollment, in the third or fourth year of:

3.6.1.2.1. An accredited baccalaureate nursing program; or

3.6.1.2.2. Any other accredited baccalaureate program leading to a degree in a health profession designated by the Secretary of the Military Department concerned as a profession critically needed by that Military Department in wartime.

3.6.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a monthly stipend in the amount contained in subparagraph 3.1.1 for the period or the remainder of the period of the baccalaureate program in which the participant enrolls or is enrolled. The participant shall:

3.6.2.1. Not be eligible to receive such stipend before enlistment in the Ready Reserve.

3.6.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

3.6.2.3. Agree to serve, upon graduation from the baccalaureate program, 1 year in the Selected Reserve for each year, or part thereof, for which the stipend is paid.

3.7 Mental Health Professionals in Critical Wartime Specialties

3.7.1. Eligibility. Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

3.7.1.1. Is eligible to be appointed as an officer in an RC;

3.7.1.2. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in clinical psychology or social work;

3.7.1.3. Signs an agreement that, unless earlier separated, the person will:

3.7.1.3.1. Complete the educational phase of the program;

3.7.1.3.2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3.7.1.3.3. Participate in a residency program if required for clinical licensure in a mental health profession skill; and

3.7.1.4. If required by regulations prescribed by the Secretary of Defense, agrees to apply for, if eligible, and accept, if offered, residency training in a mental health profession skill that has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill.

3.7.2. Agreement. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in subparagraph 3.1.1, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in clinical psychology or social work while enrolled in a school accredited in the designated mental health discipline. The participant shall:

3.7.2.1. Not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Selected Reserve.

3.7.2.2. Be subject to such active-duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Selected Reserve.

3.7.2.3. Agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

*Table 60-1 – Stipend and Financial Assistance Program Grant
For the most current rates, see the AFHPS & FA Program Grant table on DFAS.MIL.

STIPEND Effective	STIPEND Amount	GRANT Amount
July 1, 2025	$2,999.00	$45,000
July 1, 2024	$2,870.00	$45,000
July 1, 2023	$2,728.00	$45,000
July 1, 2022	$2,608.00	$45,000
July 1, 2021	$2,540.00	$45,000
July 1, 2020	$2,466.00	$45,000
July 1, 2019	$2,391.60	$45,000
July 1, 2018	$2,330.78	$45,000
July 1, 2017	$2,276.10	$45,000
July 1, 2016	$2,230.90	$45,000
July 1, 2015	$2,200.73	$45,000
July 1, 2014	$2,178.90	$45,000
July 1, 2013	$2,157.30	$45,000
July 1, 2012	$2,122.00	$45,000
July 1, 2011	$2,088.00	$45,000
July 1, 2010	$2,060.00	$45,000
July 1, 2009	$1,992.00	$45,000

*REFERENCES

CHAPTER 60 – HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE AND RESERVE SERVICE

2.0 – ACTIVE DUTY

2.1.1.	10 U.S.C. § 2121(a)(1)
2.1.2.	10 U.S.C. § 2121(a)(2)
2.1.3.	10 U.S.C. § 2122
2.1.4.	10 U.S.C. § 2123
2.2.1.	Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, April 25, 2011
2.2.2.	10 U.S.C. § 2128(a)
2.2.3.	10 U.S.C. § 2128(b)
2.2.4.	10 U.S.C. § 2128(c)
2.3.1.	10 U.S.C. § 2121(c)(1)
2.3.1.3.	10 U.S.C. § 12207
2.3.2.	10 U.S.C. § 2121(c)(2) 37 U.S.C. § 1009
2.3.3.	10 U.S.C. § 2121(d)
2.3.4.	37 U.S.C. § 1006(i)
2.3.6.	37 U.S.C. § 415 10 U.S.C. § 2121(c)
2.3.7.	38 U.S.C. §§ 1965-1976
2.3.8.	26 U.S.C. § 117
2.3.9.	10 U.S.C. § 2771
2.3.10.	10 U.S.C. § 2126
2.3.10.1.2.	37 U.S.C. § 205
2.3.2.1.2.	10 U.S.C. § 2123(a)
2.3.10.2.2.	10 U.S.C. §§ 12732 and 12733
2.3.10.2.3.	10 U.S.C. § 12732(a)(2) 10 U.S.C. §§ 12732(a) and 12733
2.4.1.	DoD Instruction 6000.13 December 30, 2015, Incorporating Change 1, May 3, 2016 10 U.S.C. § 2127(e)

3.0 – RESERVE DUTY

3.1	10 U.S.C. § 16201(g) 10 U.S.C. § 16203 10 U.S.C. § 2121(d)
3.1.1.	Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, May 22, 2025
3.1.2.	38 U.S.C. §§ 1965-1976
3.1.3.	26 U.S.C. § 117
3.1.4.	10 U.S.C. § 2771

	37 U.S.C. § 501(d)
3.2.1.	10 U.S.C. § 16202
	DoD Instruction (DoDI) 6000.13, December 30, 2015, Incorporating Change 1, May 3, 2016
3.2.2.	DoDI 1205.21, September 20, 1999
3.3	10 U.S.C. § 16201(b)(2)
3.4	10 U.S.C. § 16201(c)(2)
3.5	10 U.S.C. § 16201(d)(2)
3.6	10 U.S.C. § 16201(e)(2)
3.7	10 U.S.C. § 16201(f)(2)

Table 60-1 – STIPEND and FINANCIAL ASSISTANCE PROGRAM GRANT

ASD HA Memo, May 22, 2025
ASD HA Memo, April 16, 2024
ASD HA Memo, June 1, 2023
ASD HA Memo, May 12, 2022

VOLUME 7A, CHAPTER 61: "BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 61

BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)

1.0 GENERAL

1.1 Purpose

The Secretary concerned may pay bonus to individuals with previous military service who reenlist in the reserve component of a Military Service after a break in active duty or reserve duty, or eligible service member who transfer to or from the IRR to the regular component of the same Military Service or who transfers to another Military Service, and signs an agreement with the Secretary of the Military Department concerned to serve on active duty or in an active status for a specified period in a Reserve Component (RC) of an Armed Force for assignment to (other than the Selected Reserve (SELRES)) the IRR.

1.2 Authoritative Guidance

The pay policies and requirements established by the Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.), section 331 (***37 U.S.C. § 331***) and ***DoD Instruction (DoDI) 1304.31*** – Enlisted Bonus Program. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DURATION OF AUTHORITY

Unless reauthorized by Congress, a bonus may not be paid for service provided after the date listed on the ***Duration of Authority*** table for the IRR bonus programs unless the bonus agreement was entered into prior to the date on the table.

3.0 BONUS

The Secretary concerned may offer a prior service reenlistment bonus or transfer bonus to individuals or Service members who:

3.1 Prior Service Reenlistment Bonus

The Secretary of the Military Department may offer a prior service reenlistment bonus to individuals with previous military service who reenlist in the IRR of the Reserve Component of a Military Service after a break in active duty or reserve duty;

3.2 Bonus For Transfer Between Components of a Military Service Includes Transfers From:

3.2.1. A regular component of an Armed Force to the IRR of the Ready Reserve of that same Armed Force; or

3.2.2. The IRR of the Ready Reserve of an Armed Force to the regular component of that same Armed Force.

3.3 Bonus For Transfer Between Military Services Includes Transfers From:

3.3.1. A regular component or RC of an Armed Force to the IRR of the Ready Reserve of another Armed Force, subject to the approval of the Secretary with jurisdiction over the Armed Force to which the member is transferring; or

3.3.2. The IRR of the Ready Reserve to a regular component or RC of another Armed Force, subject to the approval of the Secretary with jurisdiction over the Armed Force to which the member is transferring.

4.0 ELIGIBILITY

To be eligible for a bonus listed in this section an individual or IRR Service member must not only meet the eligibility requirement in paragraph 3.1.b. of DoDI 1304.31, but also the additional requirements for the bonus listed below:

4.1 Prior Service Reenlistment Bonus

4.1.1. Not have previously received, or currently be entitled to, an Selected Retention Bonus in accordance with Chapter 9 or a critical skills retention bonus in accordance with ***37 U.S.C. § 355***.

4.1.2. Not have more than 16 years of total military service and have received an honorable discharge at the conclusion of all previous periods of service.

4.1.3. Not have been released, or not be released, from active duty for the purpose of enlistment in a Reserve Component.

4.1.4. Provide either:

4.1.4.1. The original DD Form 214 (copy 1 or copy 4);

4.1.4.2. A reproduction of the DD Form 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted on the reproduction for any period of previous military service; or

4.1.4.3. Other official documentation verifying member's satisfactory participation for all periods of previous service in the Active Component and Selected Reserve.

4.1.5. Successfully complete any additional training or re-training required to become technically qualified in a designated critical skill for which the member is projected to occupy.

4.1.6. Reenlist for at least 3 years in the Regular or Reserve Component of a Military Service for the purpose of qualifying for award of a prior service reenlistment bonus in accordance with this issuance.

4.1.7. Execute an agreement to serve as an enlisted member in the Regular or Reserve Component of a Military Service for a period of not less than 3 years upon acceptance of the agreement by the Secretary of the Military Department concerned.

4.2. Intra-Service Transfers Within Service Components

4.2.1. The member has satisfactorily completed all terms of enlistment within their current component.

4.2.2. The member is qualified for reenlistment in the Regular or Reserve Component of the Military Service to which the member is transferring.

4.2.3. The member agrees to remain in the component of the Military Service for which the transfer bonus is offered for a minimum 2-year period.

4.2.4. The member has fewer than 15 years of active service time.

4.2.5. A member may not receive an intra-service transfer bonus in conjunction with an affiliation bonus.

4.3. Inter-Service Transfers Between Components and Services

4.3.1. The member has satisfactorily completed all terms of enlistment in a Military Service as defined in the Service specific policy.

4.3.2. The member is qualified for reenlistment in the Regular or Reserve Component of the Military Service to which the member is transferring.

4.3.3. Before the transfer, the member has fulfilled the requirements established by the Secretary of the gaining Military Department.

4.3.4. The member must sign a written agreement to remain in the Military Service for which the transfer bonus is offered for a minimum 3-year period.

4.3.5. The member has fewer than 15 years of active service time.

4.3.6. The member has not received an inter-Service transfer bonus in conjunction with an affiliation bonus.

4.4 Called or Ordered to Active Duty

A person entitled to a bonus, who is called or ordered to active duty, will be paid during that period of active duty any amount of the bonus that becomes payable to the member.

5.0 MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

5.1 Maximum Amount

The Secretary concerned shall determine the amount of a bonus to be paid under this section, except that:

5.1.1. A bonus paid under subparagraph 3.1 may not exceed $15,000 for each year of obligated service.

5.1.2. A bonus paid under subparagraphs 3.2 and 3.3 may not exceed $10,000.

5.2 Lump Sum or Installments

A bonus under this section may be paid in a lump sum or in periodic installments, as determined by the Secretary concerned.

5.3 Fixing Bonus Amount

Upon acceptance by the Secretary concerned of the written agreement, the total amount of the bonus to be paid under the agreement shall be fixed.

6.0 OBLIGATION

A member must be contractually obligated to serve satisfactorily, as prescribed by the regulations of the Military Service concerned, in the IRR for the full term of reenlistment or transfer. As a condition of receipt of the bonus, recipients must agree to participate in an annual muster of the RC or on active duty for training, as may be required by the Secretary concerned.

6.1. Service

Participants must obligate themselves to continue to serve in the same Military Occupation Specialty (MOS) unless excused for the convenience of the Government.

6.2. Transfers

A bonus recipient who later transfers to the SELRES is not required to refund the IRR bonus. Bonus recipients who transfer to the SELRES are not eligible for a SELRES reenlistment bonus during the period for which an IRR bonus was paid.

7.0 TERMINATION OF BONUS ENTITLEMENT

Entitlement to the IRR bonus will be terminated under the following conditions in paragraphs 6.1 through 6.5.

7.1 Participation

The member fails to participate satisfactorily in the IRR in accordance with the regulations of the Military Service concerned.

7.2 Civilian Position

The member accepts a federal civilian position where membership in the SELRES is a condition of employment (persons on temporary assignment excluded).

7.3 Separation

The member is separated from the IRR as an enlisted member for any reason (including enlistment or voluntary recall into the active forces).

7.4 Officer Commissioning Program

The member becomes a simultaneous member of an authorized officer program drawing a stipend.

7.5 Non-Qualified MOS

The member moves to a non-bonus-qualified MOS unless at the express direction of the Military Service concerned (through no fault of the member).

8.0 RECOUPMENT OF PAYMENTS

See Chapter 2.

REFERENCES

CHAPTER 61 – BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR)

2.0 – DURATION OF AUTHORITY

37 U.S.C. § 331(h)

3.0 – BONUS

3.1	37 U.S.C. § 331(a) DoD Instruction (DoDI) 1304.31, November 5, 2020 Paragraph 4.3 and 4.5

4.0 – ELIGIBILITY

4.1	DoDI 1304.31, November 5, 2020, paragraph 4.3.
4.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.a.
4.3	DoDI 1304.31, November 5, 2020, paragraph 4.5.b.

5.0 – MAXIMUM AMOUNTS PAYABLE AND METHOD OF PAYMENT

	37 U.S.C. § 331(c)
5.1.1	DoDI 1304.31, November 5, 2020, paragraph 4.3.c.
5.1.2	DoDI 1304.31, November 5, 2020, paragraph 4.5.b(5)

6.0 – OBLIGATION

DoDI 1304.31, November 5, 2020, paragraph 3.1.f

7.0 – TERMINATION OF BONUS ENTITLEMENT

7.2	DoDI 1304.31, November 5, 2020, paragraph 3.1.c(6)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 62: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 63: "ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated November 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4.1	Increased the Accession Bonus to $40,000.	Revision
Table 63-1	Updated to include the 2025-2026 school year Stipend and Financial Assistance Grant amounts.	Revision
References	Updated statutes and supporting references.	Revision

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CHAPTER 63

ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

1.0 GENERAL

1.1 Purpose

The Secretary of the Military Department concerned is authorized to provide financial assistance to full-time students enrolled in an accredited baccalaureate degree program in nursing to assist in the completion of degree requirements and acceptance of an appointment as a nurse officer. For the purpose of this chapter, "continuation bonus" and "monthly stipend" are synonymous.

1.2 Authoritative Guidance

The Health Professions Scholarship Program for Active Service policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELIGIBLE STUDENTS

The Accession and Continuation Bonuses are authorized for nursing students who execute an agreement under each of the following conditions:

2.1 Senior Reserve Officers Training Corps (SROTC)

The student is enrolled full-time in an accredited nursing baccalaureate degree program at a civilian educational institution that either does not have an SROTC program established by the Secretary of the Military Department concerned who is selecting the student or has an SROTC for which the student is ineligible.

2.2 Baccalaureate Degree Program

The student has completed the second year of an accredited baccalaureate degree program in nursing and has more than 6 months of academic work remaining before graduation.

2.3 Officer Appointment

The student meets the qualifications for appointment as an officer of a Reserve Component (RC) of the Army, Navy, or Air Force as set forth in ***10 U.S.C. § 12201*** and the regulations of the Military Department concerned.

3.0 AGREEMENT

The student described in section 2.0 will execute a written agreement in which the student agrees to the following four provisions:

3.1 Degree Completion

The student will complete the nursing degree program described in paragraphs 2.1 and 2.2.

3.2 Reserve Enlistment

The student will, upon acceptance of the agreement by the Secretary of the Military Department concerned, enlist in an RC of the Armed Forces.

3.3 Officer Appointment

The student will accept an appointment as an officer in the Nurse Corps of the Army, or the Navy, or as an officer designated as a nurse officer in the Air Force upon graduation from the nursing degree program.

3.4 Active Duty Obligation

The member will serve on active duty as an officer described in paragraph 3.3 as follows:

3.4.1. For a period of 4 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's fourth year of the nursing degree program; or

3.4.2. For a period of 5 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's third year of the nursing degree program.

4.0 AMOUNTS PAYABLE

*4.1 Accession Bonus (AB)

The Secretary of the Military Department concerned may, upon acceptance of a written agreement, pay an AB to an eligible person in an amount not to exceed $40,000. The AB will be paid in periodic installments, as determined by the Secretary of the Military Department concerned at the time the agreement is accepted, except that the first installment may not exceed $20,000. Unless authorized by the Congress, an accession bonus may not be paid for service provided after the date listed on the ***Duration of Authority*** unless a contract was entered into prior to the date on the table.

4.2 Monthly Stipend

In addition to the AB, a person selected into the program shall be entitled to a monthly stipend in an amount not to exceed the amount listed on Table 63-1. The stipend is payable for each month the individual is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution approved by the Secretary of the Military Department concerned who selected the individual. The continuation bonus may be paid for not more than 24 months. For the most current rates, see the Armed Forces Health Professions Stipend and Financial Assistance ***(AFHPS&FA) Program Grant*** table on DFAS.MIL.

NOTE: Accession and continuation bonuses are subject to Federal income tax withholding, but not subject to Federal Insurance Contributions Act.

5.0 REPAYMENT

A person will be subject to the repayment provisions of Chapter 2, section 3.0, under any of the following conditions:

5.1 Withdraws From Program

The student does not complete a nursing degree program in which the student is enrolled in accordance with section 3.0.

5.2 Commissioning

Having completed a nursing degree program, the student does not become an officer in the Nurse Corps of the Army, or the Navy, or an officer designated as a nurse officer of the Air Force.

5.3 Fails to Complete Service Obligation

The member does not complete the period of obligated active service required under the agreement.

*Table 63-1 – Monthly Stipend
For the most current rates, see the AFHPS&FA Program Grant table on DFAS.MIL.

Each School Year Beginning:	Amount
July 1, 2025	$2,999.00
July 1, 2024	$2,870.00
July 1, 2023	$2,728.00
July 1, 2022	$2,608.00
July 1, 2021	$2,540.00
July 1, 2020	$2,466.00
July 1, 2019	$2,391.60
July 1, 2018	$2,330.78
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July 1, 2013	$2,157.30
July 1, 2012	$2,122.00
July 1, 2011	$2,088.00
July 1, 2010	$2,060.00
July 1, 2009	$1,992.00

*REFERENCES

CHAPTER 63 – ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

2.0 – ELIGIBLE STUDENTS

	10 U.S.C. § 2130a(b)
2.3	10 U.S.C. § 12201

3.0 – AGREEMENT

	10 U.S.C. § 2130a(c)

4.0 – AMOUNTS PAYABLE

4.1	10 U.S.C. § 2130a(a)(1) Public Law 118-31, § 544, December 22, 2023
4.2	10 U.S.C. §§ 2121(d), 2130a(a)(2) Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, May 22, 2025

5.0 – REPAYMENT

	10 U.S.C. § 2130a(d) 37 U.S.C. §§ 303a(e), 373

TABLE 63-1 – ARMED FORCES HEALTH PROFESSIONS STIPEND AND FINANCIAL ASSISTANCE PROGRAM GRANT

	ASD HA Memo, May 22, 2025 ASD HA Memo, April 16, 2024 ASD HA Memo, June 1, 2023 ASD HA Memo, May 12, 2022

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 64: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 65: "HIGH-DEPLOYMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
References	Updated supporting statutes and references in the "References" section.	Revision

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CHAPTER 65

HIGH-DEPLOYMENT ALLOWANCE

1.0 GENERAL

1.1 Purpose

A high-deployment allowance may be paid to members who perform lengthy or numerous deployments or frequent mobilizations. However, in a memorandum dated October 8, 2001, the Deputy Secretary of Defense indefinitely suspended the accumulation of deployment days for purposes of determining eligibility for high-deployment allowance due to national security issues.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT CRITERIA

2.1 General

The Secretary of the Military Department concerned may pay a high-deployment allowance to a member for each month during which the member is:

2.1.1. Deployed and at any time during that month:

2.1.1.1. Has been deployed for 191 or more consecutive days; or

2.1.1.2. Has been deployed 401 or more days out of the preceding 730 days; or

2.1.2. A Reserve member who is on active duty:

2.1.2.1. Under a call or order to active duty for a period of more than 30 days that is the second (or later) such call or order to active duty for that member in support of the same contingency operation; or

2.1.2.2. For a period of more than 30 days under the provisions of ***10 U.S.C. § 12304b***, or a provision of law referred to in ***10 U.S.C. § 101(a)(13)(B)***, if such period begins within one year after the date on which the member was released from previous service on active duty for a period of more than 30 days under a call or order issued under such provision of law.

2.2 Payment

2.2.1. A member may be paid a monthly rate as determined by the Secretary of the Military Department concerned, not to exceed $1,000 per month.

2.2.2. Generally, the high-deployment allowance is taxable income. If the high-deployment allowance is earned while the member is serving within a combat zone, then the allowance is eligible for the Combat Zone Tax Exclusion (CZTE). For more information on CZTE, refer to Chapter 44.

2.3 Deployment

2.3.1. A Service member of a Military Service within the DoD is considered deployed or on a deployment on any day on which, pursuant to orders, the Service member performs service for an operation at a location or under circumstances that make it impossible for them to spend off-duty time in the housing in which they reside when on garrison duty at their permanent duty station or homeport. In accordance with Section 991 of Title 10, U.S.C., if an RC Service member is performing active service pursuant to orders that do not establish a permanent change of station, that housing is any housing, including the Service member's residence, that the Service member usually occupies during off-duty time when on garrison duty at the Service member's permanent duty station or homeport.

2.3.1.1. A deployment begins when a unit, detachment, or individual not attached to a unit or detachment leaves a homeport, station, or base or leaves from an enroute training location to meet a Secretary of Defense–approved operation to meet an operational requirement. An event is an operation if it is recorded in the joint capabilities requirement manager or contained in the annual Global Force Management Data Initiative–compliant tool under the Global Force Management Data Initiative reporting structure specified in DoD Instruction 8260.03. Forces deployed pursuant to Executive orders, operational plans, or concept plans approved by the Secretary of Defense are also considered deployed.

2.3.1.2. A deployment ends when most of the unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base. Forces operationally employed by Secretary of Defense's orders or in "prepare-to-deploy order" status at their home station are not deployed. Movement of forces that do not meet operational requirements (e.g., movement of forces to meet training, readiness, or exercise requirements) are not considered deployments and, therefore, are not subject to deployment-to-dwell and mobilization-to-dwell limits and specified goals.

2.3.2. There are five categories of deployments that must be tracked and counted towards the established management and pay thresholds. See Table 65-1 for categories of Personnel Tempo (PERSTEMPO) events. The term "PERSTEMPO" means the amount of time members of the armed forces are engaged in their official duties at a location or under circumstances that make it infeasible for a member to spend off-duty time in the housing in which the member resides.

2.3.2.1. Operations. Operations is a military action or the carrying out of a strategic, tactical, service, training, or administrative military mission; providing support to domestic civil, humanitarian, or counter-drug military mission; and the process of carrying on combat, including movement, supply, attack, defense, and maneuvers needed to gain the objectives of any battle or campaign. Operations are generally named by the Joint Staff.

2.3.2.2. Exercise. An exercise is a named military maneuver or simulated wartime operation involving planning, preparation, and execution. It is carried out for the purpose of training or evaluation. It may be a combined, joint, or single-Service exercise, depending on participating organizations.

2.3.2.3. Unit Training. Unit training consists of all or part of a unit accomplishing a training objective at a location other than the permanent duty location. Unit training includes exercises that have not received an official designation.

2.3.2.4. Home Station Training/Local Operating Area of a Ship or Vessel. Home station training/local operating area of a ship or vessel training is conducted within the limits of an installation/base/local operating area of a ship or vessel. The area must have been predetermined and documented by appropriate authorities.

2.3.2.5. Mission Support Temporary Duty (TDY). Mission support TDY consists of duties that include meetings, conferences, staff visits, staff augmentation, and medical appointments.

2.4 Nondeployment

For the purpose of this chapter, a member is not deployed or in a deployment when the member is:

2.4.1. A student or trainee at a school (including any government school);

2.4.2. Performing administrative, guard, or detail duties in garrison at the member's permanent duty station; or

2.4.3. Unavailable because of:

2.4.3.1. Hospitalization of the member at the member's permanent duty station or homeport or in the immediate vicinity of the member's permanent residence; or

2.4.3.2. Disciplinary action taken against the member.

2.5 Exceptions to Deployment Time

2.5.1. Suspension. Pursuant to ***10 U.S.C. § 991(d)***, the Secretary of the Military Department concerned may suspend the management of the PERSTEMPO program when such a suspension is in the "national security interests."

2.5.2. Day Away. A day away begins on one day and ends on another day. A day away does not require a full 24 hours to be considered a PERSTEMPO day, and the day of return will not count as a day away. For example, if a member departs on Monday afternoon and returns on Tuesday morning, only Monday counts as a PERSTEMPO day.

2.5.3. Leave While Deployed. Leave in conjunction with a deployment will not count as deployed time away from home. Exceptions to this may be granted at the discretion of the Secretary of the Military Department concerned for those circumstances under which personnel are required to take chargeable leave in order to be exempted from duty requirements or watch standing requirements. In general, leave that would extend the actual or projected deployed time away from home will not be counted as deployed time.

2.5.4. Hospitalization When Deployed. When a member is deployed and requires hospitalization away from the permanent duty station, the member is still considered deployed. If a member is deployed and requires hospitalization at the permanent duty station, then the member is no longer considered deployed. If a line of duty investigation determines injuries are due to member's misconduct, then deployment days do not accrue in the hospital.

Table 65-1. PERSTEMPO Events

PERSTEMPO Event Type	PERSTEMPO Event Category	PERSTEMPO Event Purpose
Deployment	Operations (includes TDY)	Contingency Operations
Deployment	Operations (includes TDY)	National Emergency
Deployment	Operations (includes TDY)	War
Deployment	Operations (includes TDY)	Counter-Drug
Deployment	Operations (includes TDY)	Law Enforcement Operations
Deployment	Operations (includes TDY)	U. S. Domestic Civil
Deployment	Operations (includes TDY)	Humanitarian Assistance
Deployment	Operations (includes TDY)	Peacekeeping
Deployment	Operations (includes TDY)	Surveillance
Deployment	Operations (includes TDY)	Forward Presence
Deployment	Operations (includes TDY)	Hospitalization
Deployment	Named Exercise (includes TDY)	Joint/Combined Service
Deployment	Named Exercise (includes TDY)	North Atlantic Treaty Organization (commonly referred to as NATO)
Deployment	Named Exercise (includes TDY)	Hospitalization
Deployment	Unit Training (includes TDY)	Combined Training Center
Deployment	Unit Training (includes TDY)	Training Area
Deployment	Unit Training (includes TDY)	Hospitalization
Deployment	Home Station Training/Local Operating Area of a Ship or Vessel	
Deployment	Mission Support TDY (includes meetings, conferences, staff visits, staff augmentation, and medical appointments)	
Non-Deployment	Individual Training/School TDY	
Non-Deployment	Duty in Garrison (home station/home port duty)	
Non-Deployment	Hospitalization (except deployed)	
Non-Deployment	Discipline	
Non-Deployment	Inactive Duty Training (if away from permanent training site (PTS))	
Non-Deployment	Muster Duty (if away from PTS)	
Non-Deployment	Funeral Honors Duty (if away from PTS)	

*REFERENCES

CHAPTER 65 – HIGH-DEPLOYMENT ALLOWANCE

1.0 – GENERAL

Deputy Secretary of Defense Memo, October 8, 2001

2.0 – ENTITLEMENT CRITERIA

10 U.S.C. § 991
37 U.S.C. § 436
Directive-type Memorandum 21-005, August 16, 2021, Incorporating Change 1, October 13, 2022

Table 65-1

Department of Defense Instruction 1336.07, December 28, 2020

VOLUME 7A, CHAPTER 66: "CONTINUATION PAY (CP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Updated to remove "Career Status Bonus.	Revision
All	Removed Career Status Bonus from this chapter because program ended.	Deletion
References	Removed all references to Career Status Bonus.	Deletion

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CHAPTER 66

CONTINUATION PAY (CP)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide policy pertaining to the Continuation Pay (CP) bonus, which is payable only to members who are in the Blended Retirement System (BRS).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CP

2.1 General

Public Law (P.L.) 114-92, as amended by P.L.114-328 (section 633), established CP as a bonus payable on or after January 1, 2018. CP is a one-time, mid-career bonus payment for Service members of the Uniformed Services covered by the BRS, in exchange for an agreement to perform additional obligated service. CP is only payable to members in the BRS. A CP payment is in addition to any other career field-specific incentives or retention bonuses.

Note: The Deputy Secretary of Defense (DepSecDef) memo, January 27, 2017, Volume 7B, and Service regulations provide comprehensive policy and guidance regarding retirement under the BRS.

2.2 Eligibility

2.2.1. The following Active Component (AC) members are eligible to receive CP. Any AC member who:

2.2.1.1. Is covered under the BRS;

2.2.1.2. Has completed not less than 8 and not more than 12 years of service (YOS), as computed from the member's Pay Entry Base Date (PEBD); and

2.2.1.3. Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

2.2.2. The following Reserve Component (RC) members are eligible to receive CP. Any RC member who:

2.2.2.1. Is covered under the BRS;

2.2.2.2. Has completed not less than 8 and not more than 12 YOS as computed from the member's PEBD;

2.2.2.3. Is a Service member of the Selected Reserve (SELRES), or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay.

2.2.2.4. Is eligible in accordance with criteria published by the Secretary of the Department concerned; and

2.2.2.5. Is eligible to enter into an agreement to serve not less than an additional 3 years in the SELRES.

2.3 CP Amount

The Secretary concerned determines the CP amount, the timing of when CP is offered, and the duration of the associated additional obligated service. The amount of CP payable depends on whether a member is AC or RC.

2.3.1. For an AC member, CP will be not less than 2.5 times and not more than 13 times the monthly basic pay of an AC member based on the member's current paygrade and YOS.

2.3.2. For an RC member, CP will be an amount not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on AD. An RC member performing active Guard and Reserve service, as defined in ***10 U.S.C. § 101(d)(6)***, will be paid CP at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service as defined in 10 U.S.C. § 101(d)(3).

2.4 Obligated Service

2.4.1. A Service member who accepts CP and enters into an agreement will serve not less than 3 years of additional service, the length of mandatory service to be determined by the Secretary concerned in the component they were serving in at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

2.4.2. The obligated service will run concurrently with any other service obligations unless other service obligations incurred specifically preclude concurrent obligations.

2.4.3. RC members will perform obligated service in the SELRES, subject to the conditions and requirements prescribed by the Secretary concerned.

2.4.4. RC members performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), who receive CP at the rate of an AD member, will perform obligated service on AD unless otherwise prescribed by the Secretary concerned.

2.5 Payment

A Service member who qualifies for CP may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

2.6 Timing

2.6.1. Full Thrift Saving Plan (TSP) Members. In accordance with ***37 U.S.C. § 356***, the Secretary concerned will pay CP to full TSP members (as defined in ***5 U.S.C. § 8440e(a)***) who meet the eligibility requirements in paragraph 2.2 and who have completed not less than 8 and not more than 12 YOS.

2.6.2. CP Multiple. The CP multiple used in calculating is the actual paygrade and YOS of a member on the day CP is authorized. See subparagraphs 2.3.1 and 2.3.2 for the AC and RC multiples for calculating CP.

2.6.3. YOS Rate. For CP payments, the following rates apply:

2.6.3.1. A member with at least 8 YOS but less than 10 YOS will be paid at the rate of over 8 YOS.

2.6.3.2. A member with at least 10 YOS but less than 12 YOS will be paid at the rate of over 10 YOS.

2.6.3.3. A member with exactly 12 YOS but no more than 12 YOS will be paid at the rate of over 12 YOS.

2.7 Non-availability

Service members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service must have installment payments suspended during this period. If subsequently re-assigned to the member's previous status, or a new status at the discretion of the Secretary concerned, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service must be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the CP and repayment, as appropriate.

2.8 Repayment

2.8.1. A Service member who received CP but who fails to complete the period of obligated service described in paragraph 2.4, or fails to maintain the skills for which an amount greater than the minimum amount specified in paragraph 2.3 was paid; is subject to full or partial repayment in accordance with ***37 U.S.C. § 373***.

2.8.2. A Service member who received CP but is later discovered to be ineligible to enroll or whose enrollment is determined to be erroneous will have their enrollment voided. Such members will be placed under the correct retirement system upon discovery of the error. The Secretary concerned will initiate action to obtain repayment of CP, in accordance with 37 U.S.C. § 373.

2.8.3. The Secretary concerned may grant an exception to the repayment requirement and requirement to terminate the payment of unpaid amounts of CP if the Secretary concerned determines that the imposition of the repayment and termination requirements with regard to a member of the Uniformed Services would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

Note: The Secretary of the Military Department concerned will not grant the exception for repayment if the member's separation is due to misconduct or if an exception of repayment would be inconsistent with other prescribed law, regulation, or policy.

2.9 CP and Combat Zone Tax Exclusion (CZTE)

2.9.1 Service members, who become entitled to CP while serving in a designated combat zone, are entitled to have the amount of the CP excluded from their gross income for the tax year in which the CP is received, subject to the limitation amount as discussed in Chapter 44.

2.9.2. A Service member must be eligible for CP in accordance with their Service's eligibility requirements and enter into agreement while serving in the designated combat zone to be eligible to exclude the payment from their taxable income. The CZTE applies to CP when the member becomes entitled to the pay while serving in a combat zone, even if received outside of a combat zone.

2.9.3. The CZTE is not dependent upon when the Service member receives the compensation.

2.9.4. Examples

Example 1: The Service member is deployed in a combat zone. Just before departing the combat zone, the member reaches 11 years, 10 months of service and signs an agreement for an additional 4 YOS in return for CP. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS two months after returning from the combat zone and receives a lump sum payment of $8,000.

The Service member's $8,000 CP is not eligible for CZTE and must be included in the member's gross income for the year in which received. It is not eligible for CZTE because it was not earned in a combat zone. The Service member did not become entitled to the CP until two months after returning from the combat zone, when the member met the eligibility requirements for CP.

Example 2: The Service member is deployed in a combat zone. While in the combat zone, the member enters into an agreement for CP in exchange for an additional 4 YOS. The member also elects to receive CP in annual installment payments. The Secretary concerned has established that to be eligible for the CP, the member must have 12 YOS. The member reaches 12 YOS just before departure from the combat zone. The member receives each of the subsequent annual installment payments of $2,000 outside of a combat zone.

Each of the Service member's $2,000 annual installment payments for CP are eligible for the CZTE and are not included in the member's gross income for the year in which received. The member became entitled to the CP while serving in a combat zone. Each of the annual payments relates back to the member's service in the combat zone, and thus retains the CZTE.

REFERENCES

CHAPTER 66 - CONTINUATION PAY (CP)

1.0 – GENERAL

37 U.S.C. § 354
Assistant Secretary of Defense (ASD)
Memo, February 2, 2001
P.L. 114-92, section 635, November 25, 2015
P.L. 114-328, sections 631-633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.0 –CP

37 U.S.C. § 356
P.L. 114-92, sections 631-635, November 25, 2015
P.L. 114-328, section 633, December 28, 2016
DepSecDef Memo, January 27, 2017

2.9 26 U.S.C. § 112(c)
Title 26, Code of Federal Regulations, part 1.112-1

VOLUME 7A, CHAPTER 67: "COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Removed "Base Period" and "Threshold Percentages" paragraphs and updated the "High-Cost Area" paragraph in accordance with Public Law 118-31, section 625, dated December 22, 2023. Renumbered subsequent paragraphs.	Revision
References	Updated supporting statutes and references in "References" section.	Revision

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CHAPTER 67

COST OF LIVING ALLOWANCE (COLA) IN THE CONTINENTAL UNITED STATES (CONUS)

1.0 GENERAL

1.1 Purpose

This chapter identifies the eligibility requirements for a Service member to receive COLA for an assignment in CONUS. This chapter specifies the rates payable and the effect that a dependent has upon those rates.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with Title 37, United States Code (U.S.C.). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 DEFINITIONS SPECIFIC TO CONUS COLA

2.1 High-Cost Area

An area is a high-cost area for a fiscal year for purposes of this chapter if the Uniformed Services cost of living for that area for the base period (the 12-month period ending on June 30 of the year in which such fiscal year begins) exceeds the average cost of living in the continental United States for such base period by at least the threshold percentage. The Secretary of Defense, in consultation with the other administering Secretaries, shall establish the threshold percentage, except that the threshold percentage may not be less than 5 percent. The administering Secretaries may prescribe a higher threshold percentage to be applied for a fiscal year.

2.2 Service Member With a Dependent

A Service member is with a dependent if they are authorized the basic allowance for housing (BAH) or would be authorized BAH at the with-dependent rate if Government quarters were not occupied. This does not include a Service member authorized BAH at the with-dependent rate solely based on paying child support. A spouse who is also a Service member on active duty may not be a dependent for CONUS COLA purposes. See Chapter 26 for BAH.

2.3 Service Member Without a Dependent

A Service member is considered without a dependent if any of the following conditions are met:

2.3.1. The Service member is authorized BAH at the without dependent rate;

2.3.2. The Service member would be authorized the without dependent BAH rate if Government quarters were not occupied; or

2.3.3. The Service member is authorized the with-dependent BAH rate solely based on paying child support.

2.4 Primary Dependent

A primary dependent is the Service member's spouse when the Service member is married. When a Service member is unmarried, a primary dependent is a dependent as defined in Volume 7A, "Definitions," terms 2 through 6 and term 8, excluding term 7, concerning parents.

2.5 Unaccompanied Status

A Service member is considered to be in an unaccompanied status during any portion of an assignment to a permanent duty station (PDS) OCONUS while a dependent resides in, or returns to, a location in the CONUS to establish a permanent residence.

2.6 PDS for Service Member Assigned to Ship or Afloat Staff

The home port of the ship or afloat staff to which a Service member is assigned is their PDS for CONUS COLA purposes.

3.0 CONUS COLA ELIGIBILITY

3.1 CONUS COLA Rates Payable

3.1.1. Rates Based Upon High-Cost Area Location. CONUS COLA rates are based on the Service member's PDS, their home port, a designated place, or the primary dependent's location in a CONUS high-cost area when authorized in this chapter or approved through the Secretarial Process, as applicable. The CONUS COLA rate paid to the Service member does not change when the Service member is on leave.

3.1.1.1. CONUS COLA based on a PDS begins on the day the Service member reports to the PDS and ends the day before reporting to the next PDS. The CONUS COLA rate applicable to the primary dependent's permanent residence starts on either the date the primary dependent arrives at the new residence or the date the Service member reports to the new PDS in connection with the transfer, whichever is later. When a Service member is departing from a PDS OCONUS and the new PDS is in the CONUS, then the Service member is authorized CONUS COLA for the new PDS starting on their reporting date at the new PDS.

3.1.1.1.1. The CONUS COLA rate payable based on the primary dependent's old permanent residence or the Service member's old PDS continues through the day before the Service member reports to the new PDS or the rate for the new permanent residence begins. CONUS COLA at the old rate ends the day before the rate based on the new permanent residence begins.

3.1.1.1.2. When a Service member is stationed OCONUS, but the primary dependent is in the CONUS, see paragraph 4.7 for exceptions.

3.1.1.2. The Service member may be authorized through the Secretarial Process, CONUS COLA at the rate for the dependent's location instead of the rate for the new PDS when it is necessary for the Service member and dependent to maintain separate residences.

3.1.1.2.1. If the primary dependent does not relocate, CONUS COLA would continue to be based on the rate payable for the primary dependent's permanent residence or the Service member's old PDS.

3.1.1.2.2. When the primary dependent's permanent residence is at a location different than the old PDS, and the Service member was paid based on the rate for the old PDS, the rate payable for the primary dependent's residence begins on the day the Service member reports to the new PDS.

3.1.1.3. If two married Service members maintain a joint residence with a dependent, CONUS COLA is paid to one spouse at the with-dependent rate and to the other spouse at the without dependent rate.

3.1.1.4. When a Service member is on a Permanent Change of Station (PCS) to a new PDS in the CONUS and has a Temporary Duty (TDY) in route, CONUS COLA at the new PDS rate begins the day after per diem stops provided both of the following occur:

3.1.1.4.1. The TDY is near but not at the PDS; and

3.1.1.4.2. The Service member commutes to the TDY location from what will become the permanent quarters after reporting to the new PDS.

3.1.2. Service Member Assigned to a Ship or Afloat Staff Home Port. Regardless of BAH eligibility, a Service member assigned to a ship or afloat staff is eligible for CONUS COLA unless the Service member is already drawing CONUS COLA for a dependent at another location.

3.1.2.1. The CONUS COLA rate is based on the home port of the Service member's assigned ship or afloat staff.

3.1.2.2. For CONUS COLA related to a home port change:

3.1.2.2.1. The CONUS COLA rate for the old home port stops on the day before the effective date of the home port change, and the rate for the new home port begins on the effective date of the home port change; and

3.1.2.2.2. A Service member without a dependent who ordinarily resides onboard the ship is authorized the CONUS COLA rate for the old home port until the day they move back aboard the ship, under all of the following conditions:

3.1.2.2.2.1. Quarters on board the ship are not available, such as when a ship is in dry-dock; and

3.1.2.2.2.2. The ship or afloat staff is delayed at the old home port after the effective date of the home port change.

3.1.3. Accessions. The location applicable to determining the CONUS COLA entitlement of a new Service member depends upon whether they have a dependent.

3.1.3.1. For a member without dependents, the duty location applies. The rate changes on the Service member's arrival day at each duty location until the Service member arrives at the first PDS.

3.1.3.2. A Service member with a dependent may, as applicable, elect CONUS COLA at the with-dependent rate for either the duty location or the primary dependent's location. If the Service member selects the primary dependent's location, the rate is based on the primary dependent's location until the day before the Service member arrive at the first PDS.

3.1.4. Service Member Processing for Separation or Retirement. CONUS COLA is paid during separation or retirement processing based on one of the following, if in a high-cost area:

3.1.4.1. The last PDS rate;

3.1.4.2. The primary dependent's location immediately before separation processing, if previously authorized that rate instead of the PDS rate; or

3.1.4.3. The separation or retirement processing station in the CONUS for a Service member who separates in the CONUS from a PDS OCONUS.

3.2 Secretarial Waiver When the Primary Dependent Does Not Reside at the PDS in the CONUS

Ordinarily, CONUS COLA is paid based on the Service member's PDS, or a ship, or afloat unit's home port. However, the Service may determine through the Secretarial Process that a Service member's assignment to a PDS or the circumstances of that assignment requires the dependent to reside separately and authorize or approve CONUS COLA payment based on the dependent's location. If the Secretarial Process determines that it is necessary for the primary dependent to maintain a permanent residence in a high-cost area in the CONUS at a location other than the Service member's PDS, the Service member may be authorized CONUS COLA at the rate for the primary dependent's permanent residence instead of for the Service member's PDS.

3.3 Concurrent Payment of OCONUS COLA and CONUS COLA

A Service member assigned to a PDS OCONUS may be paid OCONUS COLA at the without dependent rate and a CONUS COLA at the with-dependent rate applicable for the

high-cost area in the CONUS where the primary dependent resides only if no command-sponsored dependent is residing OCONUS with the Service member.

3.3.1. Service Member Departs. If, after a Service member departs, the Service member is authorized an extension of OCONUS COLA for a dependent residing OCONUS through the Secretarial Process, the Service member may be paid OCONUS COLA at the with-dependent rate, and CONUS COLA at the without dependent rate based on the new PDS. The specified COLA continues through the date the OCONUS COLA extension ends.

3.3.2. Dependent Leaves OCONUS Residence. Beginning the day the dependent permanently leaves the OCONUS residence, the Service member may be paid CONUS COLA at the with-dependent rate for the PDS in the CONUS.

4.0 CONUS COLA AND DEPENDENT CIRCUMSTANCES

4.1 Service Member Paying Child Support

A Service member is authorized CONUS COLA at the without-dependent rate when they are authorized BAH at the with-dependent rate or BAH Differential (see Chapter 26) based solely on the payment of child-support and not based on custody.

4.2 Effect of Physical Custody of a Child on CONUS COLA

Ordinarily, a divorced or legally separated Service member who is not identified as the primary custodial parent of a child in the divorce decree or legal separation agreement, is not authorized CONUS COLA at the with-dependent rate.

4.2.1. Service Member Has Physical Custody But Not Court Ordered/Agreed to in Legal Separation. A Service member parent who has physical custody, of at least one child, even though the physical custody is not court-ordered in the divorce decree or in a legal separation agreement, is authorized CONUS COLA at the with-dependent rate if both of the following conditions are met:

4.2.1.1. The Service member is authorized BAH; and

4.2.1.2. The Service member has physical custody of the child for a minimum of 90 consecutive days. A break of 5 or fewer days is not considered an interruption of the 90-day period, even if there are multiple breaks of 5 or fewer days.

4.2.2. Two Service Members Divorce or Separate. When the divorce or separation is between two Service members, it is possible for both Service members to be authorized CONUS COLA at the with-dependent rate if each Service member has physical custody of one or more children at the same time.

4.2.3. Service Member Paying Child Support Has Physical Custody. If a Service member paying child support has physical custody of a child for 91 or more consecutive days, excluding

any breaks for 5 or fewer days, the Service member is not considered to be receiving BAH at the with-dependent rate solely because of child support payments.

4.3 Service Member Acquires a Dependent

4.3.1. General Rules. When a Service member acquires a primary dependent, CONUS COLA is paid based on the PDS if the Service member is assigned to a PDS in the CONUS and meets the conditions in Table 67-2.

4.3.2. Dependent Visits or Moves to the PDS. A dependent may visit the Service member for 90 or fewer days at the PDS without changes to the CONUS COLA. When the visit exceeds 90 days, the CONUS COLA rate changes to the rate for the Service member's PDS location on the 91st day. If the dependent leaves the PDS area after the CONUS COLA changes, the CONUS COLA previously authorized for the dependent's location is reinstated as of the departure date.

4.4 Advance and Delayed Dependent Travel to a PDS OCONUS

When a PCS order is issued, the Service member's family may perform PCS travel at a different time than the Service member. See paragraph 3.2 when a dependent is required to reside away from the Service member's PDS.

4.4.1. CONUS COLA Based on a Dependent's Location or Old PDS

4.4.1.1. Unless otherwise authorized or approved, a Service member's CONUS COLA is based on the PDS.

4.4.1.2. If authorized or approved through the Secretarial Process, a Service member may be authorized CONUS COLA based on the dependent's permanent residence or the old PDS.

4.4.2. Applicable Rates. If a dependent relocates, the rate for the dependent's location starts on the date the primary dependent arrives at the new residence. If the dependent does not relocate, CONUS COLA is based on the primary dependent's location and continues until the primary dependent departs the authorized or approved location.

4.5 Government Defers Dependent Travel

4.5.1. Government Defers Dependent Travel to a PDS OCONUS. Table 67-5 specifies the decision process for CONUS COLA when the Government defers a dependent's travel to a PDS OCONUS.

4.5.2. Government Defers Dependent Travel to a PDS in the CONUS. CONUS COLA payment based on the primary dependent's location or old PDS continues for up to 60 days after dependent travel is authorized. If the dependent has not arrived at the Service member's PDS by the end of 60 days, and an extension to, or a waiver of, the 60-day limit has not been granted through the Secretarial Process, CONUS COLA based on the dependent's location changes to CONUS COLA based on the PDS location.

4.5.2.1. If a dependent is not relocated at Government expense, then Table 67-6 specifies the decision process for CONUS COLA when the Government delays the dependent's travel to a PDS in the CONUS and the expected travel delay is 139 or fewer days (20 weeks).

4.5.2.2. Table 67-7 specifies the decision process for CONUS COLA when the Government delays a dependent's travel to a PDS in the CONUS and the expected travel delay is 140 or more days (20 weeks).

4.6 Early Return of Dependents (ERD)

4.6.1. Early Return at Government Expense. When all of a Service member's dependents are returned from a PDS OCONUS to a CONUS location at Government expense for circumstances other than for a PCS (regardless of the reason for the return) the Service member is authorized CONUS COLA based on the primary dependent's permanent residence, starting on the arrival day at that location or the date the ERD order was issued, whichever is later.

4.6.2. Early Return at Personal Expense. When all of a Service member's dependents return early from a PDS OCONUS to a CONUS location at personal expense, the Service member is not authorized CONUS COLA.

4.7 Service Member Serving in an Unaccompanied Status OCONUS

If a Service member serving in an unaccompanied status OCONUS has dependents in multiple locations, CONUS COLA authority is based on the primary dependent's residence.

4.7.1. Eligibility. When the primary dependent establishes a residence or resides in the CONUS due to a Service member's transfer to, or while assigned at, an unaccompanied PDS OCONUS, CONUS COLA is authorized in any of the following situations:

4.7.1.1. The primary dependent relocates in the CONUS from a PDS in the CONUS;

4.7.1.2. The primary dependent resides in the CONUS and the Service member is required to perform TDY incident to a transfer to an unaccompanied PDS in the CONUS; or

4.7.1.3. The primary dependent establishes a residence in the CONUS due to the Service member's transfer from an accompanied status at a PDS OCONUS to an unaccompanied status.

4.7.2. Allowances. Table 67-8 specifies CONUS COLA for a Service member with a dependent assigned to an unaccompanied tour at a PDS OCONUS.

5.0 CONUS COLA AND UNUSUAL CIRCUMSTANCES

5.1 Service Member in a Missing Status

5.1.1. Service Member Without a Dependent. A Service member without a dependent whose PDS is in the CONUS and is in a missing status receives CONUS COLA based on the PDS location.

5.1.2. Service Member With a Dependent. A Service member with a dependent continues to receive CONUS COLA at the rate paid when they were placed in a missing status. Pay CONUS COLA based on the dependent's location when a dependent relocates.

5.2 Service Member in Confinement

If a Service member in confinement is authorized allowances, they receive the same CONUS COLA rate paid immediately before confinement. If a Service member with a dependent is transferred to a confinement facility, then the CONUS COLA is based on the dependent's location.

5.3 Service Member Requires Prolonged Hospitalization

The hospital where a Service member is transferred becomes their PDS for CONUS COLA purposes when they require prolonged hospitalization and are issued an appropriate order. This applies when a Service member is transferred from any PDS to a hospital in the CONUS for observation and treatment.

5.4 Service Member Whose PDS is Evacuated

5.4.1. Service Member With a Dependent

5.4.1.1. CONUS COLA Continuation at the Service Member's PDS

5.4.1.1.1. A Service member who is authorized CONUS COLA at the with-dependent rate based on their PDS, and who's dependent is evacuated, continues to receive CONUS COLA on the effective date of the evacuation unless the Service member's PDS changes.

5.4.1.1.2. When a determination is made through the Secretarial Process that it is necessary for a dependent to maintain a permanent residence in an area other than where the PDS is located, CONUS COLA at the with-dependent rate is based on the designated place for the primary dependent. The CONUS COLA starts the day after per diem at the designated place ends.

5.4.1.2. CONUS COLA at a Designated Place. When a Service member's command-sponsored dependent resides at a designated place in the CONUS due to an evacuation from a location OCONUS, the Service member is authorized CONUS COLA at the with-dependent rate starting the day after per diem at the designated place ends. The rate is based on the designated place for the primary dependent.

5.4.2. Service Member Without a Dependent. A Service member without a dependent who was authorized CONUS COLA at the PDS on the date an evacuation is ordered is authorized CONUS COLA through the day before the Service member reports at the new PDS.

6.0 RESERVE COMPONENT (RC) MEMBER

6.1 Called or Ordered to Active Duty

Table 67-9 specifies CONUS COLA for an RC member called or ordered to active duty for a period of 140 or more days or in support of a contingency operation. A DoD or U.S. Coast Guard retired Service member called or ordered to active duty is authorized the same CONUS COLA as an RC member.

6.2 Modified or Amended Order

If an RC member receives an order modification or amendment that extends the original assignment, the modification or amendment determines the eligibility for CONUS COLA.

Table 67-1. CONUS COLA Eligibility

RULE	CONUS COLA Eligibility	Circumstances
1	CONUS COLA Eligible	a. A Service member is assigned to a high-cost area in the CONUS. b. A Service member is in an unaccompanied status OCONUS, if the Service member's primary dependent resides in a high-cost area in the CONUS. c. A new Service member is ordered to active duty to a high-cost area through accession. d. A Service member is married to another Service member. Each is authorized CONUS COLA. This authority exists whether the married Service members maintain a joint residence or separate residences. e. A Service member is assigned to duty in the CONUS and the primary dependent does not reside at the PDS in the CONUS and it is determined through the Secretarial Process that both of the following conditions apply: 1. The Service member's primary dependent resides in a high-cost area in the CONUS because of the Service member's PDS or other circumstances. 2. It would be inequitable for the allowance to be determined on the basis of the Service member's PDS. f. A RC member is called to active duty is for a period of 140 or more days or in support of a contingency operation.
2	CONUS COLA Ineligible	a. During the travel days a Service member is authorized for a permanent change of station (PCS) between the old PDS and new PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the first travel day. b. During the travel days a Service member (including an RC member) is authorized for a PCS (see ***Joint Travel Regulations, Chapter 5, Para. 051201***) from the place last entered (or called to) active duty (PLEAD) to the first PDS. If the Service member is receiving CONUS COLA before the PCS, then the CONUS COLA payments stop on the day before the first travel day. c. An RC member on active duty under an order for 139 or fewer days, unless the duty is in support of a contingency operation (see section 6.0). d. For more than one location at a time.

Table 67-2. Service Member Acquires a Dependent Who is in the CONUS

RULE	Location of Service Member's PDS	Basis for CONUS COLA
1	In the CONUS	a. If the dependent is located at or near the PDS, change CONUS COLA to the with-dependent rate based on the PDS as of the date the Service member gained the dependent. b. If the dependent is not located at or near the PDS, change CONUS COLA to the with-dependent rate based on the Service member's PDS as of the date the Service member gained the dependent or, if the Service member requested and received a Secretarial waiver, based on the dependent's location as of that date (see par. 3.2).
2	OCONUS	a. The dependent's location if the dependent does not reside at or near the PDS OCONUS. b. Start CONUS COLA at the with-dependent rate based on the dependent's location as of the date they became a dependent.

Table 67-3. Dependent Performs PCS Travel Before the Service Member

RULE	If…	and the CONUS COLA for the dependent's location…	then…
1	the old PDS was in the CONUS and the new PDS is in the CONUS,	was authorized or approved through the Secretarial Process,	(1) stop CONUS COLA based on the old PDS the day before the primary dependent arrives. (2) start CONUS COLA based on the primary dependent's location on the arrival date or the date specified by the authorizing or approving document, whichever is later.
2	the old PDS was in the CONUS and the new PDS is in the CONUS,	was not authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.* (2) start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.
3	the old PDS was in the CONUS and the new PDS is OCONUS	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at new PDS.* (2) start OCONUS COLA based on the dependent's location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.
4	the old PDS was in the CONUS and the new PDS is OCONUS	was not authorized or approved through the Secretarial Process,	continue CONUS COLA based on the current PDS until the Service member arrives at new PDS.*

Table 67-3. Dependent Performs PCS Travel Before the Service Member (Continued)

RULE	If…	and the CONUS COLA for the dependent's location…	then…
5	the old PDS was OCONUS and the new PDS is in the CONUS	was authorized or approved through the Secretarial Process,	start CONUS COLA based on the primary dependent's location on the arrival date, or the date specified by the authorizing or approving document, whichever is later.
6	the old PDS was OCONUS and the new PDS is in the CONUS	was not authorized or approved through the Secretarial Process,	start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-4. Dependent Travel After a Service Member

RULE	If…	and the CONUS COLA for the dependent's location…	then…
1	the old PDS was in the CONUS and the new PDS is in the CONUS	was authorized or approved through the Secretarial Process,	(1) continue the CONUS COLA based on the old PDS or the primary dependent's location, whichever has a higher rate.* (2) start CONUS COLA based on the new PDS as of the date the primary dependent departs provided the Service member has arrived at the new PDS.
2	the old PDS was in the CONUS and the new PDS is in the CONUS	was not authorized or approved through the Secretarial Process,	(1) continue CONUS COLA based on the current PDS until the Service member arrives at the new PDS.* (2) start CONUS COLA based on the new PDS the day the Service member arrives at the new PDS.
3	the old PDS was in the CONUS and the new PDS is OCONUS	was authorized or approved through the Secretarial Process,	(1) continue the CONUS COLA based on the old PDS or the primary dependent's location, whichever has a higher rate.* (2) stop CONUS COLA on the day before the primary dependent departs.
4	the old PDS was in the CONUS and the new PDS is OCONUS	was not authorized or approved through the Secretarial Process,	continue the CONUS COLA based on the current PDS until the Service member arrives at the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-5. Government Defers Dependent's Authorized Travel to a PDS OCONUS

RULE	If the expected travel delay is…	and…	then…
1	at least 61 days but less than 20 weeks and the dependent did not relocate at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
2	at least 61 days but less than 20 weeks and the dependent did not relocate at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the 60th day.
3	20 or more weeks and the dependent did not relocate at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
4	20 or more weeks and the dependent did not relocate at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) continue CONUS COLA based on the old PDS upon the Service member's departure.* (2) start CONUS COLA for the authorized dependent's location upon the Service member's arrival date. (3) stop CONUS COLA on the 60th day.

Table 67-5. Government Defers Dependent's Authorized Travel to a PDS OCONUS (Continued)

RULE	If the expected travel delay is…	and…	then…
5	20 or more weeks and the dependent relocates at Government expense,	the dependent arrives within 60 days of being given permission to travel to the PDS OCONUS,	(1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.* (2) stop CONUS COLA on the day before the primary dependent arrives at the new PDS.
6	20 or more weeks and the dependent relocates at Government expense,	the dependent does not arrive within 60 days of being given permission to travel to the PDS OCONUS,	(1) change the CONUS COLA rate on the date the primary dependent arrives at the designated location from the rate based on the old PDS to the rate based on the designated location.* (2) stop CONUS COLA on the 60th day.
*COLA is not payable on authorized days of travel.			

Table 67-6. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is in the U.S. and the Expected Travel Delay is 139 or Fewer Days (20 Weeks)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then upon the Service member's departure, continue CONUS COLA based on the old PDS*
1	arrives within 60 days of travel authority,	was authorized or approved through the Secretarial Process,	(1) upon the Service member's arrival date, start CONUS COLA for the authorized dependent's location through the day before the primary dependent arrives at the new PDS. (2) beginning on the primary dependent's arrival date at the PDS, start CONUS COLA based on the new PDS.
2	does not arrive within 60 days of travel authority,	was authorized or approved through the Secretarial Process,	(1) upon the Service member's arrival date, start CONUS COLA for the authorized dependent's location for up to 60 days. (2) beginning on the 61st day, base CONUS COLA on the new PDS.
3	does not travel	was not authorized or approved through the Secretarial Process,	and beginning on the arrival date, start CONUS COLA based on the new PDS.*
*COLA is not payable on authorized days of travel.			

Table 67-7. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is Outside the U.S. or the Old PDS is in the U.S. and the Expected Travel Delay is 140 or More Days (20 Weeks)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then…
1	arrives within 60 days of travel authority and they are relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location and continue it through the day before the primary dependent arrives at the PDS.* (2) beginning on the primary dependent's arrival date at the PDS, change the basis for CONUS COLA to the PDS.
2	arrives within 60 days of travel authority and they are not relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA through the day before the primary dependent arrives at the new PDS and base it on the old PDS as of the Service member's departure.* (2) beginning on the primary dependent's arrival date at the PDS, change the basis for CONUS COLA to the new PDS.
3	does not arrive within 60 days of travel authority and they are relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) change the CONUS COLA basis on the date the primary dependent arrives at the designated location from the old PDS to the designated location through the 60th day after travel is authorized to begin.* (2) beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the dependent's location to the new PDS.
4	does not arrive within 60 days of travel authority and they are not relocated at Government expense,	was authorized or approved through the Secretarial Process,	(1) continue CONUS COLA through the 60th day after travel is authorized to begin based on the old PDS. (2) beginning on the 61st day after travel is authorized to begin, change the basis for CONUS COLA from the old PDS to the new PDS.

Table 67-7. Government Defers Dependent's Travel to a PDS in the CONUS When the Old PDS is Outside the U.S. or the Old PDS is in the U.S. and the Expected Travel Delay is 140 or More Days (20 Weeks) (Continued)

RULE	If the dependent…	and the CONUS COLA for the dependent's location …	then…
5	does not travel	was not authorized or approved through the Secretarial Process,	start CONUS COLA based on the new PDS as of the Service member's arrival date.
*COLA is not payable on authorized days of travel.			

Table 67-8. Service Member (With a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS

See CONUS COLA			
RULE	**If the Service member's dependent…**	**and…**	**then…**
1	retains a permanent residence in the CONUS	the primary dependent remains at the old PDS,	continue to pay CONUS COLA, based on the old PDS.
2	retains a permanent residence in the CONUS	the primary dependent is at a location in the CONUS other than the old PDS and the Service member is receiving CONUS COLA for the dependent's location based on a Secretarial waiver,	continue the CONUS COLA previously paid.
3	retains a permanent residence in the CONUS	the primary dependent is at a location in the CONUS other than either the old PDS or location for which the Service member had a Secretarial waiver,	continue to pay CONUS COLA, based on the old PDS and start CONUS COLA the day the Service member arrives at the new PDS based on the primary dependent's location.
4	relocates the permanent residence from the CONUS to another location in the CONUS at Government expense	a. the primary dependent either travels with or in advance of the Service member,	(1) stop the old CONUS COLA rate the day before the dependent's arrival day. (2) start CONUS COLA the day the primary dependent arrives at the new residence location based on the dependent's location.*
		b. a dependent travels after the Service member,	(1) continue CONUS COLA based on the Service member's old PDS through the day before the primary dependent's arrival at the new residence location. (2) start CONUS COLA on the arrival day based on the dependent's location.*
5	relocates the permanent residence from OCONUS to the CONUS at Government expense	a dependent travels in advance of, with, or after the Service member,	start CONUS COLA based on the dependent's location the day the primary dependent arrives at the new residence.*
6	relocates permanent residence from the CONUS to a location OCONUS at Government expense	a. a dependent travels in advance of the Service member or with the Service member,	continue CONUS COLA based on the old PDS through the day before the Service member's arrival at the new PDS.
		b. a dependent travels after the Service member,	continue CONUS COLA based on the old PDS through the day before the primary dependent's arrival.*

Table 67-8. Service Member (With a Dependent) Assigned to an Unaccompanied Tour at a PDS OCONUS (Continued)

See CONUS COLA			
RULE	**If the Service member's dependent…**	**and…**	**then…**
7	relocates the residence at personal expense	a. CONUS COLA is authorized through the Secretarial Process,	continue CONUS COLA based on the rules in this table.*
	relocates the residence at personal expense	b. CONUS COLA based on the new location is not authorized through the Secretarial Process,	continue CONUS COLA based on the rules in this table through the day before the primary dependent's arrival.*
8	is not OCONUS	the Service member is assigned to an unaccompanied assignment OCONUS or unusually arduous sea duty,	(1) pay CONUS COLA based on the old PDS rate if the dependent does not relocate. (2) pay CONUS COLA based on the dependent's location if the dependent does relocate.
9	continues to reside at same location	the Service member is required to perform a TDY, inside or outside the CONUS, due to a transfer to another unaccompanied tour,	continue CONUS COLA based on the primary dependent's permanent residence.
10	continues to reside at same location	the Service member is required to perform a TDY due to a transfer in the U.S.,	(1) continue CONUS COLA based on the primary dependent's permanent residence through the day before the day the Service member reports to the new PDS. (2) start CONUS COLA at the rate for the new PDS on the day the Service member reports at that PDS.
*COLA is not payable on authorized days of travel.			

Table 67-9. RC Member CONUS COLA Determination

RULE	If an RC member is called or ordered to active duty …	and PCS HHG transportation …	then…
1	for 140 or more days	a. is authorized,	(1) start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty through the day before arrival at the PDS. (2) starting the day the Service member reports to the PDS, change the basis for CONUS COLA to the PDS location.
	for 140 or more days	b. is not authorized,	start CONUS COLA on the first active-duty day based on the primary residence at the time called or ordered to active duty.
2	for 139 or fewer days for a contingency operation	is not authorized,	(1) start CONUS COLA on the first active-duty day of an assignment that supports a contingency operation and base it on the primary residence at the time called or ordered to active duty. (2) there is no authority to pay CONUS COLA when the assignment is fewer than 140 days and not in support of a contingency operation.

Table 67-10. RC Member's Order is Modified or Amended

See CONUS COLA			
RULE	**If an RC member's order is modified or amended…**	**and PCS HHG transportation …**	**then…**
1	and the days remaining on the existing order plus the number of days added by the extension total 140 or more days	is not authorized,	CONUS COLA based on the primary residence continues or would start on the modification or amendment date.
2	and the days remaining on the existing order plus the number of days added by the extension total 140 or more days	is authorized,	CONUS COLA based on the primary residence, if currently authorized, would stop the day before the modification or amendment in CONUS COLA based on the PDS rate would begin on the modification or amendment date or CONUS COLA based on the PDS would continue.

*REFERENCES

1.0 – GENERAL

37 U.S.C. § 403b

2.0 – DEFINITIONS SPECIFIC TO CONUS COLA

2.1	37 U.S.C. § 403b(c) National Defense Authorization Act for Fiscal Year (FY) 2024, Public Law 118-31, Section 625, December 22, 2023

4.0 – CONUS COLA AND DEPENDENT CIRCUMSTANCES

4.5.1.	Office of the Assistant Secretary of Defense (OASD) Manpower and Reserve Affairs (M&RA) Memo, August 12, 2020
4.6	OASD (M&RA) Memo, May 5, 2020

VOLUME 7A, CHAPTER 68: "COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter, formatting and hyperlinks to comply with current administrative instructions.	Revision
Table 68-4	Numbered the notes on Table 68-4.	Revision
References	Updated references.	Revision

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CHAPTER 68

COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)

1.0 GENERAL

1.1 Purpose

The ***OCONUS COLA*** is a non-taxable allowance that offsets the higher prices of goods and services, excluding housing, in foreign countries, U.S. territories, Alaska, and Hawaii. OCONUS COLA equalizes purchasing power so that a Service member can purchase the same level of goods and services OCONUS as he or she could if stationed inside the continental United States (CONUS). In addition to OCONUS COLA, station allowances in Chapter 68 include the TLA. The TLA partially offsets the cost of lodging and meals, and incidental expenses incurred while occupying temporary lodgings OCONUS.

1.2 Authoritative Guidance

This chapter includes policy previously cited in the Joint Travel Regulations (***JTR***), Chapter 9. The statutory requirements for the chapter are provided by Title 37, United States Code (U.S.C.), section 405 (***37 U.S.C. § 405***). The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 STANDARD ALLOWANCES

2.1 Definitions Specific to OCONUS COLA and TLA

2.1.1. Vicinity. The "vicinity" is the entire country, U.S. territory or possession, or state when in Alaska or Hawaii where the Service member's permanent duty station (PDS) is located. When a Service member resides with a dependent and commutes to the PDS, the dependent is considered to be residing at or in the vicinity of the PDS even if in an adjacent country or state. If the Service member transfers to a new PDS in the same country, state, or U.S. territory or possession as the designated place, and the Service member is required to maintain two separate households (for example, the Service member cannot commute daily from the dependent's location to the PDS), then a second station allowance may be authorized or approved through the Secretarial Process. In this case, the dependent is not considered at or in the vicinity of the Service member's PDS even though located in the same country, state, or U.S. territory or possession.

2.1.2. Government Dining Facility. Government dining facilities operate using appropriated funds and provide meals to Service members with or without charge under an agreement between the facility and the Government. Common terms for Government dining facilities include: Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms. Activities operated by non-appropriated funds, such

as an officer's mess, club, organized mess and other similar terms are not considered Government dining facilities. See Definitions for more information.

2.1.3. Government Quarters. "Government quarters" include individual quarters provided with or without charge under agreement with the Government. For COLA purposes, barracks are considered Government quarters, including dormitory and quarters aboard a ship. See Definitions for more information.

2.1.4. OCONUS COLA Index. The OCONUS COLA index represents how much more expensive it is to purchase goods and services OCONUS compared to the same level of goods and services available in an average location within the CONUS. For example, an OCONUS COLA index of 110 indicates that the prices in the area OCONUS are overall 10% more expensive than in the CONUS. An index of 100 indicates that the overall cost of the goods and services surveyed is approximately the same at the location OCONUS as in the CONUS and no COLA is warranted.

2.1.5. Service Member With-Dependent. A Service member is considered with-dependent if any of the following criteria apply:

2.1.5.1. The Service member is authorized to have a dependent reside at or in the vicinity of the Service member's PDS OCONUS and the dependent resides there;

2.1.5.2. The Service member was married to another Service member on effective date of the permanent change of station (PCS) order. If one Service member is later released from active duty or separated or retired from the Service, then he or she becomes a dependent if he or she remains near the active-duty Service member's former PDS; or

2.1.5.3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the dependent is one of the following:

2.1.5.3.1. Command-sponsored and residing with a Service member at an OCONUS location at which an "accompanied by dependents" tour is authorized, the Service member is authorized to serve that tour, and the dependents are authorized by the appropriate authority to be at the Service member's PDS;

2.1.5.3.2. A bona fide resident of the same area as the Service member's non-foreign PDS OCONUS; or

2.1.5.3.3. An officer or civilian employee of the United States stationed in the same area as the Service member's non-foreign PDS OCONUS.

2.1.6. Service Member Without Dependent. A Service member is considered to be without dependent if any of the following criteria apply:

2.1.6.1. The Service member has no dependents;

2.1.6.2. The Service member does not have a dependent who resides at or in the PDS vicinity;

2.1.6.3. The Service member is joined by a dependent or acquires a dependent while serving OCONUS and the Service member is not a Service member with-dependent as defined in subparagraph 2.1.5;

2.1.6.4. The Service member has a dependent residing at or in the PDS vicinity who is not command-sponsored; or

2.1.6.5. The Service member does not have legal custody and control of a dependent (***Comp Gen B-131142, June 3, 1957***). For the purposes of COLA or TLA, a Service member paying child support for a child but who does not have legal custody or control of the child is without a dependent unless the Service member has a command-sponsored dependent at the PDS other than the dependent on whose behalf the Service member pays child support.

2.2 Eligibility for OCONUS COLA and TLA

2.2.1. Service Member Married to Another Service Member. When a Service member is married to another Service member who is on active duty, the spouse on active duty is not considered a dependent.

2.2.2. Unaccompanied Tour and "Unusually Arduous Sea Duty." When a Service member is assigned to an unaccompanied tour or "unusually arduous sea duty" and a dependent remains at the Service member's old PDS OCONUS or is at an approved designated place OCONUS, then the Service member is not considered to have a dependent at the unaccompanied or sea duty PDS. The Service member is eligible for OCONUS COLA or TLA at the with-dependent rate for the dependent's location.

2.2.3. Command-Sponsored. A dependent must be command-sponsored for the Service member to receive OCONUS COLA or TLA based on the dependent's presence unless the Service member is eligible for these allowances as specified under subparagraphs 2.1.5.2, 2.1.5.3 and/or the JTR, paragraphs 050809, 050814, 050903, or 050907.

2.3 Special Circumstances Affecting OCONUS COLA or TLA

2.3.1. Dependents Travel Before or After the Service Member Travels. Authorization or approval by either the Secretary concerned or the Secretarial Process may be made for the following:

2.3.1.1. Advance Travel. When dependents are command-sponsored and authorized to travel before the Service member and arrive at the new PDS OCONUS before the Service member, housing allowance changes can be based on the advance arrival at the PDS

OCONUS under Chapter 26, paragraph 10.7. If advance travel of dependents has been authorized or approved by the selected process, COLA payment is also authorized or approved, without separate action based on the number of dependents at the new PDS;

2.3.1.2. Delayed Travel. When dependents are authorized (or required) to travel from a PDS OCONUS after the Service member and arrive at a new PDS after the Service member, the housing allowance for the old PDS OCONUS can continue based on the dependents' delayed travel under Chapter 26, paragraph 10.7, and COLA for the same time period continues without separate action;

2.3.1.3. Deferred Travel. When dependent travel to a new PDS OCONUS is deferred, COLA at an old PDS OCONUS or designated place continues until the dependents depart or for 60 days after dependent travel to the new PDS is authorized. The Secretarial Process may extend the 60-day period (see Chapter 26, paragraph 10.6); or

2.3.1.4. Other Circumstances. Authorization or approval of housing allowance continuation under Chapter 26, paragraph 10.2 (e.g., training or a Service member's pending retirement), authorizes COLA continuation for the same time period without separate action.

2.3.2. Foreign-Born Dependent Returned to Country of Origin. If the Secretary concerned authorizes the return of a foreign-born dependent to the country of the dependent's origin, as specified in the JTR, paragraph 050804, including when the Service member is stationed in the same country, the Service member is authorized OCONUS COLA or TLA, as appropriate, at the with-dependent rate based on the dependent's location OCONUS. OCONUS COLA or TLA payments on behalf of the dependent's location begin on the day a dependent arrives at that location. See the DoD Instruction *(DoDI 1315.18)* (Procedures for Military Personnel Assignments) for the return of foreign-born dependents.

2.3.3. Observer to United Nations (UN) Peacekeeping Organization on a PCS. A Service member assigned on a PCS as an observer to a UN peacekeeping organization who receives a UN mission subsistence allowance is also authorized OCONUS COLA or TLA as specified in this chapter. The OCONUS COLA and TLA amount combined with the UN mission subsistence allowance is limited to the OCONUS COLA and TLA of a Service member permanently assigned to other than a UN Peacekeeping Organization in the same area. This paragraph does not authorize a reduction in the UN mission subsistence allowance.

2.3.4. Service Member Assigned to Unaccompanied Tour or "Unusually Arduous Sea Duty." The OCONUS COLA or TLA payment for the dependent's location begins on the day he or she arrives at that location.

2.3.4.1. Requirements. Table 68-1 specifies OCONUS COLA and TLA when a Service member with a dependent serves an unaccompanied tour or is on "unusually arduous sea duty."

2.3.4.1.1. If the location is a designated place in a non-foreign area OCONUS and the Service member is assigned to an unaccompanied tour, a dependent-restricted tour, or "unusually arduous sea duty," one of the following conditions must apply:

2.3.4.1.1.1. The Service member was a legal resident of that area before entering active duty;

2.3.4.1.1.2. The Service member's spouse was a legal resident of that area when they married,

2.3.4.1.1.3. The Service member was called to active duty from that area,

2.3.4.1.1.4. It is the Service member's home of record,

2.3.4.1.1.5. The relocation of the Service member's dependent was authorized or approved through the Secretarial Process, or

2.3.4.1.1.6. The dependent remained at his or her current location prior to the Service member's assignment.

2.3.4.1.2. If the Service member is scheduled to serve an accompanied tour immediately after completing an unaccompanied tour or "unusually arduous sea duty," OCONUS COLA or TLA for a location OCONUS may be authorized. The Service member must have sufficient time in Service remaining as specified in the JTR, paragraph 050806 for an unaccompanied tour or as specified in the JTR, paragraph 050814 for a dependent-restricted tour or "unusually arduous sea duty."

2.3.4.1.3. If the Service member is serving a dependent-restricted tour or "unusually arduous sea duty," a location OCONUS may be justified under unusual conditions or circumstances if authorized or approved by the Secretary concerned.

2.3.4.2. Payment of Allowances to Service Member at Unaccompanied Tour or "Unusually Arduous Sea Duty" Station. While a Service member is authorized station allowances for a dependent's location, the Service member is also authorized the OCONUS COLA and TLA, if any, at the "without dependent" rate at the new PDS.

2.3.4.3. Subsequent Reassignment to an Accompanied Tour Area. Upon a subsequent PCS order to an accompanied tour area to which dependent transportation is authorized, OCONUS COLA and TLA stop the day before the Service member departs due to the PCS order or the day before the effective date of the home port change from OCONUS. See paragraph 3.2 for OCONUS COLA exceptions.

2.3.4.4. Dependent Relocates from a Designated Place at Personal Expense. If a dependent relocates from a designated place at personal expense, station allowances must stop or be reduced by the number of dependents departing the day before the dependent departs the

designated place. Station allowances are not authorized at the dependent's new location because that location is not a designated place.

3.0 OCONUS COLA

An OCONUS COLA is authorized for a Service member assigned to a PDS OCONUS to help maintain the equivalent purchasing power of the discretionary portion of spendable income as the Service member's counterparts based in the CONUS. This allowance compensates for the higher cost of goods and services OCONUS. To calculate the OCONUS COLA, the goods and services purchased in an area OCONUS, excluding housing, are compared to the cost of goods and services purchased in the CONUS. See paragraph 2.3 for special circumstances affecting OCONUS COLA.

3.1 Factors That Affect OCONUS COLA Rates

3.1.1. Geographic Location. The geographic location of the PDS governs the OCONUS COLA payable unless otherwise authorized or approved through the Secretarial Process. See COLA Information for current geographic information.

3.1.2. COLA Indexes. See ***OCONUS COLA Calculator*** for specific locations OCONUS. COLA rates are based on a Service member's PDS. Paragraph 3.3 provides the rates when any of the following occur:

3.1.2.1. A ship's home port is the PDS for OCONUS COLA purposes;

3.1.2.2. A dependent resides at a location other than the PDS in connection with an unaccompanied assignment; or

3.1.2.3. A dependent is evacuated.

3.1.3. Calculating OCONUS COLA Indexes. See Calculation of OCONUS COLA Index.

3.1.4. Surveys. The two surveys conducted to determine prices OCONUS are the Living Pattern Survey (LPS) and the Retail Price Schedule (RPS). See the Defense Travel Management Office ***(DTMO) Survey Instruments*** for more detailed information about the LPS and RPS data surveys. Data from these surveys help determine the OCONUS COLA indexes.

3.1.5. Foreign Currency Exchange Rates. The Office of the Undersecretary of Defense, Personnel and Readiness (OUSD (P&R)) reviews and adjusts exchange rates when necessary for countries where Service members are assigned. OUSD (P&R) adjusts OCONUS COLA based on currency fluctuations as frequently as twice monthly. See the ***DTMO Currency Adjustment*** for more information.

3.1.6. COLA Unique Expenses. In some areas OCONUS, a Service member or dependent incurs mandatory and excessive expenses that a Service member based in CONUS does not normally incur. Since the expenses are not incurred by every Service member OCONUS, they

cannot be a part of the ordinary COLA index calculation. For these expenses, payment is a lump-sum dollar-for-dollar reimbursement for a specifically authorized expense at a designated authorized location.

3.1.6.1. Authorization. All requests to authorize a COLA Unique Expense must be submitted from a Major Command to OUSD (P&R) through the applicable Service representative listed at ***Uniformed Services Contact Information***. OUSD (P&R) specifically authorizes or approves the expense for reimbursement according to the ***DoD Overseas Station and Housing Allowance Process Guide***. OUSD (P&R) does not accept requests from individual Service members to authorize a COLA Unique Expense.

3.1.6.2. Reimbursement. The Secretary concerned may reimburse a COLA Unique Expense if Table 68-2 authorizes the location and expense. Services may alternatively use the Secretarial Process to reimburse an authorized expense or expenses. Once a COLA Unique Expense has been authorized for a location, no further examination may be made to compare the spendable income of the claimant to the amount of the expense claimed. Any claim based on a valid receipt for an authorized COLA Unique Expense may be reimbursed in a lump sum, dollar-for-dollar, through Service payment procedures. The Service concerned is not required to recover any amount refunded to a Service member by a foreign government agency.

3.1.6.3. Authorized Locations and Expenses. Table 68-2 specifies the authorized locations and expenses for a COLA Unique Expense reimbursement.

3.1.7. OCONUS COLA Report Submission. See Part 2 of the DoD Overseas Station and Housing Allowance Process Guide.

3.2 Start and Stop OCONUS COLA

3.2.1. Start OCONUS COLA. Generally, OCONUS COLA starts on the day a Service member reports to a new PDS, the effective day of a home port change, or the day his or her dependent arrives before the Service member at either the new PDS or the new home port, as specified in paragraph 3.3. However, if the Service member is authorized a monetary allowance in lieu of transportation plus per diem (MALT Plus) on the reporting day, OCONUS COLA starts on the day after the Service member's reporting day.

3.2.2. Stop OCONUS COLA. OCONUS COLA stops the day before a Service member departs from OCONUS on a PCS order or the day before the effective date of a ship's or unit's home port change unless any of the following occur:

3.2.2.1. An extension is authorized through the Secretarial Process;

3.2.2.2. OCONUS COLA is authorized during a PCS between PDSs in close proximity, when at the new PDS the member continues to commute from the residence occupied at the old PDS. OCONUS COLA continues during temporary duty (TDY) en route. If the COLA rate differs, the rate for the old PDS is paid through the day prior to the member's report date. COLA for dependents is paid as specified in paragraph 3.3; or

3.2.2.3. A Service member without a dependent undergoes a home port change. In that circumstance, the Service member is authorized OCONUS COLA based on the old home port until the day he or she moves back aboard the ship under the following conditions:

3.2.2.3.1. The ship does not depart from the old home port before or on the effective date of the home port change; and

3.2.2.3.2. Quarters on board the ship are not available, such as when the ship is in dry dock.

3.3 OCONUS COLA for Service Member With a Dependent

A Service member with a dependent is authorized OCONUS COLA based on the number of command-sponsored dependents at the PDS vicinity, regardless of Government dining facility availability. This includes when the Service member has a dining facility aboard ship available. Table 68-3 specifies exceptions. A Service member is authorized OCONUS COLA for all command-sponsored dependents, including a Federal employee who is a spouse or child and eligible for a post allowance in his or her own right. Paragraph 3.5 specifies OCONUS COLA authority for a Service member married to another Service member.

3.3.1. Home Port Change. If a Service member is currently assigned to a ship or other fleet unit with an announced home port change (or receives a PCS order to a ship or other fleet unit with an announced home port change) and a dependent is authorized to travel to the new home port, the new home port is the Service member's PDS for COLA purposes (*65 Comp Gen 888 (1986)*).

3.3.2. PCS Order Amendment Changes the PDS. When a Service member receives a PCS order amendment that names a different PDS before he or she joins a dependent who has already arrived at or in the vicinity of a new PDS OCONUS, and on whose behalf OCONUS COLA was authorized, OCONUS COLA at the original PDS rate ends on the dependent's departure day for the newly designated PDS. OCONUS COLA at the initial PDS can extend more than 60 days after the amended order effective date only if specifically authorized or approved through the Secretarial Process. OCONUS COLA at the new PDS rate based on the number of command-sponsored dependents begins on the dependent's arrival day.

3.3.3. OCONUS COLA Due to Evacuation of the Service Member's PDS. If a Service member's PDS is evacuated, OCONUS COLA at the with-dependent rate stops on the dependent's departure date due to the evacuation. Until the dependent returns to the Service member's PDS, the Service member is considered "without a dependent" for OCONUS COLA purposes. When a dependent is evacuated from OCONUS or from a location in the CONUS to reside at an authorized or approved designated place OCONUS, the Service member is authorized OCONUS COLA at the with-dependent rate for the designated place beginning the day after per diem stops. Station allowances are not payable for a dependent who is not command-sponsored at the Service member's PDS OCONUS.

3.4 OCONUS COLA for Service Member Without a Dependent

3.4.1. Reduced OCONUS COLA. When both Government quarters and a Government dining facility are available, a Service member is paid a reduced OCONUS COLA. Reduced OCONUS COLA is calculated using a fixed percentage of the COLA rate for a Service member with no dependents living in private-sector housing.

3.4.2. Government Dining Facility Availability. The decision to authorize OCONUS COLA for a Service member without a dependent is based on whether the dining facility is actually available to the Service member, whether he or she is expected to purchase food for preparation in Government quarters, and whether the Government quarters have facilities to keep and prepare meals.

3.4.2.1. For OCONUS COLA purposes, if a permanently assigned Service member purchases meals or receives meals at no cost at a Government dining facility, or receives meals using a Government-provided meal card, then a Government dining facility is available.

3.4.2.2. Table 68-4 specifies the conditions for determining OCONUS COLA authorization for a Service member without a dependent.

3.4.3. Leave Periods. If a Service member without dependent takes leave away from the PDS vicinity OCONUS, OCONUS COLA continues for the first 30 days and stops on day 31. If OCONUS COLA is stopped, it starts again the day the Service member returns to the PDS from leave.

3.5 Service Member Married to Another Service Member

Table 68-5 specifies OCONUS COLA for a Service member married to another Service member. See Table 68-4 for COLA when both Service members are grade E-5 or below, are serving on sea duty, and have no other dependents.

3.6 Non-Command-Sponsored Dependent in PDS Vicinity

A Service member who is serving an unaccompanied tour at a PDS OCONUS is not authorized with-dependent OCONUS COLA when a non-command-sponsored dependent accompanies or joins the Service member, even if the Service member chooses not to use an available Government dining facility. The Service member is authorized the same OCONUS COLA as any other Service member without a dependent under the same conditions (see subparagraph 3.4.1). If the Service member changes the tour election and agrees to serve the tour as accompanied, with-dependent, OCONUS COLA as specified in paragraph 3.3 starts on the day the dependent becomes command-sponsored.

3.7 Fractional Cost of Living Allowance for a Service Member Without a Dependent

3.7.1. Eligibility. This paragraph applies only to a Service member receiving the reduced OCONUS COLA. The PDS includes a ship or other unit having an assigned home port OCONUS as opposed to an assigned PDS OCONUS.

3.7.1.1. The Service member's duty, as distinguished from a travel status, must require his or her absence from the PDS during one or more meals.

3.7.1.2. The commanding officer, or an officer designated by the commanding officer for that purpose, must validate that the meals are not furnished.

3.7.2. Allowances

3.7.2.1. The COLA is for the PDS, or in the case of a Service member assigned to a ship or other unit having an assigned home port OCONUS, the place where the Service member takes meals. Calculate the fractional COLA amount payable by applying the percentages specified in Table 68-6 for the meals involved to the daily COLA at the "0 dependent" rate for the PDS.

3.7.2.2. A Service member without a dependent receiving the reduced OCONUS COLA rate is authorized a percentage of the "0 dependent" COLA rate for each meal not provided in a Government dining facility in addition to the reduced OCONUS COLA.

3.8 Service Member Assigned to Ship or Fleet Unit

3.8.1. Delayed Travel. Secretarial authorization or approval of the housing allowance for a dependent continuing during the delayed departure from a PDS OCONUS, as specified in Chapter 26, also authorizes COLA continuation for the same time period without a separate authorization or approval. Subparagraph 4.8.3 applies whether the Service member's new PDS is in the CONUS or OCONUS.

3.8.2. Service Member Assigned to Duty Aboard a Two-Crew Nuclear Submarine. The ship's home port is the Service member's PDS for station allowances.

3.8.2.1. When a Service Member Reports to the Home Port Before Reporting Aboard. When a Service member is assigned to a two-crew nuclear submarine and reports to the ship's home port before reporting aboard because the ship is deployed, the Service member is authorized station allowances the day after he or she arrives at the home port, and no further travel is required by the order before reporting aboard the submarine (***57 Comp Gen 178 (1977)***).

3.8.2.2. Service Member Without a Dependent Ordered to a TDY at Home Port (OCONUS COLA Only). OCONUS COLA is authorized for a Service member without a dependent while the Service member is performing a TDY ashore if all of the following conditions are met:

3.8.2.2.1. The Service member is assigned to a two-crew nuclear submarine,

3.8.2.2.2. The Service member has reported aboard, and

3.8.2.2.3. The training and rehabilitation is for a period of 16 or more days at the ship's home port OCONUS.

3.9 Reserve Component (RC) Member

3.9.1. Eligibility. An RC member called or ordered from a residence OCONUS to active duty or active duty for training (ADT) may be authorized OCONUS COLA. Command sponsorship is not required when a Service member is authorized OCONUS COLA at the with-dependent rate for the place last entered (or called to) active duty (PLEAD). The Service member must reside permanently in the area concerned at the time called or ordered to active duty (*55 Comp Gen 135 (1975)*).

3.9.2. Allowances. An RC member is authorized OCONUS COLA for the tour duration as specified in Table 68-7 unless he or she is called or ordered to active duty for any of the following reasons:

3.9.2.1. Training for 140 or More Days. The initial OCONUS COLA rate ends on the day before the Service member reports at the duty location specified in the active-duty order. Authority for OCONUS COLA for the PDS location begins the day the Service member reports at that location. A Service member called or ordered to ADT from a location in the CONUS for 140 or more days at one location is authorized OCONUS COLA in the same manner as a Service member already on active duty;

3.9.2.2. Other Than Training for 181 or More Days With PCS Allowances. A Service member called or ordered to active duty for other than training from a location in the CONUS for 181 or more days at one PDS location OCONUS is authorized OCONUS COLA as of the day he or she reports at that location except as in subparagraph 3.9.2.3. The initial rate for the primary residence OCONUS stops the day before the Service member reports at the PDS duty location specified in the active-duty order. OCONUS COLA authority for the PDS location begins the day the Service member reports at that location; or

3.9.2.3. Other Than Training for 181 or More Days But Not Authorized HHG Transportation. When HHG transportation is not authorized, an RC member called or ordered to active duty for other than training for 181 or more days at one location, away from his or her primary place of residence OCONUS at the time called or ordered to active duty, is assigned to duty at that residence and paid OCONUS COLA at that location rate. HHG transportation under a TDY order does not affect this authority. OCONUS COLA authority begins on the first active-duty day.

3.10 Calculations for OCONUS COLA

Calculate a Service member's OCONUS COLA payment using data from three individual sources and tables: the Annual Compensation Table, the Spendable Income Table, and the COLA Index Table. OCONUS COLA is specified as a daily rate. The annual COLA is calculated by multiplying the Service member's annual spendable income by the authorized COLA index. For OCONUS COLA, spendable income is that portion of the Service member's annual compensation used to purchase items in the RPS. Use Table 68-8 to calculate annual OCONUS COLA and Table 68-9 to calculate monthly OCONUS COLA. See ***Overseas COLA Computation Example***.

4.0 TLA

TLA is intended to partially pay a Service member for higher-than-normal expenses incurred by a Service member or dependent while occupying temporary lodging OCONUS. OCONUS TLA is available when it is necessary for a Service member or dependent to occupy temporary lodging upon arrival at, or immediately before leaving, a PDS OCONUS, or during other periods as specified in this section. Personal inconvenience to a Service member or dependent is never a determining factor. TLA is not intended, and must not be used, for the personal enrichment of a Service member, including authorization or approval of TLA Special (see paragraph 4.10).

NOTE: Organizations are expected to take appropriate disciplinary action when TLA is provided for inappropriate reasons.

4.1 TLA Authority

The senior commander of the Service in the country or area is the TLA Authority. In countries or areas where more than one Service is represented, the senior commander of all of the Services is the TLA Authority. The TLA Authority may delegate authority as determined appropriate to judiciously administer TLA. TLA may be authorized when a Service member or dependent needs to occupy temporary lodging at personal expense. The TLA Authority authorizes or approves TLA only for the number of days needed to prevent undue financial hardship to the Service member during that period.

4.2 TLA Authority Responsibilities

The TLA Authority must issue written TLA guidance for the country or area under his or her responsibility. Effective guidance and management at all levels should minimize TLA costs by preventing the need for TLA, shortening the authorized period, and reducing the amount payable.

4.2.1. Submit Written Guidance. An electronic (Word) copy of the required written guidance and changes to or re-issuances of the written material implementing this authority must

be provided, via the Service Compensation Chief, to the Allowances Division, OUSD (P&R). This written material must be coordinated with the Uniformed Services present in the country or area, consistent with the general payment conditions listed in this chapter and designed to uniformly authorize TLA to each Service member.

4.2.2. Establish Efficient Policies. To ensure economical TLA administration, the OCONUS TLA Authority's written guidance to help the Service member locate permanent quarters should emphasize all of the following:

4.2.2.1. A Service member and any dependents should use existing Government transient facilities to the fullest extent possible upon PDS arrival or departure. The Service member must be advised of and encouraged to use recommended temporary lodging;

4.2.2.2. A Service member in a TLA status should be given priority over other potential occupants of transient facilities;

4.2.2.3. A Service member uses, when practical, leased quarters furnished and equipped for temporary occupancy by a family;

4.2.2.4. Promote the use of temporary lodging with facilities for preparing and consuming meals;

4.2.2.5. Maintain contact with the local, private-sector market for permanent housing and provide incoming families with reliable, realistic, and current information concerning location, availability, description, and cost;

4.2.2.6. Maintain an up-to-date list of approved, regularly inspected temporary lodging;

4.2.2.7. Inform the Service member of Government furniture available upon arrival at the new PDS for temporary loan while occupying permanent Government quarters or private-sector housing before the household goods (HHG) arrive. Before departure from the PDS, inform the Service member of Government furniture available for temporary loan after the HHG has been picked up for shipment;

4.2.2.8. The Service member should occupy permanent Government quarters or private-sector housing as soon as possible upon arrival and should not vacate sooner than necessary upon departure on a PCS order. This should ensure that TLA ends the day before the Service member could reasonably occupy permanent Government quarters or private-sector housing upon arrival at the PDS OCONUS, even if he or she does not occupy permanent Government quarters or private-sector housing;

4.2.2.9. Requirements for dependent travel should contain advice to the Service member about appropriate household items to include in unaccompanied baggage; and

4.2.2.10. Any additional TLA period will not be authorized or approved when a Service member is not expected to incur any excess costs or suffer undue financial hardship.

4.2.3. Advise Service Members. It is the TLA Authority's responsibility to ensure that a Service member is advised of all of the following responsibilities and requirements:

4.2.3.1. The Service member must aggressively seek permanent Government quarters or private-sector housing upon arrival. When the Service member will be assigned Government quarters, the provision to seek private-sector housing is not applicable;

4.2.3.2. The Service member must register with an official upon arrival and keep that official informed of progress in obtaining permanent Government quarters or private-sector housing at intervals of 15 or fewer days, as determined by the TLA Authority;

4.2.3.3. The Service member must provide a statement to the official indicating the beginning and end of TLA;

4.2.3.4. The limitations on the number of authorized TLA days for arrival or departure and of any requirement for a written justification to extend TLA to the maximum number of days;

4.2.3.5. The requirement to relocate as soon as practical to other permanent Government quarters or private-sector housing, or to reoccupy the Government quarters or private-sector housing formerly occupied;

4.2.3.6. The amount of the TLA payment depends on the expenses incurred at the temporary lodging;

4.2.3.7. The Service member must obtain and keep receipts for lodging expenses to support TLA payment; and

4.2.3.8. Lodging expenses are not allowed while staying with friends or relatives, but the meal and incidental expense rate (M&IE) is payable for the eligible TLA period.

4.3 Applicable Situations for a TLA

4.3.1. Situations That Require Temporary Housing. TLA may be authorized during any of the following periods:

4.3.1.1. Upon initial arrival or reporting at a PDS OCONUS either while waiting for Government quarters or while completing arrangements for other private-sector housing when Government quarters are not available. This includes reporting for a TDY at an activity within the limits of the new PDS OCONUS (***Comp Gen B-208740, January 31, 1983***);

4.3.1.2. Immediately preceding departure for a PCS from a PDS OCONUS after a Service member vacates Government quarters or private-sector housing in connection with a PCS

order. This includes reporting for a TDY at a location within the limits of the old PDS OCONUS (Comp Gen B-208740, January 31, 1983);

4.3.1.3. While a Service member without a dependent is seeking permanent Government quarters or private-sector housing following a TDY assignment of 90 or more days when he or she vacated permanent Government quarters or private-sector housing before beginning the TDY (***59 Comp Gen 486 (1980)***);

4.3.1.4. During a Service member's hospitalization when a dependent must use temporary lodging OCONUS because the Service member was hospitalized en route between PDSs;

4.3.1.5. While house hunting after the Service member arrives at the new PDS and reports for duty in connection with a PCS; or

4.3.1.6. When the appropriate official determines that TLA is necessary for a Service member, once he or she is established in, must vacate, or is waiting to reoccupy permanent Government quarters, private-sector housing, or privatized housing for reasons beyond the Service member's control. This does not include a ship entering any type of maintenance availability. The appropriate official must base the determination on the OCONUS TLA Authority's written guidance.

4.3.1.6.1. TLA begins the day temporary lodging is first used and ends on the day before permanent Government quarters, private-sector housing, or privatized housing is reoccupied, or when the OCONUS TLA Authority determines TLA is no longer justified.

4.3.1.6.2. TLA does not include any expenses incurred before the TLA period begins or after it ends, except for extra lodging charges authorized as specified in section 6.0.

4.3.1.6.3. TLA ends if the OCONUS TLA Authority determines that TLA is no longer necessary due to any of the following reasons:

4.3.1.6.3.1. There are no excess costs,

4.3.1.6.3.2. The Service member failed to accept adequate permanent Government quarters; or

4.3.1.6.3.3. The Service member stopped diligently searching for permanent private-sector housing.

4.3.2. Additional TLA

4.3.2.1. In addition to the responsibilities in paragraph 4.2, the OCONUS TLA Authority's written guidance is used to determine whether undue financial hardship can result if an additional TLA period is not authorized or approved. The guidance must be used before

authorizing or approving additional TLA periods upon initial arrival, delayed departure, or early termination of either permanent Government quarters or private-sector housing.

4.3.2.2. Applications for additional TLA periods must establish the need for TLA.

4.3.2.3. The OCONUS TLA Authority must direct consideration of the daily amount of all of the following payments and expenses before authorizing additional TLA:

4.3.2.3.1. The amount of TLA the Service member has received or will receive;

4.3.2.3.2. Current and estimated expenses for temporary lodging;

4.3.2.3.3. The housing allowance for a Service member. However, the housing allowance is not considered when paid for a dependent at a place other than the Service member's PDS, or for a Service member receiving TLA at the with-dependent rate for the Service member only; and

4.3.2.3.4. Family Separation Housing.

4.4 General Payment Conditions

4.4.1. Service Member Responsibilities. The Service member must either meet the requirements in subparagraph 4.2.3 or submit acceptable reasons for noncompliance before TLA payment. TLA payment or further TLA authority must be denied if the Service member has not complied with those TLA requirements in accordance with the OCONUS TLA Authority's written guidance or if he or she failed to submit acceptable reasons for noncompliance.

4.4.2. Government Quarters. When Government quarters are available and other lodging is used, lodging reimbursement is limited to the cost of Government quarters as specified in the JTR, subparagraph 020303.C. If Government quarters are not available, the Service member should provide written certification to support any voucher documentation submitted to comply with finance regulations.

4.4.3. Non-Occupancy. If the temporary lodging is not occupied during a portion of the TLA period, reimbursement is allowed for the other days when it is occupied during the authorized TLA period.

4.4.4. TLA Periods. There may be a break between an initial TLA period and any additional authorized TLA period.

4.4.5. Unaccompanied Tour. A Service member serving an unaccompanied tour is not authorized TLA when he or she chooses not to use an available Government dining facility or available Government quarters because a non-command-sponsored dependent is in the PDS vicinity.

4.4.6. PCS Order Canceled or Revoked. When the Service member's PCS order is canceled or revoked after he or she occupies temporary lodging, the Service member may receive TLA reimbursement up to the maximum number of days allowed by the OCONUS TLA Authority.

4.4.7. Advance Payment. An advance may be paid for the number of authorized TLA days, after authority is provided, based on the appropriate directive issued as specified in the OCONUS TLA Authority's guidance.

4.4.8. Old and New PDS in Close Proximity or in the Same Country. When a Service member's old and new PDSs are in close proximity to each other or in the same country, the TLA authority does not change. However, when a Service member's new PDS is within commuting distance of the Government quarters or private-sector housing occupied while at the old PDS, the Service member may not be authorized TLA unless the Service member's commanding officer approves temporary lodging based on a necessary residence change for reasons beyond the Service member's control.

4.4.9. Certification Confirming Military Necessity. The following situations require that a Service member's order be annotated with or include an attached certification that retaining TLA lodging was due to military necessity and not due to the Service member's personal choice or convenience:

4.4.9.1. When a Service member receiving TLA is ordered on a TDY while away from the PDS;

4.4.9.2. When a Service member receiving TLA before his or her PCS departure is ordered on deployment from the PDS, including the home port or permanent duty location of a ship, staff, or afloat unit; or

4.4.9.3. When a Service member receiving TLA is hospitalized after arrival at a new PDS or before a PCS departure.

4.5 Receipt of Multiple Allowances

Duplicate payment for the same expense is not authorized.

4.5.1. COLA and Housing Allowances. A Service member may be paid a COLA, a ***Basic Allowance for Housing***, or an ***Overseas Housing Allowance (OHA)***, if applicable, when paid TLA.

4.5.2. Evacuation Allowances. TLA is not payable due to an evacuation.

4.5.3. Temporary Quarters Subsistence Expenses (TQSE) or Temporary Quarters Subsistence Allowances (TQSA). A Service member married to a civilian employee may be authorized TLA while the civilian employee receives TQSE or TQSA, (see the JTR, section 0542) as long as the TLA and TQSE or TQSA payments cover different expenses.

4.5.4. Dependent Receives Basic Pay. A Service member may not be paid allowances on behalf of a dependent for any period while that dependent is entitled to basic pay as specified in *37 U.S.C. § 204* and *37 U.S.C. § 421*.

4.6 TLA for Initial Assignment

4.6.1. Authorization Period. TLA authorization for a PDS assignment OCONUS requiring a residence change ordinarily should not exceed 60 days, which do not have to be consecutive. The initial 60-day period begins on the same date as the COLA. The OCONUS TLA Authority's Authorizing Official (AO) may authorize or approve a period in addition to the initial 60-day maximum to follow immediately after the first 60 days or begin at some later date after the initial period expires. The additional period may be authorized or approved in increments of 15 or fewer days for any of the following reasons beyond the Service member's or dependent's control:

4.6.1.1. HHG does not arrive;

4.6.1.2. Service requirements cause a delay in the availability of or assignment to Government quarters;

4.6.1.3. Acts of God, fire, flood, earthquake, riot, civil unrest, or other disturbances that make normally available or anticipated Government quarters or private-sector housing temporarily or permanently uninhabitable or unavailable;

4.6.1.4. A landlord withdraws the private-sector housing from the market;

4.6.1.5. The Service member is unable to secure private-sector housing that the housing officer considers suitable to the Service member's needs, in an acceptable location, and comparable to and within the price range of housing that other Service members in the area are currently using. The lease cost for housing can exceed the OHA ceiling; or

4.6.1.6. Either the Service member or dependent is hospitalized, or the Service member's duties require the Service member to be away from the PDS (or home port, if attached to a ship) limiting opportunities to arrange for permanent Government quarters or private-sector housing.

4.6.2. Review of Effort to Find Permanent Housing. At the end of the first TLA period of 15 or fewer days, or a longer period authorized under extenuating circumstances, the OCONUS TLA Authority's AO should review the Service member's progress in obtaining permanent housing.

4.6.2.1. If the Service member's efforts appear deficient, the OCONUS TLA Authority's AO must remind the Service member of his or her responsibilities. A Service member who does not comply, without an acceptable reason, will lose authorization for TLA unless the Service member is awaiting assignment to Government quarters.

4.6.2.2. The Service member's absence from the PDS due to a TDY, maneuvers, being aboard ship, sickness, hospitalization, serious illness of dependents, or other acceptable reasons, excuses the Service member from aggressively seeking permanent housing during the absence and postpones the date for submitting the required information. This applies when evaluating the Service member's progress toward obtaining permanent Government quarters or private-sector housing and in determining TLA authorization or approval during each succeeding period.

4.6.3. TLA Authorization. TLA authorization that starts upon initial arrival continues until a Service member occupies permanent Government quarters or private-sector housing unless TLA is terminated earlier for an acceptable reason specified in this chapter. The allowance stops accruing on the day before a Service member occupies the permanent housing. With the exception of allowed extra lodging charges, no expenses incurred on the permanent Government quarters or private-sector housing occupancy day are used in computing TLA (see section 6.0). In any case, TLA must stop the day HHG is delivered.

4.7 TLA for Initial Assignment When New PDS is a Ship

4.7.1. Reporting Day. On the actual reporting day aboard a ship, the lodging cost for lodging jointly occupied by the Service member and a dependent is not divided between the Service member and the dependent. The entire lodging cost is included as a TLA expense.

4.7.2. Period While Awaiting the Ship's Arrival

4.7.2.1. When a Service member is in a TDY status at the home port OCONUS awaiting arrival of his or her assigned ship, he or she is eligible for per diem. Therefore, the Service member is ineligible for TLA during the waiting period. The waiting period begins on the arrival day at the home port and continues through the day before the actual reporting day aboard the ship. During this waiting period, the ship is the Service member's new PDS for personal travel. For TLA purposes, the Service member has not reached the new PDS until reporting to the ship. TLA can begin after the Service member reports to the ship and meets the other criteria in this chapter.

4.7.2.2. The number of dependents occupying temporary lodging in the PDS area or the home port when the new PDS is a ship determines the amount to authorize for meals, which is used to compute the TLA rate payable on behalf of any dependents for days when a Service member is authorized per diem.

4.7.2.3. When a Service member receiving per diem is also receiving TLA for a dependent, and both are at the home port, lodging costs for jointly occupied lodging are apportioned 50% for the Service member and 50% for all dependents combined for all days except on the reporting day to the ship, regardless of the number of family members.

4.7.3. TLA During Home Port Change for Initial Assignment. If a Service member is currently assigned to a ship or other fleet unit with an announced home port change, or is in receipt of a PCS order to a ship or other fleet unit with an announced home port change, and the dependent

is authorized to travel to the new home port as the new home port is the Service member's PDS for TLA purposes (65 Comp Gen 888 (1986)).

4.8 Service Member Arrives or Departs at a Different Time Than a Dependent

4.8.1. Service Member Arrives Before Dependent. When a Service member arrives at a PDS OCONUS before a dependent, the Service member may be authorized TLA if the conditions specified in section 4.0 are met. Upon the dependent's arrival, TLA may also be authorized or approved for the Service member and dependent. If the dependent arrives after the initial 60-day period expires, an additional TLA period may be authorized as specified in subparagraph 4.8.3 whether or not TLA was paid during the initial 60-day period.

4.8.2. Dependent Arrives at or in the PDS Vicinity OCONUS Before the Service Member. Authorization or approval through the Secretarial Process is required for the dependent's arrival in advance of the Service member as specified in Chapter 26 before TLA payment. Once advance travel is authorized or approved, and a dependent arrives at or in the PDS vicinity OCONUS, the dependent's TLA starts the day TLA is authorized for the Service member provided the dependent is command-sponsored.

4.8.3. Dependent Departs the PDS Vicinity OCONUS After the Service Member. Before TLA payment, authorization or approval through the Secretarial Process is required for the dependent's delayed travel as specified in Chapter 26. Once delayed travel is authorized or approved, TLA for the dependent is authorized under the same conditions as applicable to a Service member when a dependent departs the PDS vicinity OCONUS after the Service member.

4.9 TLA Upon Departure

4.9.1. Time Limitation. The TLA period cannot start more than 10 days before the Service member leaves the PDS in compliance with a PCS order, except in the following situations:

4.9.1.1. One or more dependents remain in the old PDS vicinity as specified in Table 68-10. TLA may be authorized up to 10 days immediately preceding the day the last dependent leaves the PDS. This is regardless of the effective date of the PCS order from that PDS;

4.9.1.2. A longer TLA period is authorized due to delayed departure or the early termination of permanent Government quarters or private-sector housing; or

4.9.1.3. The Service member or dependent is hospitalized, or the Service member's duties require the Service member to be away from the PDS or home port, if attached to a ship.

4.9.2. Departure From PDS. Table 68-10 specifies the TLA authorization upon departure from a PDS under certain circumstances.

4.10 Special TLA Requests (TLA Special)

TLA requests for a higher lodging factor (TLA Special) under special or unusual circumstances may be authorized only before the dates required and by the Allowances Division Director's issued determination. See TLA Special computation examples at the DTMO Computation Examples web page.

4.10.1. TLA Special Warranted. When lodging costs escalate due to a special event and TLA is insufficient for lodging, a TLA Special may be warranted for a specific period.

4.10.2. Request Requirements. Commands must submit requests before the days that the higher rate is needed. The request must include all of the following:

4.10.2.1. The event dates and the dates when a TLA Special is required;

4.10.2.2. Hotel prices before the event and anticipated prices during the event stated in U.S. currency from at least five and preferably seven different hotels located in the affected area;

4.10.2.3. The number of authorized travelers and the ages of any dependents;

4.10.2.4. Locations affected;

4.10.2.5. Recommended lodging amount; and

4.10.2.6. Documentation indicating when the forthcoming special event will occur (***47 Comp Gen 127 (1967)*** and ***Comp Gen B-161396, May 3, 1976***).

4.10.3. Submission Process. The Service member's command may request TLA Special authority before the requested dates by email to:

E-Mail: dodhra.mc-alex.dtmo.mbx.allowances-branch@mail.mil

4.10.4. Limitations. Allowances Division, OUSD (P&R) will not take action on a TLA Special request received after the dates the TLA Special rate was needed, regardless of the circumstances.

4.10.4.1. TLA Special is not authorized for a Service member who is in a TDY status and receiving per diem at a home port OCONUS awaiting arrival of the assigned ship. The Allowances Division Director may authorize TLA Special for an accompanying dependent.

4.10.4.2. TLA Special stops the day after a Service member voluntarily refuses adequate Government quarters for personal convenience.

5.0 OTHER SITUATIONS FOR TLA

5.1 Service Member Married to Another Service Member

If two Service members married to each other maintain separate households at or in the vicinity of their PDS or PDSs OCONUS, each Service member is authorized TLA based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS. See computation examples at the DTMO Computation Examples web page.

5.2 Period of TDY or Deployment While Away From PDS

A Service member receiving TLA who is ordered on a TDY (whether after arrival at the new PDS or before his or her PCS departure) or who is ordered on deployment from the home port of a ship, staff, or afloat unit, is authorized to continue to receive TLA on his or her own behalf. The temporary lodgings must be retained because of the Service member's military assignment. This may include the lodging cost at the TLA location while the Service member is on TDY.

5.3 Converted Tour

A Service member whose tour is converted to an accompanied tour may be eligible for TLA for him or herself and any command-sponsored dependent who was a dependent on the effective date of the PCS order to the PDS OCONUS if the conditions specified in the TLA Authority's written guidance are met. The Service member must make every reasonable effort to find suitable permanent Government quarters or private-sector housing for a dependent before the dependent arrives. TLA may be authorized or approved for the Service member and dependent only if the Service member is unable to find suitable housing before the dependent arrives for reasons beyond the Service member's control.

5.4 Service Member Acquires a Dependent

A Service member serving a tour OCONUS who has no dependents on arrival but who acquires a dependent during that tour is ineligible for TLA for the dependent when the dependent arrives at the PDS because the Service member was without a dependent on the effective date of the PCS order (***Comp Gen B-186628, September 17, 1976***). A Service member may be authorized TLA for him or herself, when eligible, or for a dependent acquired while serving at a PDS OCONUS if the dependent is command-sponsored at the PDS from which the dependent departs.

5.5 Hospitalization Period

A Service member receiving TLA who is hospitalized after arrival at a new PDS or before a PCS departure may continue to receive TLA on his or her own behalf. This may include the Service member's share of the temporary lodging cost as a TLA expense when, due to the hospitalization, temporary lodging must be retained at the PDS. The Service member's order must be annotated or have certification attached that states the TLA lodging was retained due to military necessity and not due to the Service member's personal choice or convenience.

5.6 Leave or Permissive Travel

5.6.1. Leave or Permissive Travel in the PDS Vicinity. After a Service member has reported for duty, TLA may be paid for any day he or she is on leave or permissive travel in the PDS vicinity and seeking private-sector housing or awaiting assignment to Government quarters. This enables a Service member to complete PCS travel and be placed on leave so that station allowance eligibility is established by reporting to the new PDS.

5.6.2. Leave or Permissive Travel Away From the PDS Vicinity. TLA is not payable for any day a Service member is on leave or permissive travel away from the PDS vicinity unless one or more dependents remain in the PDS vicinity to continue to seek private-sector housing or while awaiting assignment to Government quarters. In that case, the number of dependents who continue to occupy temporary lodging determines the rate payable. In either case, postponement of TLA pending return is not authorized. This provision helps ensure that TLA is paid only in connection with the PDS.

5.7 Dependent Assigned to Government Quarters

When a dependent is assigned to Government quarters in connection with advance arrival at a Service member's PDS OCONUS, during delayed departure from a Service member's PDS OCONUS, or "other circumstances" as specified in Chapter 26, a decision is made by either the Secretary concerned or through the Secretarial Process at the Service's discretion to pay or continue station allowances. When a dependent resides in Government quarters, a housing allowance is not authorized.

5.8 TLA for RC Member

An RC member called or ordered to ADT for 140 or more days or active duty for other than training for 181 or more days who is authorized PCS allowances is authorized TLA as specified in this chapter. When an RC member is authorized TLA at the with-dependent rate for the PLEAD, command sponsorship is not required. The RC member must reside permanently in the area concerned at the time called or ordered to active duty (55 Comp Gen 135 (1975)). COLA authorization begins on the first active-duty day.

5.9 Retirement or Separation From Service

A Service member who retires or separates from service, stays in the PDS area, and then moves at a later date or moves OCONUS to either a home of record or home of selection chosen by the Service member is ineligible for TLA or TLA Special.

6.0 TLA CALCULATIONS

6.1 TLA Rates Payable and Calculation Procedures

6.1.1. TLA Computation. Apply TLA accrual provisions for the standard TLA computation specified in paragraph 6.2 when computing TLA upon arrival and departure.

Expenses incurred on the departure day are not considered. However, when lodging expenses are incurred on the day of departure, calculate TLA as specified in this section. See TLA and TLA Special computation examples.

6.1.2. Extra Room-Charge Payment. When the Service member or a dependent, checks into or out of temporary lodging at a time of day that results in the payment of room charges for an extra day, calculate the lodging rate at 1.5 times the percentage rates specified in Table 68-11 for that extra day, except as specified in paragraph 6.3.1. M&IE remains at the specified percentages.

6.1.3. Number of Persons Occupying Temporary Lodging. When determining the number of persons occupying temporary lodging, do not count the Service member for any day that he or she is not authorized TLA on his or her own behalf.

6.1.4. TLA Authorized on the Reporting Day

6.1.4.1. When TLA is authorized on the reporting day, per diem is 75% of the locality M&IE rate for the new PDS OCONUS as determined in the JTR, paragraph 020310 when the Service member or dependent travels on a PCS order by commercial air, train, bus, ship, Government transportation, or Government-procured transportation. See the JTR, paragraph 050202 for reimbursement for commercial transportation and per diem. The lodging expense on the reporting day is reimbursed as TLA. See TLA computation examples.

6.1.4.2. TLA is not payable on the reporting day when MALT Plus is payable. The Service member may be authorized TLA when he or she, or a dependent, occupies temporary lodging on the reporting day to the new PDS and MALT Plus is not payable.

6.2 Standard TLA Computation

6.2.1. Time Limit. TLA is calculated in increments of 15 days, except when more than one TLA rate applies within the computation period. If the final lodging period is greater than 15 days, but less than 30 days it may be processed as a single payment.

6.2.2. Currency Conversion Fees. When determining the lodging expense in connection with TLA, add the International Transaction Fees, also known as currency conversion fees, charged by the Government Travel Charge Card (GTCC) to the actual daily lodging cost along with any lodging tax or value-added tax (VAT) relief certificate cost, and other authorized lodging costs. When using a personal charge card instead of the GTCC while not formally exempt from having a GTCC, International Transaction Fees charged by the credit card company are not part of the calculation.

6.2.3. TLA Calculation. Steps 1-3 explain how to calculate standard TLA using Table 68-11. When calculating TLA, use the actual amount without rounding.

6.2.3.1. Step 1: Calculate the daily M&IE and lodging ceiling by multiplying the percentage specified in Table 68-11 by the applicable locality ***per diem rate***. Exceptions to this

ceiling are specified in paragraph 6.3. Use the percentages specified in Table 68-11 for both lodging and M&IE except when any of the following circumstances apply:

6.2.3.1.1. A TLA Special has been authorized for lodging;

6.2.3.1.2. Temporary lodging is not available at the PDS;

6.2.3.1.3. Permanent Government quarters are being renovated or lack adequate cooking and eating facilities;

6.2.3.1.4. Temporary quarters contain adequate cooking facilities;

6.2.3.1.5. The Service member or dependent stays with friends or relatives. In that case, reimbursement of lodging cost is not authorized, but the TLA M&IE is paid;

6.2.3.1.6. A Service member is authorized a temporary lodging cost at the new PDS as specified in paragraph 5.2 as a TLA expense during a TDY or deployment period. In that case, the Service member is included in the number of persons for lodging, but not for M&IE. Determine the TLA amount payable by subtracting the Service member's share of the meal allowance from the total M&IE. To calculate the Service member's share, divide the M&IE amount by the total number of persons in the Service member's family, including the Service member, occupying the temporary lodging; or

6.2.3.1.7. The applicable percentage is 100% for the Service member and (non-service member) spouse. Add the percentage in Table 68-11 for the rest of the dependents. When calculating the percentage for a family without the spouse, use the Service member and one (the oldest) dependent at the 100% rate. Add the percentages in Table 68-11 for the rest of the dependents.

6.2.3.2. Step 2: Determine the payable lodging cost by comparing the actual daily lodging cost, including lodging tax or VAT relief certificate cost, International Transaction Fees charged by the GTCC, and other authorized lodging costs, as specified in subparagraph 6.2.2, with the lodging cost ceiling calculated using Table 68-11. Select the lesser amount:

6.2.3.2.1. Itemized lodging receipts, invoices, or vendor statements are required to verify lodging expenses; or

6.2.3.2.2. When the Service member is in a TDY status at the TLA location, regardless of the per diem amount received, reduce the lodging expense by the lodging cost used to determine the Service member's per diem rate.

6.2.3.3. Step 3: Determine the daily TLA amount by adding the payable lodging to the M&IE rate calculated as specified in Table 68-11. See TLA computation examples.

6.3 TLA Computation in Non-Standard Circumstances

6.3.1. TLA for Lodging Contracted by the Government or Under Government Jurisdiction. When the Service member or a dependent, checks into or out of lodging at a time of day that results in the payment of a lodging, rental, or service charge for an extra day, add the extra amount paid to the daily TLA amount for the check in day or the day before check out. TLA is computed according to standard TLA computations in either of the following situations:

6.3.1.1. A Government contractor furnishes temporary lodging; or

6.3.1.2. The temporary lodging is a guesthouse, exchange hotel, temporary lodging facility, or transient facility (such as visiting officer's quarters) under Government jurisdiction, whether operated with appropriated or non-appropriated funds.

6.3.2. Temporary Lodging Not Available at PDS. When neither Government nor commercial temporary lodging is available at the PDS and the Service member must obtain lodging nearby, determine the maximum daily TLA amount by multiplying the lodging location per diem rate by the percentage in Table 68-11. If the per diem rate for the lodging location is lower than that for the PDS, use the PDS locality per diem rate. Finance regulations may require a statement from the Service member's commanding officer or designee that the lodging used was the nearest suitable accommodations available to the Service member's PDS.

6.3.3. TLA Authorized for Limited Kitchen Facilities

6.3.3.1. A Service member may be authorized TLA to cover the cost of restaurant meals when kitchen facilities are limited and any of the following apply:

6.3.3.1.1. The Service member or dependent occupies Government quarters while the kitchen is being renovated;

6.3.3.1.2. The Service member or dependent occupies Government quarters or private-sector housing during utility loss; or

6.3.3.1.3. The Service member or dependent initially occupies permanent Government quarters or private-sector housing without a stove or refrigerator and meals cannot be prepared.

6.3.3.2. Calculate TLA for meals by multiplying the applicable percentage in Table 68-11 by the meals portion of the locality M&IE per diem rate.

6.3.4. Temporary Quarters Contain Facilities for Preparing and Consuming Meals. The presence of a stove and oven, counter or tabletop space, refrigerator, sink, water, table, chairs, and cooking and eating utensils is evidence of adequate cooking and eating facilities; however, the absence of one or more of these amenities does not automatically constitute inadequate cooking and eating facilities for TLA purposes.

6.3.4.1. When temporary lodging has adequate cooking and eating facilities, the daily TLA rate for lodging does not change, but the M&IE amount is reduced by one half. The reduced M&IE amount based on adequate cooking facilities does not apply when a friend or relative provides lodging or to the first and last days of TLA; in those cases, the full amount of M&IE is paid.

6.3.4.2. When the Service member demonstrates to the official designated in the local TLA regulations that the facilities for preparing and consuming meals are inadequate or, for other reasons, may not be used for all or part of the period involved, the Service member may be authorized TLA without the M&IE reduction.

Table 68-1. OCONUS COLA and TLA for a Service Member With a Dependent Serving an Unaccompanied Tour or on "Unusually Arduous Sea Duty"

RULE	If…	and…	then the applicable station allowance is authorized…
1	station allowances are authorized or approved by the same level of Secretarial approval as required for dependent travel,	a dependent relocates in connection with the Service member's PCS,	at the with-dependent rate based on the dependent's location OCONUS.
2	station allowances are authorized or approved by the same level of Secretarial approval as required for dependent travel,	a dependent does not relocate in connection with the PCS,	at the with-dependent rate based on the old PDS.
3	it is the Service member's first PDS,	the dependent's location is approved through the Secretarial Process,	for the dependent's location.
4	a Service member is transferred between unaccompanied tours or "unusually arduous sea duty" assignments,	a dependent remains at the Service member's prior PDS OCONUS or previously designated place and is authorized station allowances,	during the second tour.
5	a Service member is transferred between unaccompanied tours or "unusually arduous sea duty" assignments,	a dependent relocates to a new designated place in connection with the Service member's transfer,	for the new designated place as otherwise specified in this table.
6	a dependent is residing at or in the Service member's PDS vicinity (home port for "unusually arduous sea duty") when the PDS is declared an unaccompanied tour area,	a dependent moves to a designated place,	as otherwise specified in this table.
7	a dependent is residing at or in the Service member's PDS vicinity (home port for "unusually arduous sea duty") when the PDS is declared an unaccompanied tour area,	the dependent's initial move from the PDS was under evacuation conditions,	as specified in paragraph 3.3.4.

Table 68-1. OCONUS COLA and TLA for a Service Member With a Dependent Serving an Unaccompanied Tour or on "Unusually Arduous Sea Duty" (Continued)

RULE	If…	and…	then the applicable station allowance is authorized…
8	a dependent is en route to a Service member's PDS OCONUS or to a designated place to which transportation at Government expense has been authorized,	the new PDS (or home port for "unusually arduous sea duty") is declared an unaccompanied tour area,	based on the place to which the dependent is diverted, starting on the dependent's arrival date and stopping on the dependent's departure date from that location. A statement from the Service member's commanding officer, or an officer designated by the commanding officer, should support that the dependent was notified that permission to complete travel was withdrawn and that the dependent was directed to proceed to a specified place to await further instructions.
9	a dependent is en route to a Service member's PDS OCONUS or to a designated place to which transportation at Government expense has been authorized,	an amendment to the initial order or a new PCS order is issued assigning the Service member to another unaccompanied tour area or "unusually arduous sea duty" assignment,	based on the place to which the dependent is diverted, starting on the dependent's arrival date and stopping on the dependent's departure date from that location. A statement from the Service member's commanding officer, or an officer designated by the commanding officer, should support that the dependent was notified that permission to complete travel was withdrawn and that the dependent was directed to proceed to a specified place to await further instructions.

Table 68-2. Authorized Locations and Expenses for COLA Unique Expense Reimbursement

Location	Expense	Effective Date
Singapore	1. Mandatory and excessive road tax for one POV.	June 6, 2006
	2. Mandatory and excessive registration and transfer fees for one POV.	June 6, 2006

NOTE: For the most current approved locations and expenses, see the appropriate drop-down box on the OCONUS COLA landing page of on the DTMO website.

Table 68-3. OCONUS COLA for a Service Member With a Dependent

RULE	If…	then…
1	a Service member is on leave away from the PDS vicinity for 31 or more days and is accompanied by all command-sponsored dependents,	OCONUS COLA is not authorized beginning on the 31st day.
2	a command-sponsored dependent departs the PDS vicinity for a period of 31 or more consecutive calendar days,	OCONUS COLA payment beginning on the 31st day is reduced to the rate for the number of command-sponsored dependents remaining at the PDS.
3	a command-sponsored dependent departs the PDS vicinity to attend school,	OCONUS COLA payment is reduced the day after the dependent's departure to the rate for the number of command-sponsored dependents remaining. For early return of dependents (ERD), the rate is reduced the day after the dependent's departure or on the date the order was issued, whichever is later.
4	one or more, but not all, command-sponsored dependents depart the PDS vicinity for early or advance return,	OCONUS COLA payment is reduced the day after the dependent's departure to the rate for the number of command-sponsored dependents remaining. For early return of dependents (ERD), the rate is reduced the day after the dependent's departure or on the date the order was issued, whichever is later.
5	all the command-sponsored dependents depart the PDS vicinity for early or advance return,	the Service member becomes a Service member "without a dependent" and the OCONUS COLA at the with-dependent rate terminates the day before the command-sponsored dependent departs the Service member's PDS or the day before the date an ERD order is issued, whichever is later.
6	a Service member is in a confinement status due to disciplinary action,	OCONUS COLA is authorized only at the rate for the number of command-sponsored dependents who continue to reside in the PDS vicinity.

Table 68-3. OCONUS COLA for a Service Member With a Dependent (Continued)

NOTE: See paragraph 2.3 for early or advance return of a foreign-born, command-sponsored dependent authorized to travel to his or her native country.

*Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent
See Notes.

RULE	If…	then…
1	a Service member has Government quarters available but does not have a Government dining facility available for three meals a day at the PDS,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
2	the commander authorizing OCONUS COLA expects the Service member to cook and eat meals in Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
3	a Service member has Government quarters available, but the commanding officer, installation commander, or delegated designee, provides a statement that using the Government dining facility is impractical due to mission or operational needs. (Note 1.)	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
4	an enlisted Service member does not have Government quarters available and is authorized to mess separately,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
5	a Service member is authorized to mess separately and maintains a joint residence with a spouse who also is a Service member,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
6	a Service member in grade E-7 or higher who has no dependent chooses to occupy private-sector housing instead of Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
7	a Service member in grade E-6 who has no dependent chooses to occupy private-sector housing instead of inadequate Government quarters,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.

Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent (Continued)
See Notes.

RULE	If…	then…
8	a Service member has no dependent, is assigned to permanent duty aboard a ship, and occupies private-sector housing. (Note 2.)	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
9	each Service member of a married Service member couple is in grade E-5 or below, has no other dependent, is assigned to permanent duty aboard a ship, and chooses to occupy private-sector housing instead of assigned Government quarters aboard a ship,	the Service member is authorized OCONUS COLA at the "0 dependent" rate.
10	the Service member has Government quarters available and eats, or is expected to eat, the majority of meals in a Government dining facility because meal preparation in the Government quarters is not expected or permitted,	the Service member is authorized the reduced OCONUS COLA rate.
11	a Service member has both a Government dining facility and Government quarters available at the PDS, including aboard a ship,	the Service member is authorized the reduced OCONUS COLA rate.
12	a Service member has Government quarters available and routinely eats two or more meals a day in a dining facility,	the Service member is authorized to receive only the reduced OCONUS COLA rate, not the "0 dependent" rate.
13	a Service member has Government quarters available but his or her non-command-sponsored dependents live at or near the PDS,	the Service member is authorized to receive only the reduced OCONUS COLA rate, not the "0 dependent" rate.

Table 68-4. Determining OCONUS COLA for a Service Member Without a Dependent (Continued)
See Notes.

RULE	If…	then…
14	a Service member without a dependent is in a confinement status and serving a sentence due to disciplinary action,	the Service member is not authorized OCONUS COLA.

NOTE:
1. Personal convenience is not a determining factor.
2. If the Service member is in grade E-6 or above, he or she may choose not to occupy assigned Government quarters aboard a ship. A member in grade E-4 or E-5 may be authorized to not occupy assigned Government quarters aboard a ship.

Table 68-5. OCONUS COLA for Two Service Members Married to Each Other

RULE	If two Service members married to each other…	then…
1	maintain separate households at or in the vicinity of their PDS or PDSs OCONUS,	each Service member is authorized OCONUS COLA, based on whether the Service member concerned has a dependent at or in the vicinity of the PDS OCONUS.
2	maintain a joint household at or in the vicinity of their PDS OCONUS,	one Service member is authorized to receive OCONUS COLA at a rate based on the number of dependents present, if any. The other Service member is authorized to receive OCONUS COLA at the "0 dependent" rate.

Table 68-6. Fractional COLA Rates by Meal

Meal	Applicable Percentage
Morning	7
Noon	15
Evening	15

Table 68-7. OCONUS COLA for RC Member Called or Ordered to Active Duty From OCONUS

Number of Days Called or Ordered to Active Duty	OCONUS COLA
31 or More	OCONUS COLA for the primary residence OCONUS at the time called or ordered to active duty, whether for a TDY or a PCS, beginning on the first active-duty day.
30 or Fewer	OCONUS COLA if the call or order to active duty is in support of a contingency operation or whenever there is no per diem authority. The Service member is authorized OCONUS COLA at the rate for his or her principal place of residence at the time called or ordered to active duty (55 Comp Gen 135 (1975)).

Table 68-8. Calculate Annual OCONUS COLA

Step	Procedure
1	Determine the Service member's annual compensation.
2	Determine the Service member's average annual spendable income: a. Locate the dollar range for the appropriate annual compensation amount, as determined in Step 1. b. Find where this dollar range intersects with the number of command-sponsored dependents on the annual spendable income table. c. This number is the Service member's average annual spendable income.
3	Find the Service member's COLA index based on the PDS.
4	Subtract 100 from the prescribed COLA index. Divide the difference by 100 to change it to a percentage (for example, 20 becomes 0.20 or 20%).
5	Multiply the Service member's average annual spendable income, in Step 2, by the percentage in Step 4. The result is the Service member's annual OCONUS COLA.

Table 68-9. Calculate Monthly OCONUS COLA

Step	Procedure
1	Divide the annual OCONUS COLA amount by 360 (days) (see Table 68-8).
2	Carry the result to five digits to the right of the decimal to get the daily amount.
3	Multiply the result by the number of days in the month for which the allowance is payable.
4	Round the amount to the nearest cent to get the monthly OCONUS COLA.

Table 68-10. TLA When Departing a PDS

RULE	Departure	TLA Authorization
1	Dependent Departs before the Service Member	When a dependent departs a PDS OCONUS before the Service member, TLA may be authorized for the Service member and dependent when eligible. TLA due to the dependent's departure is limited to 10 days immediately preceding the day the last dependent departs, and must not begin earlier than the issue date of the PCS order or official alert notice. Upon departure of the Service member at a later date, TLA may again be authorized or approved for the Service member.
2	Delayed Departure	When the authorized TLA period has begun and actual departure is delayed through no fault of the Service member or dependent, TLA may be authorized or approved by the AO, in increments of 10 or fewer days, for the entire period that temporary lodging is required. This includes a dependent's delay due to the Service member's death.
3	Early Permanent Housing Termination	When, for reasons beyond the control of the Service member or dependent, permanent Government quarters or private-sector housing must be relinquished more than 10 days before the estimated departure date, the AO may authorize or approve TLA beginning the day the permanent Government quarters or private-sector housing is relinquished. Acceptable reasons include: a. The Transportation Officer determines it necessary to ship HHG after considering anticipated leave; necessary travel time; HHG shipment transit times; compliance with requirements of local packing, crating, and shipping agencies; meeting shipping schedules; and other requirements related to HHG shipments. b. Expiration or termination of lease or rental agreement occurs after a Service member receives the PCS order or alert notice. c. A landlord withdraws the private-sector housing from the market. d. The AO determines that an Act of God, civil unrest, or other disturbance makes occupancy of permanent housing inadvisable. e. The Service member is required by lease, custom, or law to surrender housing at a fixed date more than 10 days before the scheduled departure or before a lease's expiration to permit inspection, finalization of utility bills and deposits, redecoration, or adjudication of damage claims. f. Housing authorities require the Service member to vacate permanent Government quarters for the Government's convenience. g. The OCONUS TLA Authority determines that permanent Government quarters or private-sector housing must be relinquished.

Table 68-10. TLA When Departing a PDS (Continued)

RULE	Departure	TLA Authorization
4	Service Member Detaches from a Ship Away from Home Port	When a Service member detaches on a PCS from a ship in a home port OCONUS while the ship is away from its home port and he or she returns to the home port, then TLA may be authorized unless he or she receives per diem. If per diem is authorized at the home port, the Service member can receive TLA only if a dependent occupies temporary lodging at the home port.
5	TLA before PCS Order Issuance	A Service member may be authorized TLA before a PCS order is issued. The PCS AO, or the designated representative, must provide a written statement that the Service member was advised that the order would be issued before the PCS order is actually issued. The Service member must provide this statement if required by finance procedures. Information, such as the date of eventual release from active duty, expiration of term of service, retirement eligibility, or expected rotation from duty OCONUS, is not notification of intent to issue an order (***52 Comp Gen 769 (1973)***). The length of time between when the Service member receives written advice that a PCS order will be issued and when the order is issued may not exceed the relatively short period between when a PCS order determination is made and when the order is actually issued.

Table 68-11. Daily M&IE and Lodging Percentages
See Notes.

Number of Eligible Persons Occupying Temporary Lodging	Lodging Percentage	M&IE Percentage
Service member or one dependent (total one person)	100 (Note 2)	65
Service member couples (total two persons - percentage each when lodging together)	65	65
Service member and one dependent, or two dependents (total two persons - percentage together)	100	100
Each additional dependent age 12 and older	35	35
Each additional dependent under age 12	25	25

NOTE:
1. See ***Temporary Lodging Allowances – Calculation Percentages*** on the DTMO website for the most current rates.
2. Prior to October 1, 2020, the one-person lodging rate was 65 percent.

*REFERENCES

CHAPTER 68 - COST OF LIVING ALLOWANCE OUTSIDE THE CONTINENTAL UNITED STATES (OCONUS COLA) AND TEMPORARY LODGING ALLOWANCE (TLA)

1.0 – GENERAL

1.1	37 U.S.C. § 405

2.0 – STANDARD ALLOWANCES

2.1.6.5.	Comp Gen B-131142, June 3, 1957
2.3.1.3.	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated December 6, 2022

3.0 – OCONUS COLA

3.3.1.	65 Comp Gen 888 (1986)
3.8.2.1.	57 Comp Gen 178 (1977)
3.9.1.	55 Comp Gen 135 (1975)

4.0 – TEMPORARY LODGING ALLOWANCE (TLA)

4.3.1.1.	Comp Gen B-208740, January 31, 1983
4.3.1.3.	59 Comp Gen 486 (1980)
4.5.4.	37 U.S.C. § 204
4.5.4.	37 U.S.C. § 421
4.7.3.	65 Comp Gen 888 (1986)
4.10.2.6.	47 Comp Gen 127 (1967)
4.10.2.6.	Comp Gen B-161396, May 3, 1976
4.10.4.3.	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated September 23, 2020

*5.0 – OTHER SITUATIONS FOR TLA

5.4	Comp Gen B-186628, September 17, 1976
5.8	55 Comp Gen 135 (1975)
Table 68-3	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated May 19, 2020

*REFERENCES (Continued)

Table 68-7	55 Comp Gen 135 (1975)
Table 68-10	52 Comp Gen 769 (1973)
Table 68-11	Office of the Assistant Secretary of Defense, Manpower and Reserve Affairs Memo, dated September 23, 2020

VOLUME 7A, APPENDIX A: "REIMBURSEMENT OF ADOPTION EXPENSES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX A

REIMBURSEMENT OF ADOPTION EXPENSES

1.0 GENERAL

1.1 Purpose

The purpose of this appendix is to prescribe the DoD policy for the reimbursement of adoption expenses to qualified members, as authorized by law.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with ***Title 10, United States Code (U.S.C.), section 1052***. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 APPLICABILITY AND SCOPE

This appendix applies to the Defense Finance and Accounting Service (DFAS)-Cleveland (CL) site, each Military Service personnel activity, and Service members serving on continuous active duty for at least 180 days. This appendix also applies to full-time Active Guard/Reserve members on active duty orders for at least 180 days.

3.0 POLICY

The members specified in section 4.0, whose adoption of a child under 18 years of age has been finalized, may be reimbursed a maximum of $2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is $5,000 per calendar year. A benefit may not be paid for any expense paid to or for a member of the Armed Forces under any other adoption benefits program administered by the Federal Government or under any such program administered by a state or local government. The DFAS-CL site is responsible for paying all approved adoption reimbursement claims. DFAS-CL is also responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim is received by DFAS-CL determines the creditable calendar year for determining the maximum reimbursable amount for multiple adoptions.

4.0 ELIGIBILITY REQUIREMENTS

4.1 Active Duty Requirements

Service members must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they separate from active duty before the adoption is final. Members are eligible for reimbursement expenses if the adoption is finalized

before separation from active duty, the claim form has been signed and certified by the member's commanding officer, and the claim is submitted to the DFAS-CL site prior to discharge. Members may request a voluntary extension of assignment beyond their normal expiration of term of service to complete the adoption process.

4.2. Period of Eligibility

4.2.1. A member described in paragraph 4.1, who incurs expenses when adopting a child under 18 years of age, must have the adoption finalized while on active duty to be eligible for reimbursement. Prior to separation from active duty, members must submit an application for reimbursement no later than:

4.2.1.1. 2 years after finalization of the adoption; or

4.2.1.2. 2 years after date that documentation of U.S. citizenship is issued (in the case of a foreign adoption).

4.2.2. If deployment responsibilities impact the member's ability to comply with the 2-year deadline, DFAS can make exceptions. In these cases, the verifying official who signs the DoD (DD) Form 2675, Reimbursement Request for Adoption Expenses, will submit a letter stating that the member's deployment impacted the member's ability to comply with the 2-year deadline.

4.3 Eligible Members

Adoption expense reimbursements may be paid to married or single members. If both parents are military members (including members of the Coast Guard when operating as a Military Service in the Navy), then only one member may be reimbursed for expenses related to the adoption of the same child.

4.4 Qualifying Adoptions

4.4.1. Adoption expenses that may be reimbursed include:

4.4.1.1. Adoption of a child under the age of 18;

4.4.1.2. Adoption by a single person;

4.4.1.3. Infant adoption;

4.4.1.4. Inter-country adoption;

4.4.1.5. Adoption of a child with special needs; and

4.4.1.6. Adoption of stepchildren.

4.4.2. Adoptions qualify for reimbursement only if the adoption is arranged by:

4.4.2.1. A qualified adoption agency; or

4.4.2.2. Other source authorized to place children for adoption under state or local law.

4.4.3. A qualified adoption agency means any of the following:

4.4.3.1. State or local government agency which has responsibility under state or local law for child placement through adoption;

4.4.3.2. A nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption; or

4.4.3.3. Any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this appendix, "state or local" refers to a state or locality in the United States.)

4.4.4. A qualified adoption agency for inter-country adoptions would be a foreign government or an agency authorized by a foreign government to place children for adoption, in any case which:

4.4.4.1. The adopted child is entitled to automatic citizenship in accordance with ***8 U.S.C. § 1431***, also known as the Immigration and Nationality Act; or

4.4.4.2. A certificate of citizenship has been issued for such child under ***8 U.S.C. § 1433***.

NOTE: In either case, documentation that describes the mission of the foreign agency and the authority delegated from the foreign government should be provided.

5.0 RESPONSIBILITIES

5.1 Member Responsibilities

5.1.1. A member must submit a Reimbursement Request for Adoption Expenses for reimbursement of qualifying expenses using a separate DD Form 2675 for each qualifying adoption. Application assistance is available through ***Military One Source adoption consultation*** or installation personnel designated by the Military Service. The completed DD 2675 and substantiating documentation must be submitted no later than:

5.1.1.1. 2 years after finalization of the adoption; or

5.1.1.2. 2 years after date that documentation of U.S. citizenship is issued (in the case of a foreign adoption).

5.1.2. A member must manually or digitally sign a thoroughly completed application for reimbursement and have it verified by the member's commander or designated verifying official.

5.1.2.1. When the DD 2675 is manually signed, the member's command must submit the application via AskDFAS or Postal Mail:

Note: The preferred method for Adoption Reimbursement Claims submission is through AskDFAS: See ***Adoption Reimbursement*** on DFAS.MIL.

Defense Finance and Accounting Service - Cleveland
Special Actions Team/JFLADA
ATTN: Adoption Reimbursement
1240 East Ninth Street
Cleveland, OH 44199

5.1.2.2. When the completed DD 2675 is digitally signed, either the member's command or the member must submit a copy of the application via AskDFAS or Postal Mail (see subparagraph 5.1.2.1).

NOTE: The member must retain the original application, including all supporting documents and proof (e.g., postal tracking receipt or AskDFAS confirmation receipt) that the application was submitted by the 2-year deadline.

5.1.3. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, then the completed claim forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claim package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

5.1.4. Service members must substantiate all expenses with documentation. Documentation must include receipts marked "PAID" or canceled checks.

5.1.4.1. If the receipts are from a foreign entity, then they should list the U.S. currency equivalency.

5.1.4.2. Reconstruction of expense records is permissible when the original records are unavailable, and the member submits a notarized affidavit stating the costs.

5.1.4.3. The member must submit a full English translation of any foreign language document, to include the translator's certification that he or she is competent to translate the foreign language into English, and that his or her translation is complete and correct.

5.1.4.4. The member is responsible for providing the appropriate documentation that establishes the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph 4.4.

5.1.4.5. With respect to documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the state or adoption agency. If the original document is filed with the court, then the member must submit a copy of the adoption order certified by the clerk of courts. NOTE: These documents will not be returned to the member.

5.1.5. In determining whether an adoption of a child in a foreign country is final, the member must submit a copy of the final court documents, as well as proof of U.S. citizenship for the child. The following documents are acceptable forms of proof of U.S. citizenship:

5.1.5.1. A copy of a U.S. court order that recognizes foreign adoption or documents the "re-adopting" of the child in the United States, granting the child U.S. citizenship;

5.1.5.2. A letter from the U.S. Citizenship and Immigration Services which states the status of the child's adoption, granting the child U.S. citizenship;

5.1.5.3. A copy of a U.S. passport (page with personal information only); or

5.1.5.4. A copy of a U.S. Certificate of Citizenship.

5.1.6. The member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim, including the receipts, agency documentation, and court papers associated with the adoption proceedings or court-certified copies until the claim is paid or denied.

5.1.7. The member will submit only one reimbursement claim per adoption.

5.2 Secretaries of the Military Departments Responsibilities

Each Service Secretary will designate personnel as reviewing officials to evaluate and approve submission of payment claims for reimbursement by Service members under the jurisdiction of the Military Department concerned; accept and maintain a copy of claims for reimbursement; and forward the authorization for payment of the adoption reimbursement claim to DFAS for final approval and payment. See subparagraphs 5.1.2.1 and 5.1.2.2 for instructions on how the application should be submitted.

5.3 DFAS-CL Responsibilities

The DFAS-CL site is the central site location for review, certification, and payment of adoption expense reimbursement payments. DFAS-CL is the primary source for guidance concerning the adoption expense reimbursement program. DFAS-CL will also maintain data on expenditures on a fiscal year basis. The contact information for DFAS-CL adoption expense reimbursement program is:

DFAS-CL8
(Code JFLADA)
Commercial phone: 216-522-5576/6701
DSN: 580-5576/6701

Note: The DFAS-CL adoption reimbursement program can be contacted through AskDFAS: See https://www.dfas.mil/MilitaryMembers/payentitlements/adoptionreimbursement/.

5.4 Military Services' Adoption Expense Reimbursement Funding Responsibilities

The Military Services provide funding authorization to DFAS-CL by memorandum each fiscal year. The DFAS-CL site charges the applicable Military Service provided appropriations according to standard cross-disbursing operating procedures.

6.0 ADOPTION REIMBURSEMENT PROCEDURES

6.1 Authorized Reimbursable Expenses

The DFAS-CL site will pay documented, reasonable, and necessary adoption expenses, up to $2,000 per adoptive child. Not more than $5,000 will be paid per calendar year to any member. In the case of two married members (including the Coast Guard when operating as a Military Service in the Navy), only one member may claim expenses for each adopted child and the couple is limited to the $5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by DFAS-CL for payment. Reasonable and necessary expenses include the following:

6.1.1. Public and private agency fees, including adoptive fees charged by an agency in a foreign country;

6.1.2. Placement fees, including fees charged adoptive parents for counseling;

6.1.3. Legal fees, including court costs, for services that are unavailable to a member for the Military Services;

6.1.4. Medical expenses, including hospital expenses, of the biological mother of the child to be adopted and of a newborn infant to be adopted; and

6.1.5. Temporary foster care charges when payment of such charges is required to be made before the adoptive child's placement.

6.2 Unqualified Expenses

The term "reasonable and necessary expenses" does not include:

6.2.1. Travel expenses;

6.2.2. Items such as clothing, bedding, toys, and books; or

6.2.3. Any costs associated with an adoption arranged in violation of federal, state, or local law.

6.3 Payment Processing Requirements

6.3.1. A separate DD 2675 must support each claim.

6.3.2. Eligibility for reimbursement is supported by the documentation submitted. If the eligibility for reimbursement cannot be determined from the documents provided or claimed expenses are not properly supported by receipts, then the DFAS-CL site will retain the claim and request the necessary information or documentation.

6.3.3. The DFAS-CL site will issue the reimbursement by Electronic Funds Transfer (EFT) to the member's EFT account as designated on the DD 2675 within 30 days of receipt of a properly prepared and supported claim package. A member without access to an EFT method of payment must submit a request for EFT waiver to receive a check.

6.3.4. If the claim is denied, then DFAS-CL will send a letter to the member stating this fact. DFAS-CL will not return documents to the members.

6.4 Appeals

If a member receives a claim denial, they can request reconsideration in writing and add additional explanation or documentation. If, upon reconsideration, the member receives a notice of final action regarding the denial of the claim, the member may appeal to the Defense Office of Hearings and Appeals, in accordance with DoD Instruction (DoDI) 1340.21, Enclosure 7. The request for appeal should include copies of all relevant court documents and statements of the member or other persons in support of the claim and be sent to DFAS at the address listed in subparagraph 5.1.2.1.

REFERENCES

APPENDIX A – REIMBURSEMENT OF ADOPTION EXPENSES

1.0 – GENERAL

10 U.S.C. § 1052

3.0 – POLICY

10 U.S.C. § 1052(e)
DoDI 1341.09, July 5, 2016

4.0 – ELIGIBILITY REQUIREMENTS

DoDI 1341.09, July 5, 2016
4.4.1. 10 U.S.C. §§ 1052(a) and (b)
4.4.2. 10 U.S.C. § 1052(g)(1)
4.4.3. 10 U.S.C. § 1052(g)(3)
4.4.4. 10 U.S.C. § 1052(g)(3)(D)
4.4.4.1. 8 U.S.C. § 1431
4.4.4.2. 8 U.S.C. § 1433

5.0 – RESPONSIBILITIES

5.1 DoDI 1341.09, Paragraph 3.2, July 5, 2016
5.2 DoDI 1341.09, Paragraph 2.3, July 5, 2016

6.0 – ADOPTION REIMBURSEMENT PROCEDURES

DoDI 1341.09, Section 3, July 5, 2016
6.4 DoDI 1340.21, May 12, 2004

VOLUME 7A, APPENDIX B: "DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX B

DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

1.0 GENERAL

1.1 Purpose

This appendix describes the transfer of certain forfeitures and fines as a result of courts-martial, nonjudicial punishment, and desertion to the Armed Forces Retirement Home Trust Fund (AFRHTF).

1.2 Authoritative Guidance

The policy prescribed in this appendix was prepared in accordance with applicable statutes, regulations, and other guidance referenced throughout the appendix. The primary authoritative source is ***Title 10, United States Code (U.S.C.), section 2772***. To ensure accuracy and completeness, a reference page listing the authoritative sources that support this appendix is provided at the end of the appendix. The references are listed in the order they appear in the appendix.

2.0 SCOPE

This appendix applies to the Defense Finance and Accounting Service (DFAS) site, or the military service pay office and to limited-duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

3.0 GENERAL POLICY

The Chief Operating Officer (COO) for the Armed Forces Retirement Home (AFRH) determines, on the basis of the financial needs of the AFRH, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited-duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The COO has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts that are in excess of any indebtedness to the United States and amounts owed to individuals. For the purpose of this appendix, the term "indebted" or "debt" refers to amounts due from the member for reimbursement to the United States.

> Example: An amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a "debt" to the United States, is not a "reimbursement" or "debt" for purposes of this appendix. The term "amounts owed to individuals" refers to amounts owed from a member's pay by direction of a commanding officer, pursuant to ***10 U.S.C. § 939***, or Article 139 of the Uniform Code of Military Justice.

4.0 PROCEDURES

4.1 Transfer of Fines

When a limited-duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the DFAS site or military service pay office, as applicable, will ensure the funds are transferred to the AFRHTF within 30 days from the end of the month in which the fine was collected.

4.2 Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the DFAS site or military service pay office, as applicable, will ensure the funds are transferred to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or forfeiture amounts which are collected over 2 or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers.

> Example: A member is sentenced to forfeiture of pay of $500 per month for 2 months, and the effective date of the forfeiture is November 29. The transfer would be $33.33 ($500 divided by 30 days, times 2 days left in the month) no later than December 30; $500 ($500 divided by 30 days times 30 days) no later than January 30; and $466.67 ($500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

4.3 Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the Government, the DFAS site or military service pay office, as applicable, will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF.

> Example 1: A member has a forfeiture of $200 per month for 2 months, with outstanding debts totaling $300. Transfer $100 to the AFRHTF only after the first $300 of forfeitures has been collected.

> Example 2: If the debt is $500 and forfeiture is $600, then the DFAS site or military service pay office, as applicable, will transfer the difference of $100 to the AFRHTF.

> Example 3: If the debt is $800 and forfeiture is $500, then no amounts will be transferred to the AFRHTF at this time. If subsequent debt collection recovers $700, then the first $300 ($800 indebtedness minus $500 forfeiture) collected will

be credited to the applicable military personnel appropriation, and the next $400 received will be credited to the AFRHTF.

4.4 Indebtedness After Forfeiture Becomes Effective

Debts incurred by a limited-duty officer, warrant officer, or enlisted member after a sentence has been executed, and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

4.5 Remission of Indebtedness

If a forfeiture of a limited-duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, then the DFAS site or military service pay office, as applicable, will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

4.6 Commissioned Officers

The DFAS site or military service pay office, as applicable, will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited-duty officers), to the appropriation to which the member's pay is properly chargeable.

4.7 Forfeitures as a Result of Desertion

When a limited-duty officer, warrant officer, or enlisted member is declared a deserter, the amount of forfeitures on account of the desertion will be credited to the AFRHTF. For the purpose of this paragraph, the phrase "forfeitures on account of the desertion" refers to all pay and allowances due and unpaid at the time of a member's desertion that are automatically forfeited when a member is determined to be a deserter.

4.8 Transfer of Desertion Forfeitures

The DFAS site or military service pay office, as applicable, will transfer desertion forfeitures according to the procedures in paragraph 4.2.

REFERENCES

APPENDIX B - DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

3.0 – GENERAL POLICY

10 U.S.C. § 2772(b)

4.0 – PROCEDURES

4.1	10 U.S.C. § 2772
4.7	10 U.S.C. § 2772(a)(2) United States v. Landers, 92 U.S. 77 (1876) Comptroller General B-145618, May 11, 1961

VOLUME 7A, APPENDIX C: "IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
References	Updated supporting Service instruction references.	Revision

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APPENDIX C

IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

1.0 GENERAL

1.1 Purpose

This appendix provides the policy for the administration and delivery of payments to military members, retirees, and annuitants through the EFT method of payment.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the Treasury Financial Manual (TFM) and United States Code (U.S.C.), Title 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DoD METHOD OF PAYMENT

2.1 Policy

All Federal payments must be made by EFT, with the exception of tax refunds. See ***31 U.S.C. § 3332*** and corresponding regulations published by U.S. Department of Treasury (Treasury), Bureau of Fiscal Service at ***TFM Part 4A, section 2040***.

2.2 Personnel Subject to EFT Participation

2.2.1. Active Duty (AD) Military

AD military personnel and personnel entering or reentering the military service must provide the EFT method of payment information upon arrival at their respective military processing station, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. Personnel currently on AD but not enrolled in the EFT method of payment are required to submit EFT method of payment information when they perform Temporary Assigned Duty, Temporary Duty Travel, Permanent Change of Station travel, are promoted, reenlist, or become eligible for a new payment.

2.2.2. Reserve and National Guard (NG)

Reserve and NG personnel entering or reentering a Reserve Component, upon processing into their respective component, or upon mobilization or recall to AD must provide the EFT method of payment information, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. Mobilized or recalled personnel are also required to continue participation after demobilization or deactivation. Personnel currently affiliated with a Reserve or

NG unit, but not enrolled in the EFT method of payment, are required to submit the EFT method of payment information when they become eligible for any new payment.

2.2.3. Military Retirees and Annuitants

All retirees, separated military personnel, and Survivor Benefit Plan annuitants who become eligible for new payments or annuities must provide the EFT method of payment information, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4. NOTE: Personnel currently receiving payments at a financial institution or address in a foreign country where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available.

2.2.4. Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen

Military Service Academy, ROTC cadets, and midshipmen are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4.

2.2.5. Individual Ready Reservist (IRR)

IRRs and annual muster participants are required to participate in the EFT method of payment. Personnel not presently enrolled must enroll immediately, unless exempt under paragraph 2.3 or they have filed a waiver request under paragraph 2.4.

2.3 Personnel Exempt From EFT Participation

AD military, retirees, or survivor annuitants receiving payments in an overseas area where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available at a financial institution in their area or until they relocate to an area, where the EFT method of payment is available.

2.4 Waivers

Payment by electronic funds transfer is not required in the following cases:

2.4.1. Where an individual:

2.4.1.1. Was born prior to May 1, 1921, and was receiving payment by check on March 1, 2013;

2.4.1.2. Receives a type of payment for which Treasury does not offer delivery to a Treasury-sponsored account. In such cases, those payments are not required to be made by electronic funds transfer, unless and until such payments become eligible for deposit to a Treasury-sponsored account;

2.4.1.3. Is ineligible for a Treasury-sponsored account because of suspension or cancellation of the individual's Treasury-sponsored account by the Financial Agent;

2.4.1.4. Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Treasury-sponsored account due to a mental impairment, and Treasury has not rejected the request; or

2.4.1.5. Has filed a waiver request with Treasury certifying that payment by electronic funds transfer would impose a hardship because of the individual's inability to manage an account at a financial institution or a Treasury-sponsored account due to the individual living in a remote geographic location lacking the infrastructure to support electronic financial transactions, and Treasury has not rejected the request;

2.4.2. Where the political, financial, or communications infrastructure in a foreign country does not support payment by electronic funds transfer;

2.4.3. Where the payment is to a recipient within an area designated by the President or an authorized agency administrator as a disaster area. This waiver is limited to payments made within 120 days after the disaster is declared;

2.4.4. Where either:

2.4.4.1. A military operation is designated by the Secretary of Defense in which uniformed services undertake military actions against an enemy; or

2.4.4.2. A call or order to, or retention on, active duty of members of the uniformed services is made during a war or national emergency declared by the President or Congress;

2.4.5. Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised;

2.4.6. Where the agency does not expect to make payments to the same recipient within a one-year period on a regular, recurring basis and remittance data explaining the purpose of the payment is not readily available from the recipient's financial institution receiving the payment by electronic funds transfer;

2.4.7. Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless payment is made by a method other than electronic funds transfer; or, where there is only one source for goods or services and the Government would be seriously injured unless payment is made by a method other than electronic funds transfer; and

2.4.8. An individual who requests a waiver under subparagraphs 2.4.1.4 and 2.4.5 of this section shall provide, in writing, to Treasury a certification supporting that request, in such form that Treasury may prescribe. The individual shall attest to the certification before a notary public, or otherwise file the certification in such form that Treasury may prescribe.

2.4.8.1. For AD members and reservists, certifications will be submitted in writing to the Unit Commander.

2.4.8.2. For military retirees, certifications will be submitted in writing to:

DFAS, U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

2.4.8.3. For survivor annuitants, certifications will be submitted in writing to:

DFAS, U.S. Military Annuitant Pay
8899 E. 56th Street
Indianapolis, IN 46249-1300

Example: I certify that I do not have a financial institution or authorized payment agent. Signature_____ Date _____

NOTE: Treasury reserves the right to reject any waiver request it receives.

2.5 Exception

Emergency payments (defined in Chapter 32, section 3.2) and certification of no account with a financial institution, as described in paragraph 2.4, are the only exceptions to the requirement for delivery by the EFT method of payment. All pay for which an exception to the EFT method of payment requirement has not been granted, and for which the payee has not designated an account for receipt, is held at the DFAS central site or military service pay office until the required financial institution information is provided. Check payments are mailed on payday from the servicing DFAS central site or military service pay office to the member's mailing address.

3.0 REIMBURSEMENT FOR FINANCIAL INSTITUTION FEES

3.1 Reimbursements

Charges resulting from erroneous information provided by the individual or the financial institution to the servicing financial office are not the liability of the government and are not reimbursed. Reimbursement for financial institution fees is authorized when an administrative or mechanical error on the part of the government causes the pay of a military member to be deposited late or in an incorrect manner or amount. Such reimbursements are limited to overdraft charges, minimum balance, or average balance charges levied by the financial institution.

3.2 Procedures

The servicing DFAS central site or military service pay office contacts the financial institution to explain the error and requests that charges levied against the account holder be reversed. If the financial institution declines to reverse the charges, then government reimbursement of the charges is made via the EFT method of payment, directly to the applicable account involved. Such charges are funded from the appropriation available for the pay of the member concerned.

4.0 ALLOTMENTS

4.1 General

The EFT method of payment is the preferred method for paying all allotments and should be used whenever possible. It is DoD's intention to work with recipients of all allotments, such as courts receiving child support and/or alimony payments, dependents, spouses, insurance companies, and mortgage companies, to accept allotment payment by the EFT method of payment when systems become available for third party EFT method of payment.

4.2 Savings Allotments

The EFT method of payment is required for all savings allotments sent to financial institutions participating in the Federal Reserve System.

4.3 Allotments to Non-Individuals

The EFT method of payment is required for all discretionary allotments to non-individuals.

*REFERENCES

APPENDIX C - IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

2.0 – DoD METHOD OF PAYMENT

2.1	31 U.S.C. § 3332 TFM Part 4A § 2040 Title 31, Code of Federal Regulation (CFR), § 208.3
2.4	31 CFR § 208.4
Note	31 CFR § 208.4(a)(v)

3.0 – REIMBURSEMENT FOR FINANCIAL INSTITUTION FEES

3.1	10 U.S.C. § 1053

VOLUME 7A, "COMPARABLE GRADES"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter has been certified as current.	Current

Comparable Grades

Pay Grade	Army	Navy/Coast Guard	Marine Corps
O-10	General	Admiral	General
O-9	Lieutenant General	Vice Admiral	Lieutenant General
O-8	Major General	Rear Admiral (UH)	Major General
O-7	Brigadier General	Rear Admiral (LH)	Brigadier General
O-6	Colonel	Captain	Colonel
O-5	Lieutenant Colonel	Commander	Lieutenant Colonel
O-4	Major	Lieutenant Commander	Major
O-3	Captain	Lieutenant	Captain
O-2	1st Lieutenant	Lieutenant (JG)	1st Lieutenant
O-1	2nd Lieutenant	Ensign	2nd Lieutenant
W-5	Chief Warrant Officer	Chief Warrant Officer (note 1)	Chief Warrant Officer 5
W-4	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 4
W-3	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 3
W-2	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 2
W-1	Warrant Officer		Warrant Officer
E-9	Sergeant Major of the Army	Master Chief Petty Officer of the Navy	Sergeant Major of the Marine Corps
E-9	Command Sergeant Major or Sergeant Major	Master Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant
E-8	First Sergeant or Master Sergeant	Senior Chief Petty Officer	First Sergeant or Master Sergeant
E-7	Sergeant First Class	Chief Petty Officer	Gunnery Sergeant
E-6	Staff Sergeant	Petty Officer, 1st Class	Staff Sergeant
E-5	Sergeant	Petty Officer, 2nd Class	Sergeant
E-4	Corporal or Specialist	Petty Officer, 3rd Class	Corporal
E-3	Private First Class	Seaman	Lance Corporal
E-2	Private	Seaman Apprentice	Private First Class
E-1	Private	Seaman Recruit	Private

Note 1: The W-5 grade is not used by the Coast Guard.

Comparable Grades (Continued)

Pay Grade	Air Force	Space Force
O-10	General	General
O-9	Lieutenant General	Lieutenant General
O-8	Major General	Major General
O-7	Brigadier General	Brigadier General
O-6	Colonel	Colonel
O-5	Lieutenant Colonel	Lieutenant Colonel
O-4	Major	Major
O-3	Captain	Captain
O-2	1st Lieutenant	1st Lieutenant
O-1	2nd Lieutenant	2nd Lieutenant
W-5		
W-4		
W-3		
W-2		
W-1		
E-9	Chief Master Sergeant of the Air Force	Chief Master Sergeant of the Space Force
E-9	Chief Master Sergeant	Chief Master Sergeant
E-8	Senior Master Sergeant	Senior Master Sergeant
E-7	Master Sergeant	Master Sergeant
E-6	Technical Sergeant	Technical Sergeant
E-5	Staff Sergeant	Sergeant
E-4	Senior Airman	Specialist 4
E-3	Airman, First Class	Specialist 3
E-2	Airman	Specialist 2
E-1	Airman, Basic	Specialist 1

VOLUME 7A, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Allowance; Active Duty; Active Service; Basic Pay; Certifying Officer (CO); Dependent; Designated Place; Excess Leave; Field Duty; Flag Officer; Fully Qualified Health Professional; He, His, Him; Hostile Fire; Operational Flying Duty; Permanent Change of Station; Permanent Duty Station (PDS);	Updated definitions for clarity amongst Volume 7A chapters.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Reserve Officers' Training Corps (ROTC); Spouse; Support	Updated definitions for clarity amongst Volume 7A chapters.	Revision
Active-Duty List	Updated to include the U.S. Space Force in accordance with Public Law 116-92, section 952, dated December 20, 2019.	Revision
Combat Zone	Updated definition to match the definitions as they appear in DoDI 1340.09, "Hazard Pay Program," January 26, 2018, Change 1, February 2, 2024, and DoDI 1340.24, "Combat Zone Tax Exclusion (CZTE)," September 28, 2010.	Revision
PDS Vicinity	Added definition for clarity amongst Volume 7A chapters.	Added
Reenlistment Bonus	Updated the definition with the correct statute. The Fiscal Year 2008 National Defense Authorization Act consolidated special pays, incentive pays, and bonuses, resulting in cancellation of Section 308 of Title 37. Reenlistment bonus provisions are now found in Section 331 of Title 37.	Revision

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DEFINITIONS

1.0 GENERAL

The following list defines general terms of significance or importance relating to military pay entitlement policies for the DoD that are discussed in various chapters in Volume 7A. This list of definitions provides general information. It is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in Volume 7A specific chapters.

2.0 LIST OF DEFINITIONS

Absence Over Leave

Absent beyond the period for which leave was authorized.

Absent Without Leave

Absence from a place of duty without permission or authorization and without the intention of deserting.

Active Duty

Full-time duty in the active military service of the United States, including full-time training duty, annual training duty, and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned.

Active Duty for a Period of More Than 30 Days

Active duty under a call or order that does not specify a period of 30 days or less.

Active Duty for Training

Full-time duty in the active Military Service of the United States for training purposes.

*Active-Duty List

A single list for the Army, Navy, Air Force, Marine Corps or Space Force, which contain the names of all officers of that Armed Force who are serving on active duty, other than officers described in ***10 United States Code (U.S.C.) § 641***.

*Active Service

Active service means service on active duty or full-time National Guard duty.

Advance Payment

Payment of pay (pay and allowances in certain cases) before it is earned.

Advanced Leave

Leave authorized before it is accrued.

Aerial Flights

Flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

Air National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

1. is an air force;

2. is trained, and has its officers appointed, under the sixteenth clause of section 8 article I, of the Constitution;

3. is organized, armed, and equipped wholly or partly at Federal expense; and

4. is federally recognized.

Allotment

A definite portion of the pay and allowances of a person in the Military Service, which is authorized to be paid to a qualified allottee.

Allottee

The person or institution to whom the allotment is made payable.

Allotter

The person from whose pay the allotment is made.

*Allowance

A monetary amount paid to an individual for specific needs, such as food, housing, uniforms, or equipment.

Appropriation

An amount of money specifically authorized by Congress against which obligations may be incurred and from which payments may be made.

Approved

The ratification or confirmation of an act already done.

Armed Forces of the United States

Includes the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard, and all components thereof.

Army National Guard

The part of the organized militia of several states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that:

1. is a land force;

2. is trained, and has its officers appointed, under the sixteenth clause of section 8 article I, of the Constitution;

3. is organized, armed, and equipped wholly or partly at Federal expense; and

4. is federally recognized.

Authorized

1. Permission given before an act.

2. Giving through regulations an allowance to an eligible individual requiring no other action.

Example: When the regulation states that a Service member is authorized an allowance, it means that an eligible individual has that allowance without further action by any other activity.

Aviation Service and Aviation Skills

Service or skills identified by the Secretary of the Military Department concerned that require the knowledge, skills, or ability to fly or operate flight capable machines.

Basic Allowance for Housing (BAH)

An amount of money prescribed and limited by law which an officer or enlisted member receives to pay for quarters not provided by the Government.

Basic Allowance for Subsistence (BAS)

An allowance payable to officers and enlisted members for the purpose of subsisting themselves. BAS is payable at all times when entitled to basic pay after completion of initial military training, except as otherwise prohibited by law.

*Basic Pay

The fundamental component of military pay of an officer or enlisted member, determined according to grade/rank and years of service. Basic pay does not include special pay, retainer pay, incentive pay, retired pay, or equivalent pay, or allowances.

Beneficiary

The recipient of certain benefits due as a result of relationship to or designation by a member consistent with applicable law.

Captive Status

A missing status resulting from a member's involvement in a hostile action. Hostile action is determined by the Secretary of Defense.

Captivity-Related Offense

An offense, committed while in a captive status and related to the status, which is listed in ***5 U.S.C. § 8312(b)*** or (c) or ***10 U.S.C. Chapter 47***, that is punishable by dishonorable discharge, dismissal, or confinement for a minimum of 1 year.

*Certifying Officer (CO)

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A CO is pecuniarily liable for payments in accordance with 31 U.S.C. § 3528.

Clothing Monetary Allowance

Refers to the several types of clothing maintenance allowances paid by cash; (for example: standard, basic, or special).

Combat Operation

A military action that may involve carrying out a strategic, operational, or tactical mission against a hostile or unfriendly force, to include carrying on combat and any related movement, supply, attack, defense, and maneuvers needed to gain the objectives of a battle or campaign.

*Combat Zone

An area the President of the United States designates by Executive Order in accordance with ***26 U.S.C., § 112*** as an area in which U.S. Armed Forces are engaging in or have engaged in combat. In this context, the combat zone is generally designated in response to a national emergency and involves persistent, violent confrontations with hostile forces. Usually, an area becomes a combat zone or ceases to be a combat zone on the dates the President designates by Executive Order.

Command Sponsored Dependent

1. A dependent residing with a Service member at an Outside Continental United States (OCONUS) location at which an accompanied by dependents tour is authorized, the Service member is authorized to serve that tour, and who is authorized by the appropriate authority to be at the Service member's Permanent Duty Station (PDS).

2. The Service member is authorized to receive station allowances, Cost of Living Allowance (COLA), and Temporary Lodging Allowance (TLA) at the with dependent rate on behalf of a command sponsored dependent as a result of the dependent's residence at/in the Service Member's PDS vicinity.

3. Command sponsorship is not required to receive Overseas Housing Allowance (OHA) at the with dependents rate.

Commissioned Officer

Unless otherwise qualified, a member of the uniformed services having rank or grade of second lieutenant, ensign, or above, either permanent or temporary, in any of the uniformed services.

Commuted Rations

The value of in-kind government subsistence (rations) converted to a cash equivalent payment.

Competent Orders

Orders issued by the Secretary concerned, or such officer or officers as the Secretary may designate, to members of their respective Service or to members of other Services when such latter members are performing duty with a Service other than their own.

Continental United States (CONUS)

Unless otherwise qualified, means the 48 contiguous states and the District of Columbia.

Contingency Operation

Any military operation that:

1. Is designated by the Secretary of Defense as an operation in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

2. Results in the call or order to, or retention on, active duty of members of the uniformed services under ***10 U.S.C. §§ 688***, ***12301(a)***, ***12302***, ***12304***, ***12304a***, ***12305***, or ***12406***; ***10 U.S.C. Chapter 13***; ***14 U.S.C. § 3713***; or any other provision of law during a war or national emergency declared by the President or the Congress.

Cost of Living Allowance (COLA)

A supplemental allowance designed to offset higher prices in the highest cost locations.

*Dependent

The term dependent means the following individuals in relation to a Service member:

1. Spouse, as defined by this chapter;

2. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

3. An unmarried illegitimate child under the age of 21, provided the parentage on the part of the Service member is established by one of the following: a birth certificate with the member's name cited, a court order, or a signed affidavit of parentage (signed and sworn by a notary) from the member;

4. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

5. An unmarried child who is at least 21 years of age, but under 23 years of age, and is enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, when the member demonstrates in the manner prescribed that the child is in fact dependent on the member for over one half of the child's support;

6. An unmarried child who is, 21 years of age or older, and is incapable of self-support because of a mental or physical incapacity that occurred (1) before the age of 21 or (2) before the age of 23 while the child was enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned, and who is in fact dependent upon the member for more than one half of the incapacitated child's support;

7. A parent of the member or the member's spouse, including a stepparent or parent by adoption, or any person who has stood in loco parentis to the member at any time for a continuous period of at least five years before the member's 21st birthday, and whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

8. A ward, who is an unmarried person who meets each of the following criteria:

8.1. A court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States has placed the person in the legal custody of the member:

8.1.1. either permanently; or

8.1.2. for a period which lasts at least 12 months from the date of the order;

8.2. The person must be:

8.2.1. Under 21 years of age;

8.2.2. At least 21 years of age, but under 23 years of age, and enrolled in a full-time course of study at an institution of higher learning approved by the Secretary concerned; or

8.2.3. Incapable of self-support because of a mental or physical incapacity that occurred while the person was in the legal custody of the member, met the criteria of subparagraph 8.2.1 or 8.2.2, and was in fact dependent upon the member for more than one half of their support.

8.3. The person must be dependent upon the member for over one half of the person's support;

8.4. The person must reside with the member unless separated by the necessity of Military Service to receive institutional care as a result of disability or incapacitation, or under such other circumstances as the Secretary concerned may prescribe;

8.5. The person may not be a dependent of any member under any other part of this definition; and

8.6. The person is considered to be in the same class of dependents as a member's children, if any, for the purpose of determining entitlement.

Deployment

1. A Service member of a Military Service within the DoD is considered deployed or on a deployment on any day on which, pursuant to orders, the Service member performs service for an operation at a location or under circumstances that make it impossible for them to spend off-duty time in the housing in which they reside when on garrison duty at their permanent duty station or homeport. In accordance with ***10 U.S.C. § 991***, if an RC Service member is performing active service pursuant to orders that do not establish a permanent change of station, that housing is any housing, including the Service member's residence, that the Service member usually occupies during off-duty time when on garrison duty at the Service member's permanent duty station or homeport.

2. A deployment begins when a unit, detachment, or individual not attached to a unit or detachment leaves a homeport, station, or base or leaves from an en-route training location to meet a Secretary of Defense–approved operation to meet an operational requirement. An event is an operation if it is recorded in the joint capabilities requirement manager or contained in the annual Global Force Management Data Initiative–compliant tool under the Global Force Management Data Initiative reporting structure specified in DoD Instruction 8260.03. Forces deployed pursuant to Executive orders, operational plans, or concept plans approved by the Secretary of Defense are also considered deployed.

3. A deployment ends when most of the unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base. Forces operationally employed by Secretary of Defense's orders or in "prepare-to-deploy order" status at their home station are not deployed. Movement of forces that do not meet operational requirements (e.g., movement of forces to meet training, readiness, or exercise requirements) are not considered deployments and, therefore, are not subject to deployment-to-dwell and mobilization-to-dwell limits and specified goals.

Deployment-to-Dwell Ratio for Active Component (AC)

The ratio of time a unit, detachment, or individual is deployed to the time the unit, detachment, or individual is in dwell. For example, an AC unit that is deployed for 7 months and in dwell for 21 months has a deployment-to-dwell ratio of 1:3.

Desertion

Absence without leave with intent to remain away permanently.

*Designated Place

Except as noted in item 6, the location where a Service member's dependent intends to establish a bona fide residence until authorized further dependent transportation at Government expense. The Service member must certify this intent to receive allowances associated with a designated place move. A designated place may be one of the following locations:

1. A location in the CONUS or non-foreign OCONUS area.

2. A foreign location OCONUS where a dependent is specifically authorized to travel at Government expense when a Service member is ordered to an unaccompanied or dependent-restricted tour. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

3. A location OCONUS where a Service member is scheduled to serve an accompanied tour after completing an unaccompanied or dependent restricted tour, and to which dependents are specifically authorized travel at Government expense.

4. The OCONUS location in the old PDS vicinity at which a dependent remains while a Service member serves an unaccompanied or dependent-restricted tour.

5. A location in the CONUS, non-foreign OCONUS, or foreign OCONUS place to which a dependent is specifically authorized travel at Government expense when early return of dependents is authorized. This is limited to the native country of a foreign-born spouse for DoD Services and Coast Guard.

6. For evacuation allowances, a designated place is a location where a dependent establishes a permanent residence during an evacuation if conditions are not expected to improve.

Disbursing Officer

A military member or a civilian employee of a DoD Component designated to disburse monies and render accounts according to laws and regulations governing the disbursement of public money (see ***31 U.S.C. § 3321***). Disbursing officers must be U.S. citizens.

Dual Status

Enlisted members of the Navy or Marine Corps Reserve on duty as temporary officers.

Duty Station

The place at which the member is assigned for regular duty. Also, the place at which the member performs an assigned duty.

Dwell Time Active Component (AC)

In accordance with 10 U.S.C. § 991, dwell time ("dwell"), for the purposes of calculating the AC deployment-to-dwell ratio, is redefined as the time a unit, detachment, or individual not attached to a unit or detachment is not on a deployment. Dwell begins when most of a unit or detachment, or an individual not attached to a unit or detachment, returns to their homeport, station, or base from a deployment. Dwell ends when the unit or individual leaves on a deployment. An AC unit or individual is either on a deployment or in dwell.

Dwell Time Reserve Component (RC)

Defined in ***DoD Instruction 1235.12*** as the term "dwell."

Enforced Separation

Involuntary separation of the member from dependents as a result of official orders.

Enlisted Member

A person enlisted, enrolled, or conscripted into a Military Service.

Enlistee

A person who has voluntarily enlisted for Military Service.

Enlistment

The term enlistment refers to:

1. A voluntary entrance into Military Service under enlisted status, as distinguished from induction through Selective Service; or

2. A period of time, contractual or prescribed by law, which enlisted members serve between enrollment and discharge.

Entitlement

The legal right to receive items of pay and/or allowances.

Erroneous Payment

A payment of pay and/or allowances to a member to which he/she is not entitled.

*Excess Leave

Leave granted in excess of that accrued or advanced and for which the Service member is not entitled to pay and allowances. Generally, a negative leave balance at the time of release from active military duty, discharge, first extension of an enlistment, desertion, or death shall be considered excess leave regardless of the authority under which the leave resulting in the negative balance was granted.

Exigencies of the Service

Urgent demands of a Military Service.

Expiration of Term of Service

The end of a required or contracted period of service.

Extension of Enlistment

Contractual agreement, which extends an enlisted member's current enlistment for a stated period beyond normal expiration of that enlistment.

*Field Duty

Any maneuvers, war games, field exercises, or similar operations where a member is assigned to a unit being subsisted in a dining facility operated by or on behalf of the U.S. Government or with an organization drawing field rations. Members may be on per diem orders.

Financial Organizations

Any bank, savings and loan association or similar institution, or federal or state-chartered credit union.

*Flag Officer

An officer of the Navy or Coast Guard serving in or having the grade of admiral, vice admiral, or rear admiral or rear admiral (lower half); comparable to an Army, Air Force, Marine Corps and Space Force general officer.

Fleet Reserve or Fleet Marine Corps Reserve

A component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active federal service.

Flight Requirement

The number of hours or minutes of flying time required to qualify for entitlement to incentive pay for a specific period of time.

Former Captive

A member who was held in a captive status.

Full-Time National Guard Duty

Training or other duty, other than inactive duty, performed by a member of the Army National Guard of the United States or Air National Guard of the United States, as a member of the National Guard of a state or territory, Puerto Rico, or the District of Columbia under

32 U.S.C. §§ 316, *502*, *503*, or *505*, for which the member is entitled to (or has waived entitlement to) pay from the United States.

*Fully Qualified Health Professional

A fully trained or licensed, registered, or certified health professional (non-HCP) who meets the requirements of the Secretary concerned for accession or retention on AD.

Government Dining Facility

A generic term used for Government mess, general mess, dining hall, dining activity, mess hall, galley, field kitchen, flight kitchen, or similar terms describing appropriated funds dining facilities. Includes general or Service organizational dining facility, a state National Guard Camp dining facility, an officers' wardroom mess, a warrant officers' and chief petty officers' mess afloat, and a flight kitchen that furnishes box lunches, in-flight meals, or rations on military aircraft are government dining facilities if used by or made available to Service members. This does not include activities operated with non-appropriated funds such as officer's club, enlisted club, squadron mess, organized mess, or similar terms, except when those activities provide meals or rations under contract or agreement with the applicable operating and food costs borne by appropriated funds.

Government Quarters or Housing Facilities

1. Sleeping accommodations owned, operated, or leased by the U.S. Government, or obtained by contract, at no cost to the traveler;

2. Dormitories or similar facilities operated by cost-plus-a-fixed-fee contractors;

3. Quarters in a state-owned National Guard Camp at no expense to the member; or

4. Any sleeping or housing facilities furnished by a foreign government on behalf of the U.S. Government.

*He, His, Him

"He," "his," and "him" include the terms "she," "her," "hers," "they," "them," and "theirs."

Home

The place recorded as home of record when the member was ordered to active duty.

*Hostile Fire

A use of force against the United States, U.S. forces, or other designated persons by an enemy of the U.S., a foreign terrorist, or a person or group of people inspired or motivated by a foreign terrorist organization.

Inactive Duty Training

The term "inactive duty training" describes:

1. Duty prescribed for members of a Reserve Component by the Secretary concerned under ***37 U.S.C. § 206*** or any other law;

2. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; and

3. The special additional duties described in paragraph 2 when performed by members of a Reserve Component in their status as members of the National Guard, but (except as provided in ***37 U.S.C. § 206 (d)(2)***) does not include work or study in connection with a correspondence course of a uniformed service.

NOTE: For pay purposes, inactive duty training may be documented on a Service-prescribed form or order covering a specific assignment and prescribed time limit.

Inductee

One who is inducted.

Induction

The act of taking a person into any of the U.S. Armed Services without voluntary action on his or her part.

In Loco Parentis

A person who stands in the place of the natural parent(s) to the Military Service member. (See also "Parent.")

Issue in-Kind

An issue in goods rather than in money.

Lost Time

That period of time not included in determining cumulative years of service for all military purposes.

Medical Officer

An officer of the Medical Corps of the Army, an officer of the Medical Corps of the Navy, or an officer of the Air Force designated as a medical officer.

Member

A person appointed or enlisted in, or conscripted into, uniformed service. (Cadets or midshipmen of the Service academies are considered members only for the purpose of establishing entitlement under the provisions of Chapter 34.)

Military Specialty

An element of the enlisted classification structure Military Occupational Specialty, Air Force Specialty Code, Navy Enlisted Classification, career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned, that identifies an individual position or group of closely related positions on the basis of the similarity of the duties involved. It is also the primary identifier of members who possess the ability, knowledge and other occupational qualifications required for effective performance in such positions.

A military specialty provides occupational standards for procurement, training, classification, and career development; identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; and provides a normal career progression pattern for members within that military specialty.

Missing Status

Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

Mobilization-to-Dwell Ratio (RC)

For Reserve units, detachments, or individuals, the mobilization-to-dwell ratio is defined in DoD Instruction 1235.12.

National Guard

The Army National Guard and the Air National Guard.

Non-Foreign OCONUS Area

The States of Alaska and Hawaii, the Commonwealths of Puerto Rico and the Northern Marianas Islands, Guam, the U.S. Virgin Islands, U.S. territories and possessions.

Nurse Corps Officer

An officer of the Nurse Corps of the Army or Navy, or an officer of the Air Force designated as a nurse.

Officer

A commissioned or warrant officer.

Operational Deployment

An operational deployment begins when the majority of a unit or detachment, or an individual not attached to a unit or detachment, departs homeport, station, base, or departs from an en route training location to meet a Secretary of Defense-approved operational requirement.

*Operational Flying Duty

Enlisted. Flying performed under competent military orders by Regular or Reserve Component Enlisted Service members while holding or training for a military career enlisted flyer occupational specialty or ratings designated by the Secretary of the Military Department concerned. Personnel must be serving in assignments, to include assignments as Unmanned Aerial System and dropsonde system operators, in which basic aviation skills normally are maintained in the performance of assigned duties, as determined by the Secretary of the Military Department concerned.

Officer. Flying performed under competent military orders by a Regular or Reserve Component officer while holding or training for an aeronautical rating or designation and while serving in assignments in which basic aviation skills normally are maintained in the performance of assigned duties, as determined by the Secretary of the Military Department concerned.

Outside the Continental United States (OCONUS)

Locations outside of the 48 contiguous states and the District of Columbia.

Overpayment

An amount paid to a member, which is in excess of that to which entitled.

Parent

The natural father or mother, or father or mother through adoption. It also includes persons who have stood "in loco parentis" to a member. Also see definition for "Dependent."

*Permanent Change of Station

The permanent assignment, detail, or transfer of a member or unit to a different permanent duty station (PDS) under competent orders, which does not specify the duty as temporary, provide for further assignment to a second new PDS, or direct return to the old PDS. (For a more detailed definition, see the Joint Travel Regulations (JTR), Appendix A.)

*Permanent Duty Station (PDS)

In general, the post of duty or official station to which the member is assigned for permanent duty. (For a more detailed definition, see the JTR, Appendix A.) The primary residence of a Reserve Component member is considered the PDS for the purpose of determining allowances.

*PDS Vicinity

1. The PDS vicinity is the U.S. territory or possession, state when in Alaska or Hawaii, or the entire country (excluding the United States), where the Service member's PDS is located.

2. Member Assigned to PDS in the Continental United States (CONUS). The PDS vicinity is the local commuting area of the PDS.

3. Member commutes to OCONUS/CONUS PDS. When a Service member resides with a dependent outside the applicable PDS vicinity and commutes to the PDS, the dependent is considered to be residing at or near the vicinity of the PDS.

Primary Residence of a Reserve Component (RC) Service Member Other Than a Member of the Active Guard and Reserve (AGR)

1. The dwelling (e.g., house, townhouse, apartment, condominium, mobile home, houseboat, vessel) where the RC member resides before being ordered to active duty.

2. An RC member can have only one primary residence at any given time.

3. The primary residence location may determine an RC member's entitlement to certain allowances as otherwise specified in Volume 7A.

4. The Services' administrative policy shall ensure this is a known location prior to notification (verbal or written) of the call to active duty or issuance of the travel order.

5. If the RC member relocates the primary residence during an active-duty order period, and upon termination of the order is issued a new active-duty order, the allowances under the new order are based on the new primary residence on the first active-duty day only if there is a break in service or active duty exceeding one full day. The command may request the RC member provide documentation to support the location of their primary residence.

6. The primary residence can only change if there is a break in service or active duty exceeding one full day.

Prisoner of War

A member who was or is held in captivity by another nation's government as a result of hostilities between that nation and the United States (whether or not by declaration of war).

Privatized Housing

Housing units on or near a military facility in the U.S. and/or its territories and possessions that are acquired/constructed by a private company under the authority of ***10 U.S.C. §§ 2871 - 2885.*** Privatized housing is not considered Government quarters or Government-controlled quarters, for allowance purposes.

Punitive Discharge

A dishonorable or bad conduct discharge ordered as punishment under the Uniform Code of Military Justice (UCMJ).

Rations in-Kind

Meals or rations furnished by or on behalf of the government at no charge when BAS or commuted rations are not otherwise payable to a member in a pay status.

Ready Reserve

The Ready Reserve is comprised of Service members of the Reserve and National Guard, organized in units or as individuals, or both. These Service members are accessible for involuntary order to active duty in time of war or national emergency pursuant to 10 U.S.C. §§ 12301 or 12302 and 14 U.S.C. § 3713 in the case of members of the Coast Guard Reserve. The Ready Reserve consists of three sub-categories: the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

*Reenlistment Bonus

A monetary incentive offered to an enlisted member who reenlists under provisions of ***37 U.S.C. § 331***.

Reserve Components

The U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

*Reserve Officers' Training Corps (ROTC)

An officer training and scholarship program for postsecondary students authorized under Chapter 103 of Title 10 of the United States Code.

Retired Reserve

The Retired Reserve consists of:

1. Reserves who are or have been retired under ***10 U.S.C. §§ 7311, 8323,*** or ***9311***; or

2. Reserves who have been transferred to the Retired Reserve, retain their status as Reserves, if otherwise qualified.

Saved Pay

Special pay provisions that allow military members, under certain circumstances, to retain entitlement to amounts of pay and/or allowances authorized under prior laws or for a lower grade from which promoted.

Secretarial Process

Action by the Service Secretary or subordinate level specified by the Service Secretary. The Secretarial Process is an administrative and/or procedural issuance under the Service Regulation review process.

Selected Reserve

Within the Ready Reserve of each of the Reserve Components, there is a Selected Reserve. The Selected Reserves consists of units and, as designed by the Secretary concerned, are trained as prescribed in ***10 U.S.C. § 10147(a)(1)*** or ***32 U.S.C. § 502(a)***, as appropriate.

Separation

A general term that includes discharge, release from active duty or active service, release from custody and control of the Military Services, transfer to the Individual Ready Reserve, and similar changes in Active or Reserve status.

Service Academy Cadet or Midshipman

A person in training at one of the Service academies to become a commissioned officer.

Service Member

A member serving in one of the Uniformed Services including:

1. A commissioned officer, commissioned warrant officer, warrant officer, or enlisted person.

2. A retired Service member and members of the Fleet Reserve and Fleet Marine Corps Reserve who are in receipt of retainer pay.

*Spouse

An individual who is lawfully married (unless legally separated) to a Service member. An individual shall be considered married if that individual's marriage is between two individuals and is valid in the State where the marriage was entered into or, in the case of a marriage entered into outside any State, if the marriage is between two individuals and is valid in the place where entered into and the marriage could have been entered into in a State.

Statutory Limitations

The legal limits or restrictions as provided by law.

Stipend Payment

A fixed sum of money paid periodically for services or to defray expenses, especially payment to medical officers on duty at civilian medical facilities.

*Support

The term “support” includes food, shelter, clothing, medical and dental care, education, and the like.

Temporary Lodging Facilities

1. Specifically identified, Service-operated interim housing facilities that provide short-term housing accommodations for which there is a charge levied, without direct charge against the occupant’s housing allowance.

2. Includes guesthouses, except transient visiting officer quarters occupied by official visitors to the installation.

3. Does not include facilities used primarily for rest and recuperation purposes, or unaccompanied officer and enlisted quarters.

Temporary Officer Status

A member of the Navy or Marine Corps appointed as a temporary officer under the provisions of ***10 U.S.C. § 8146***.

Territories and Possessions of the United States

Territories and Possessions of the United States are incorporated and unincorporated territories over which the United States exercises sovereignty or jurisdiction. These include but are not limited to; American Samoa, Baker Island, Commonwealth of the Northern Marina Islands, Commonwealth of Puerto Rico, Guam, Howland Island, Jarvis Island, Johnson Atoll, Kingman Reef, Midway Island, Navassa Island, Palmyra Atoll, U.S. Virgin Islands, Wake Island, Petrel Island, and Serranilla Bank.

Total Forfeiture

Forfeiture of all pay and allowances as punishment under the UCMJ.

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the Public Health Service.

United States

The 50 states, and the District of Columbia.

Unusually Arduous Sea Duty

Duty, specified in writing through the Secretarial process, aboard a ship, unit or afloat staff with expected absences from the assigned home port for the major portion of the sea duty assignment.

Warrant Officer

A person who is designated an officer by a warrant, as distinguished from a commissioned officer who is designated an officer by a commission, and a non-commissioned officer who is designated an officer, often by virtue of seniority.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7B: "MILITARY PAY POLICY - RETIRED PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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VOLUME 7B, CHAPTER 1: "INITIAL ENTITLEMENTS – RETIREMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.8.3	Expanded title into a sentence to comply with formatting administrative instructions.	Revision
8.1	Updated to provide for elimination of the 75 percent cap on additional retired pay for extraordinary heroism for members of the Army, Air Force, and Space Force who served during the Vietnam Era.	Revision
References	Updated references.	Revision

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CHAPTER 1

INITIAL ENTITLEMENTS – RETIREMENTS

1.0 GENERAL

1.1 Purpose

1.1.1. This chapter provides information for the specific qualifications and entitlement for military retired pay, describes the basic types of retirement (regular, non-regular, and disability), discusses voluntary and involuntary retirements, and explains basic qualifications for the differing military retired pay programs (Final Pay, High-3, reduced retirement (i.e., REDUX), Blended Retirement System (BRS), and Temporary Early Retirement Act (TERA)).

1.1.2. Additionally, this chapter provides guidance for all involuntary (mandatory) retirements, and voluntary retirements for all officers, warrant officers, and Army, Air Force, and Space Force enlisted members. Chapter 2 of this volume discusses the processes and procedures for voluntarily transferring enlisted members of the Navy and Marine Corps to the Fleet Reserve or Fleet Marine Corps Reserve.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with, the United States Code (U.S.C.), including Titles 5, 10, 14, 37 and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 MILITARY RETIRED PAY – INITIAL ENTITLEMENTS

2.1 Overview

Officers and enlisted members of the military may be retired for voluntary or involuntary reasons. Military retired pay is divided into three general categories: retired pay for Regular service, retired pay for non-Regular (Reserve/Guard) service, and retired pay for physical disability. With the exception of retirement for physical disability and certain temporary authorities for early retirement, a member must complete the requisite years of service (generally at least 20 years of service) in order to be eligible for retired/retainer pay. See section 3.0 for determining years of service for retired/retainer pay eligibility.

2.1.1. A warrant officer or an enlisted member of the Army, Air Force, or Space Force may be voluntarily retired after completion of 20 years of creditable service. Following such a voluntary retirement, an enlisted member of the Army, Air Force or Space Force becomes a member of the Retired Reserve. See Chapter 2 for rules on an enlisted member of the Navy or Marine Corps.

2.1.2. A commissioned officer may be voluntarily retired after completion of 20 years of active service, of which at least 10 years is active commissioned service.

2.1.3. Any members who continue on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons.

2.1.4. Members who incur a disability while serving on active duty or while called to active duty for training for 30 days or less may be retired.

2.1.5. Various chapters in Volume 7B provide specific details on eligibility, computation, and payment for each type of retirement.

2.2 Retired Pay Base

The retired pay base is usually determined by the date the member first entered military service. The specific method for calculating the retired pay base may differ for certain involuntary retirements, but it is always calculated using one of the following two methods defined in subparagraphs 2.2.1.1 and 2.2.1.2. Details are in Chapter 3.

2.2.1. The Date of Initial Entry into Military Service (DIEMS) determines whether the retired pay base is the monthly basic pay of the member just before retirement or an average of the highest 36 months of basic pay applicable during the member's career.

2.2.1.1. Final Basic Pay. For members who first entered military service before September 8, 1980, the retired pay base is generally the final basic monthly pay that the member received upon the date of retirement.

2.2.1.2. High-Three Average (High 36 Month Average). For members who entered the military service on or after September 8, 1980, the retired pay base is generally the average of the highest three years (36 months) of monthly basic pay to which the member received for any 36 months of active service whether those months are consecutive or not.

2.2.2. For a member entitled to retired pay for non-Regular (Reserve/Guard) service, the final basic pay or the high-36 average is usually determined using the rates to which the member was actually paid or to which the member would have been entitled if serving on active duty immediately before the date when retired pay is to begin. However, if a person opted to be discharged from the Service upon meeting service requirements for eligibility for retired pay but before meeting the age requirements for eligibility for retired pay, that person is a former member at the age of eligibility to receive retired pay, and, if that person entered the military service on or after September 8, 1980, the applicable rates are those in effect at the time of discharge.

2.3 Retired Pay Multiplier

There are three methods for computing a retired pay multiplier, depending on the applicable retirement system. For each of these methods, a member retired with a physical disability may alternatively have their retired pay multiplier calculated using their percentage of

disability, up to a maximum of 75 percent. The years of service for computing retired pay for Regular retirement are generally the total of years of active service. For non-Regular (Reserve/Guard) members, the years of service are the total of accumulated drill points combined with one point for each day of active duty divided by 360. See section 4.0 for determining years of service creditable for computing retired pay.

2.3.1. For members covered by Final Pay or High-3 legacy retirement plans, the retired pay multiplier is either 2.5 percent multiplied by the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

2.3.2. For members covered by the BRS, the percentage multiplier is either 2.0 percent multiplied by the years of service creditable for computing retired pay or the percentage of disability awarded by the military service at retirement.

2.3.3. Regular members who have a DIEMS date on or after August 1, 1986, but before January 1, 2018, were allowed the option to elect a reduced retirement (i.e., REDUX) accompanied by the Career Status Bonus (CSB). Except for disability retirees, the retired pay multiplier is the same as computed in subparagraph 2.3.1, except that it is reduced by one percentage point for each year the member retires short of completing 30 years of service. Section 631 of the National Defense Authorization Act Fiscal Year 2016, Public Law 114-92, amended 37 U.S.C. § 354 to discontinue authorization of any new CSB agreements after December 31, 2017. Note: The CSB reduction factor does not apply to disability retirees, notwithstanding the changes made by Public Law 114–92 (enacted on November 25, 2015 and effective on January 1, 2018) to ***10 U.S.C. § 1401***.

2.3.4. A member who retires for disability may choose a multiplier based on years of service, in accordance with subparagraphs 2.3.1, 2.3.2, or 2.3.3, as applicable, or based on the disability percentage awarded by the Service. However, if the member chooses the Service disability percentage, then the percentage is limited to no more than 75 percent.

2.4 Retired Pay Formulae

If a member entitled to retired or retainer pay would otherwise be entitled to retired pay computed under more than one formula, then the member is entitled to be paid under the applicable formula that is most favorable to the member. The retired pay formulae are more fully covered in Chapter 3. The formulae are as follows:

2.4.1. For Regular and non-Regular (Reserve/Guard) members covered by the legacy retirement pay plan, monthly retired pay is equal to the retired pay base multiplied by 2.5 percent multiplied by years of service. For Regular and non-Regular (Reserve/Guard) members covered by the BRS, monthly retired pay is equal to the retired pay base multiplied by 2.0 percent multiplied by years of service.

2.4.2. For disability retirement, the member may elect retired pay computed under subparagraph 2.4.1, or monthly pay equal to the retired pay base multiplied by military disability percentage, not to exceed 75 percent.

2.4.3. For members retiring for Regular service that elected the REDUX retirement and received the CSB, retired pay is as computed in subparagraph 2.4.1, except the multiplier is reduced by one percentage point for each year the member retires short of completing 30 years of service. Note: Non-regular members who are retired for disability become entitled to immediate retired pay for disability. Once the retired pay for disability commences under ***10 U.S.C., Chapter 61***, the member's pay may not be recomputed at eligibility age (usually age 60) under ***10 U.S.C., Chapter 1223***. Retired pay under 10 U.S.C., Chapter 1223 may only be paid to a member who "is not entitled under any other provision of law, to retired pay from an armed force or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve."

2.5 Temporary Early Retirement Authority (TERA)

2.5.1. TERA provides the Secretary of Defense a temporary force management tool with which to affect the drawdown of military forces and yet maintain an adequate and effective well-trained military force. TERA provides the authority for voluntary retirement of members on active duty with at least 15 years, but less than 20 years of creditable service. An eligible member of the Armed Forces may apply for early retirement under the program and receive an annuity equivalent to 2.5 percent of the retired pay base for each year of service completed and a deduction of 1 percent for each year short of 20 years of service. The request is subject to the approval of the Secretary concerned. Drawdown periods are referenced in subparagraph 3.1.2. See Chapter 3 for computation of TERA payment.

2.5.2. A member of the Armed Forces approved for early retirement must:

2.5.2.1. Be currently serving on active duty;

2.5.2.2. Complete 15 or more years of active service upon the effective date of retirement;

2.5.2.3. Not be under evaluation for disability retirement under ***10 U.S.C., Chapter 61***; and

2.5.2.4. Meet grade, skill, years of service, and other eligibility criteria as established by the Secretary of the Military Department concerned.

2.6 Survivor Benefit Plan (SBP)

Retiring members may participate in the SBP program. The SBP program pays a lifetime annuity to the designated survivor of 55 percent of a base amount elected by the member not to exceed full retired pay. Upon receiving notice of having completed sufficient service to qualify for retirement, a non-Regular (Reserve/Guard) member (except for not having attained the requisite age) may also participate in the SBP program. Detailed information regarding the SBP program begins in Chapter 42.

2.7 Cost of Living Adjustments (COLA)

Both retired pay and survivor annuities are adjusted annually by the change in the Consumer Price Index. See Chapter 8 for detailed information on COLAs.

3.0 SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

3.1 Creditable Service and Service Reduction for Retirement Eligibility

3.1.1. Computation of Creditable Service for Determining Retirement Eligibility. A computation of creditable service for determining retirement eligibility may be required at any time during a member's military career. Generally, a member must complete at least 20 years of creditable service in order to qualify for retired or retainer pay. Upon completion of 20 years of creditable service, a member may request to be transferred to a retired or retainer status.

3.1.1.1. An enlisted member of the Army, Air Force, or Space Force who completes 20 years of creditable active service may request to be retired.

3.1.1.2. An enlisted member of the Navy or the Marine Corps who completes 20 years of creditable active service may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve. See Chapter 2 for details regarding creditable service for transfers to the Fleet Reserve and Fleet Marine Corps Reserve.

3.1.1.3. An enlisted member of the Regular Army, Air Force, Space Force, Navy, or Marine Corps who completes 30 years of creditable active service or an enlisted member in the Fleet Reserve or Fleet Marine Corps Reserve upon completion of a total of 30 years of combined active and Fleet Reserve service will, upon request, be retired.

3.1.1.4. A Regular or Reserve commissioned officer may voluntarily be retired after completion of 20 years of active service, at least 10 years of which is active commissioned service.

3.1.1.5. A non-Regular member who completes 20 years of creditable qualifying service, but has not yet attained the eligibility age applicable for retired pay, may request transfer to the inactive status list.

3.1.1.6. Members who incur a qualifying disability while serving on active duty, while called to active duty for training for 30 days or less, or while performing inactive duty training may be retired for disability, at which time a service computation is required.

3.1.2. Reduction of the 20-Year Creditable Service Requirement. Under TERA, the Secretary of the Military Department concerned may reduce the 20 years of creditable service requirement to as few as 15 years for retirements during the periods of:

3.1.2.1. December 31, 2011 through December 31, 2025, for Regular retirements only;

3.1.2.2. October 23, 1992 through September 1, 2002, for Regular retirements; and

3.1.2.3. October 23, 1992 through December 31, 2001, for non-Regular retirements.

3.1.3. Reduction of the 10-Year Active Commissioned Service Requirement. The Secretary of the Military Department concerned may also reduce the 10-year active commissioned service requirement to not less than 8 years for retirements during the following periods:

3.1.3.1. January 7, 2011 through September 30, 2018;

3.1.3.2. January 6, 2006 through December 31, 2008; and

3.1.3.3. October 1, 1990 through December 31, 2001.

3.1.4. Active Duty Beyond 20 Years of Service. A member who continues on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons. Involuntary reasons include court martial sentence, poor performance, failure to qualify for promotion, high year tenure, and age.

3.1.5. Service Creditable for Retirement Eligibility. Service creditable for the purpose of determining retirement eligibility varies with each type of retirement. For retirement types and the specific service creditable for each type, see paragraphs 3.2 through 3.8. See paragraph 3.9 for service that is not creditable.

3.2 Service Creditable for Regular Voluntary Retirement - Enlisted Members (Table 1-1)

The following is service creditable for Regular voluntary retirement for enlisted members:

3.2.1. All active service in the Uniformed Services; and

3.2.2. Service as a cadet or midshipman at Service academy.

3.3 Service Creditable for Voluntary Retirement - Regular and Reserve Commissioned Officers (Table 1-1)

The following constitutes service creditable for voluntary retirement for Regular and Reserve commissioned officers:

3.3.1. Active service in the Uniformed Services;

3.3.2. All service performed by an officer of the Regular Army, Regular Air Force, or Regular Space Force in the Medical Corps, under a contract to serve full-time and to take and change station as ordered, as:

3.3.2.1. A contract surgeon;

3.3.2.2. An acting assistant surgeon; or

3.3.2.3. A contract physician; and

3.3.3. All full-time service performed by an officer of the Regular Army, Regular Air Force, or Regular Space Force in the Dental Corps as:

3.3.3.1. A contract dental surgeon, or

3.3.3.2. An acting dental surgeon.

3.4 Service Creditable for Voluntary or Mandatory Retirement - Warrant Officers

The following constitutes service creditable for voluntary or mandatory retirement for warrant officers:

3.4.1. Active service in the Uniformed Services, except that for mandatory retirement at 30 years of service of an Army Warrant Officer, years of service includes only years of active service as a Warrant Officer; and

3.4.2. All service as:

3.4.2.1. A contract surgeon;

3.4.2.2. A Reserve nurse;

3.4.2.3. A contract dental surgeon;

3.4.2.4. An acting dental surgeon; and

3.4.2.5. A veterinarian in the quartermaster department, cavalry, or field artillery.

3.5 Service Creditable for Mandatory Retirement - Regular Commissioned Officers, Army, Air Force, and Space Force (Table 1-2)

The service creditable for mandatory retirement for Regular commissioned officers of the Army, Air Force, and Space Force includes years of service credited at the time of original appointment in the Regular Army, Regular Air Force, and Regular Space Force. Compute service creditable as stated in subparagraphs 3.5.1 through 3.5.7 to determine eligibility for promotion, except service in subparagraph 3.9.3, plus all years of active commissioned service in the Regular Army, Regular Air Force, and Regular Space Force after that appointment, or the applicable years of service.

3.5.1. A Reserve judge advocate appointed in the Regular Army is credited service after becoming 21 years of age, after December 7, 1941, and before the date of that appointment, or the number of the days, months and years by which the member's age at the time of appointment exceeds 25 years, whichever is greater, plus years of active commissioned service in the Regular Army or Regular Air Force after that appointment.

3.5.2. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps before December 31, 1947, other than an officer covered by subparagraph 3.5.1, or appointed in the Regular Army under the Act of December 28, 1945, is credited the sum of:

3.5.2.1. Years of active commissioned service in the Regular Army after that appointment, and

3.5.2.2. Years of active commissioned service in the Army after becoming 21 years of age and after December 7, 1941, under any earlier appointment.

3.5.3. An officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps after December 31, 1947, other than an officer appointed in the Women's Army Corps, Regular Army, under section 108 of the Women's Armed Services Integration Act of 1948, is credited the sum of:

3.5.3.1. Years of active commissioned service in the Regular Army after that appointment, and

3.5.3.2. Years of active commissioned service in the Army after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

3.5.4. An officer of the Regular Air Force appointed in the Regular Army or Regular Air Force after December 31, 1947, under section 506 of the Officer Personnel Act of 1947, is credited the sum of:

3.5.4.1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

3.5.4.2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and after December 6, 1941, under any earlier appointment.

3.5.5. An officer of the Air Force who was appointed in the Regular Army or Regular Air Force after December 31, 1947, other than an officer covered by subparagraphs 3.5.4 or 3.5.6, is credited the sum of:

3.5.5.1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment; and

3.5.5.2. The years of active commissioned service in the Air Force after becoming 21 years of age and after December 31, 1947, under any earlier appointment.

3.5.6. An officer of the Regular Air Force who was appointed in the Regular Air Force after July 19, 1956, other than an officer covered by subparagraph 3.5.4, or who is designated as a medical or dental officer, is credited the sum of:

3.5.6.1. The years of active commissioned service in the Regular Air Force after that appointment;

3.5.6.2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and before appointment; and

3.5.6.3. The years credited for the purpose of determining grade, position on a promotion list, seniority, and eligibility for promotion under one of the following conditions:

3.5.6.3.1. Three years, if appointed in the Regular Air Force with a view to designation as a medical service officer, and if holding a degree of Doctor of Philosophy or comparable degree in science allied to medicine;

3.5.6.3.2. Not more than 8 years, if one of not more than 100 persons in any calendar year who are appointed from civil life or from Reserves of the Air Force who have qualifications not otherwise available from members of the Air Force on active duty; or

3.5.6.3.3. Not more than 2 years, if appointed while on active duty in the Air Force.

3.5.7. An officer of the Army, Air Force, or Space Force under the Defense Officer Personnel Management Act (DOPMA) is credited with the sum of:

3.5.7.1. The years of active service; and

3.5.7.2. The years of service, other than active service in subparagraph 3.5.7.1, with which the member was entitled to be credited on May 31, 1958, in computing basic pay.

3.5.8. The following rules apply to a regular commissioned officer who is to be retired or separated due to age under ***10 U.S.C. § 1251***:

3.5.8.1. If the officer has fewer than 20 years of creditable service, the officer shall be separated.

3.5.8.2. If the officer has at least 6 but fewer than 20 years of creditable service, the officer is entitled to separation pay computed under ***10 U.S.C. § 1174(d)(1)***.

3.5.8.3. Notwithstanding subparagraphs 3.5.8.1 and 3.5.8.2, a regular commissioned officer who was added to the retired list before January 1, 2021, shall be retired with retired pay computed under 10 U.S.C. § 1401.

3.6 Service Creditable for Mandatory Retirement - Regular Officers, Navy and Marine Corps (Table 1-2)

The following constitutes service creditable for mandatory retirement of Regular officers of the Navy and Marine Corps:

3.6.1. The total commissioned service of an officer on the active list in the line of the Navy or of the Marine Corps is computed from June 30 of the fiscal year in which the officer accepted that appointment. The computation applies when the officer has served continuously on the active list since appointment in the grade of ensign or second lieutenant, either upon graduation from the Naval Academy or under ***10 U.S.C. § 2106*** or ***10 U.S.C. § 2107***.

3.6.2. Every other officer on the active list in the line of the Navy or Marine Corps is considered to have the same service as in subparagraph 3.6.1, who:

3.6.2.1. Has not lost numbers or precedence; and

3.6.2.2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during the other officer's latest period of continuous service on the active list.

3.6.3. The total commissioned service of each officer on the active list of the Navy in the Supply Corps or the Civil Engineer Corps who originally was appointed as a Regular or as a Reserve in the grade of ensign in the line, or any staff corps, or in the grade of lieutenant (junior grade) in the Civil Engineer Corps, and who has served continuously on active duty since that appointment, is computed from June 30 of the fiscal year in which the officer accepted that appointment, beginning August 7, 1947.

3.6.4. The total commissioned service of each officer originally appointed in the grade of lieutenant (junior grade) or ensign in any staff corps of the Navy, except the Supply Corps and the Civil Engineer Corps, who since that appointment has served continuously on the active list of the Navy, is computed from June 30 of the fiscal year in which the officer accepted that appointment. This provision does not apply, however, to officers appointed under the Act of April 18, 1946.

3.6.5. Every other commissioned officer on the active list of the Navy in any staff corps is considered to have the same total commissioned service as the officer in the same corps described in subparagraphs 3.6.3 and 3.6.4, having the maximum total commissioned service who:

3.6.5.1. Has not lost numbers or precedence; and

3.6.5.2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during that other officer's latest period of continuous service on the active list.

3.6.6. Notwithstanding the provisions of subparagraph 3.6.5, officers on the active list of the Navy in the Medical Service Corps, appointed under the Act of April 18, 1946, are considered to have total commissioned service equivalent to that of their running mates.

3.6.7. Officers on the active list of the Navy in the Nurse Corps are credited with:

3.6.7.1. Active service in the Nurse Corps and the Nurse Corps Reserve; and

3.6.7.2. Active service in the Nurse Corps and the Nurse Corps Reserve, which was abolished by the Army-Navy Nurses Act of 1947.

3.6.8. An officer of the Navy or Marine Corps under the DOPMA is credited with:

3.6.8.1. The years of active service; and

3.6.8.2. The years of service, other than the service included in subparagraph 3.6.8.1, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

3.6.9. For regular commissioned officers to be retired or separated due to age under 10 U.S.C. § 1251, apply the rules set forth in subparagraph 3.5.8.

3.7 Service Creditable for Disability Retirement (Table 1-3)

3.7.1. Members who are unfit to perform their duties because of a disability incurred on active duty where the disability is at least 30 percent may be retired for disability. No minimum amount of creditable service is required.

3.7.2. Members who are unfit to perform their duties because of a disability incurred on active duty where the disability is less than 30 percent may be retired for disability but only if they have 20 years of service computed under ***10 U.S.C. § 1208***, as set forth in subparagraphs 3.7.3 and 3.7.4.

3.7.3. In computing those years of service for this purpose, a member of a Regular Component of the Armed Forces is credited with the greater of:

3.7.3.1. All service the member is considered to have for the purpose of separation, discharge, or retirement for length-of-service, or

3.7.3.2. The sum of active service as a member of the Armed Forces as a nurse, Reserve nurse after February 2, 1901, contract surgeon, contract dental surgeon, or acting dental surgeon;

3.7.3.3. Active service as a commissioned officer of the National Oceanic and Atmospheric Administration (NOAA), or the Public Health Service (PHS). This includes active service as a member of the Environmental Science Services Administration and of the Coast and Geodetic Survey, the predecessor organizations to NOAA and PHS; and

3.7.3.4. Active service while participating in exercises or performing active duty training and drills in the National Guard, under ***32 U.S.C. §§ 502***, ***503***, ***504***, and ***505***.

3.7.4. A member who is not a member of a Regular Component of the Armed Forces is credited with the number of years of service that would count if computing years of service under ***10 U.S.C. § 12733***, dividing the sum of the following by 360:

3.7.4.1. All days of active service;

3.7.4.2. All days of full-time service while performing annual training duty or attending prescribed periods of instruction at a school designated as a military service school by law or by the Secretary concerned; and

3.7.4.3. One day for each point credited under ***10 U.S.C. § 12732(a)(1)(B)-(F)***, but not more than:

3.7.4.3.1. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

3.7.4.3.2. 90 days in any one year of service between October 30, 2000 and October 29, 2007;

3.7.4.3.3. 75 days in any one year of service between September 23, 1996 and October 29, 2000; or

3.7.4.3.4. 60 days in any one year of service before the year of service that includes September 23, 1996.

Note: The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service (except in a regular component) before July 1, 1949 in the categories provided in 10 U.S.C. § 12732(a)(1).

3.7.4.4. One day for each point credited under 10 U.S.C. § 12732(a)(2)(E) related to funeral honors.

3.7.5. The service is responsible for determining the creditable service for a member who is retired for disability.

3.8 Service Creditable for Age and Service Retirement - Non-Regular Member (Table 1-4)

3.8.1. A member or former member of the Reserve Component of an Armed Force, including the National Guard is entitled to retired pay computed under ***10 U.S.C. § 12739*** (See Chapter 3, Table 3-1, Rule 13) for non-Regular service upon application if he or she:

3.8.1.1. Has attained the eligibility age applicable under subparagraph 3.8.6;

3.8.1.2. Has performed at least 20 years of service (subject to subparagraph 3.8.5), as set forth in subparagraph 3.8.2;

3.8.1.3. If completing 20 years of service before April 25, 2005, performed the last 6 years of qualifying service while a member of any category named in 10 U.S.C. § 12732(a)(1) (but not while a member of a Regular Component, the Fleet Reserve, or the Fleet Marine Corps Reserve). If completing 20 years of service before October 5, 1994, the number of years of such qualifying service must be 8 years; and

3.8.1.4. Is not entitled under any other provision of law to retired pay from the Armed Forces or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve, except as provided in Chapter 7, section 1.0.

3.8.2. Creditable service to meet the 20 years requirement includes:

3.8.2.1. Service performed in the Uniformed Services;

3.8.2.2. Years of service before July 1, 1949, pursuant to 10 U.S.C. § 12732; or

3.8.2.3. Each 1-year period after July 1, 1949, in which the member earned at least 50 points as calculated under 10 U.S.C. § 12732(a)(2).

3.8.2.4. For the purpose of subparagraph 3.8.2.3 all service in the National Guard is treated as if it were service in a Reserve Component if the member was later appointed in the U.S. Army National Guard or U.S. Air National Guard, or as a Reserve of the Army, Air Force, or Space Force and served continuously in the National Guard from date of Federal recognition to date of that appointment.

* 3.8.3. The Secretary concerned will notify each member who has completed the years of service required for eligibility for retired pay. A Notice of Eligibility will be sent to the member concerned within one year after the person completes that service.

3.8.3.1. A member who has been notified under ***10 U.S.C. § 12731(d)*** that the years of service requirement has been met for eligibility for retired pay may not have that eligibility denied or revoked on the basis of any error, miscalculation, misinformation, or administrative determination of years of service performed, unless it resulted directly from fraud or misrepresentation of the member.

3.8.3.2. The notification of eligibility, which is based on the member's completion of the service requirement, conforms to applicable Military Department regulations. A nonconforming written notice, administratively issued, which shows completion of service requirements of eligibility for retired pay, may not result in the denial of retired pay unless evidence shows that the member caused the service record to be altered or confused.

3.8.3.3. The number of years of creditable service upon which retired pay is computed may be adjusted to correct any error, miscalculation, misinformation, or administrative determination. When a correction is made, the retiree is entitled to retired pay in accordance with the number of years of creditable service, as corrected, from the date the retiree is granted retired pay.

3.8.3.4. Notwithstanding subparagraph 3.8.3.3, the granting of retired pay to a retiree under 10 U.S.C., Chapter 1223 is conclusive as to that retiree's entitlement to such pay only if the payment of retired pay began after October 14, 1966. A notification that a member has completed the years of service required for eligibility for retired pay under 10 U.S.C., Chapter 1223 is conclusive as to that member's subsequent entitlement to such pay only if the notification is made after October 14, 1966.

3.8.4. A member who has met age and service requirements for retired pay, but is retained under ***10 U.S.C. § 12308***, with member's consent, may be credited with that service for all purposes. A member, however, who elects to receive retired pay under 10 U.S.C. § 12731, may not be retained simultaneously on active duty or in active service under 10 U.S.C. § 12308.

3.8.5. A temporary special retirement qualification authority, ***10 U.S.C. § 12731a***, authorized the Secretary of the Military Department concerned to treat a member as having met the 20 years of service requirement if the member completed at least 15 years of service and requested transfer to the Retired Reserve, during the period beginning on October 23, 1992, and ending on December 31, 2001.

3.8.6. Subject to subparagraph 3.8.6.1, the eligibility age for a non-regular retirement for age and service is 60 years of age.

3.8.6.1. After January 28, 2008, the eligibility age for purposes of subparagraph 3.8.6 will be reduced, subject to subparagraph 3.8.6.5, below 60 years of age in the case of a member who, as a member of the Ready Reserve, serves on active duty or performs active service described in subparagraphs 3.8.6.2 through 3.8.6.4. The reduction will be 3 months for each aggregate of 90 days on which the member serves on such active duty or performs such active service in any fiscal year after January 28, 2008, or in any two fiscal years after September 30, 2014. A day of duty may be included in only one aggregate of 90 days for purposes of this subparagraph.

3.8.6.2. Service on active duty is pursuant to a call or order to active duty under a provision of law referred to in ***10 U.S.C. § 101(a)(13)(B)*** or under ***10 U.S.C. § 12301(d)*** or ***10 U.S.C. § 12304b***. Such service does not include a call or order to active duty under ***10 U.S.C. § 12310***.

3.8.6.3. Active service is also service under a call to active service authorized by the President or the Secretary of Defense under 32 U.S.C. § 502(f) for purposes of responding to a national emergency declared by the President or supported by Federal funds.

3.8.6.4. If the member is wounded, otherwise injured, or becomes ill while serving on active duty pursuant to a call or order to active duty under subparagraph 3.8.6.2 or 3.8.6.3, and the member is ordered to active duty under 10 U.S.C. § 12301(h)(1) to receive medical care for the wound, injury, or illness, then each day of active duty under that order for medical care will be treated as a continuation of the original call or order to active duty for purposes of reducing the eligibility age of the member under this subparagraph.

3.8.6.5. The eligibility age under subparagraph 3.8.6.1 may not be reduced below 50 years of age for any person.

3.9 Service Not Creditable for Determining Retirement Eligibility

3.9.1. Enlisted Member's Lost Time. The following periods of absence from duty during a term of enlistment are not creditable to an enlisted member unless they are made up by the member upon return to full duty so as to complete the term for which the member was enlisted. The periods of absence from duty are:

3.9.1.1. Desertion;

3.9.1.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3.9.1.3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; and

3.9.1.4. The member's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct.

3.9.2. Officer's Lost Time. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than the computation of length-of-service for basic pay:

3.9.2.1. Desertion;

3.9.2.2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3.9.2.3. Confinement by military or civilian authority for more than 1 day in connection with a trial, whether before, during, or after the trial; or

3.9.2.4. Inability to perform assigned duties for more than 1 day, as determined by competent authority, because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct. The period of such desertion, absence, confinement, or inability to perform duties may not be counted in computing, for any purpose other than basic pay under ***37 U.S.C. § 205***, the officer's length-of-service.

3.9.3. Constructive Service. Constructive service, credited under 10 U.S.C. § 3287 (a)(2)(A) or (B) (repealed), 10 U.S.C. § 3294(b) (repealed), or section 506(c) of the Officer Personnel Act of 1947, is not included in the service computation under subparagraph 3.5.1. Creditable constructive service creditable may be:

3.9.3.1. Three years, if appointed as a chaplain, or for service in the Judge Advocate General's Corps or in the Veterinary Corps of the Regular Army;

3.9.3.2. Three years, if appointed in the Medical Service Corps and if holding the degree of Doctor of Philosophy or comparable degree recognized by the Surgeon General; or

3.9.3.3. Four years (five, if member completed a 1-year internship) credited at the time of appointment in the Medical or Dental Corps for the purpose of determining grade, position on a promotion list, seniority in grade in the Regular Army, and eligibility for promotion.

3.9.4. Other Non-creditable Service. This service may not be counted for the purpose of determining retirement eligibility under paragraph 3.7:

3.9.4.1. Service, other than active service, in an inactive section of the Organized Reserve Corps or Army Reserve, or inactive section of the officer's section of the Air Force Reserve;

3.9.4.2. Service, other than active service, after June 30, 1949, while on the Honorary Retired List of the Naval Reserve or of the Marine Corps Reserve;

3.9.4.3. Service in the inactive National Guard or in a non-federally recognized status of the National Guard;

3.9.4.4. Inactive service in the Fleet Reserve or Fleet Marine Corps Reserve; and

3.9.4.5. Service in any status other than that as a commissioned officer, warrant officer, nurse, flight officer, aviation midshipman, appointed aviation cadet, or enlisted member, and that is described in paragraph 3.1 as creditable.

4.0 SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

4.1 Service for Percentage Multiple

Service authorized to be used as a percentage multiple is specified in each law section authorizing computation of retired pay for each type of retirement. Information on retirement types and service for percentage multiple are provided in this section.

4.2 Voluntary Retirement - Enlisted Members

4.2.1. Years of active service.

4.2.2. Years of service not included in subparagraphs 4.3.1 with which the member was entitled to be credited on June 1, 1958, in computing basic pay. See Volume 7A, Chapter 1, section 2.0.

4.2.3. Years of service not included in subparagraphs 4.2.1 or 4.2.2, with which the member would be entitled to be credited under 10 U.S.C. § 12733. See paragraph 4.7.

4.3 Voluntary Retirement Commissioned Officers

4.3.1. Years of active service is creditable in the Uniformed Services.

4.3.2. Crediting of constructive service for medical and dental officers or an internship is not authorized after September 14, 1981, unless a member was already enrolled in such a program and later graduated, and was commissioned as a medical or dental officer; however, post-September 14, 1981, time is creditable in computing retired pay provided the officer is retirement eligible.

4.3.3. Service creditable in computing retired pay should include time an officer served in the Uniformed Services University of Health Sciences (USUHS). For an officer of the Medical Corps or Dental Corps of the Army or Navy, an officer of the Air Force designated as a medical or dental officer, or an officer of the PHS commissioned as a medical or dental officer, credit actual time served in the program. Any credit otherwise accrued during the same period by reason of Reserve membership would not be used in determining the multiplier for computing retired pay.

> Example: An O-6 with 20 years and 6 months service under 37 U.S.C. § 205 (excludes time at USUHS) is receiving basic pay for an O-6 over 20 years. If this member served 4 years and 6 months at USUHS, then, upon retirement, the member is to receive retired pay computed at 62.5 percent of basic pay as an O-6. The 62.5 percent is computed as 2.5 percent times 25 (20.5 plus 4.5) years of service as this computation will include the USUHS time.

4.3.4. The years of service, not included in subparagraphs 4.3.1 or 4.3.2, with which the member was entitled to be credited on June 1, 1958, in computing basic pay. See Volume 7A, Chapter 1, section 2.0.

4.3.5. Years of service not included in subparagraphs 4.3.1, 4.3.2, or 4.3.3, with which the member would be entitled to be credited under 10 U.S.C. § 12733. See paragraph 4.7.

4.4 Voluntary Retirement - Warrant Officers

See service credited under paragraph 4.3.

4.5 Mandatory Retirement

4.5.1. Army, Air Force, and Space Force service credited is the same as under paragraphs 3.5 or 4.3, whichever is more favorable.

4.5.2. Navy and Marine Corps service credited is the same as under paragraphs 3.6 or paragraphs 4.3, whichever is more favorable.

4.6 Disability Retirement

Service is credited as described under subparagraph 3.7.3 and 3.7.4, regardless of disability percentage.

4.7 Age and Service Retirement – Non-Regular

Total days of service, divided by 360 equals equivalent years and any fraction of a year of service. Note: Under 10 U.S.C. § 1401, before applying percentage factor, each full month of service that is in addition to the number of full years of service is creditable as one-twelfth of a year. The remaining fractional parts of a month are disregarded.

4.7.1. Days of active service;

4.7.2. Days of full-time service under ***32 U.S.C. § 316*** and 32 U.S.C. §§ 502 through 505, while performing annual training duty or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary of the Military Department concerned (or designee); or

4.7.3. One day for each point credited under 10 U.S.C. § 12732(a)(1)(B)-(F), but not more than:

4.7.3.1. 130 days for any one year of service that includes October 30, 2007, and in any subsequent year of service;

4.7.3.2. 90 days in any one year of service between October 30, 2000, and October 29, 2007;

4.7.3.3. 75 days in any one year of service between September 23, 1996, and October 29, 2000; or

4.7.3.4. 60 days in any one year of service before the year of service that includes September 23, 1996.

Note: The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army, the Air Force, or the Space Force without component, or service (except in a regular component) before July 1, 1949, in the categories named in 10 U.S.C. § 12732.

4.7.4. One day for each point credited under 10 U.S.C. 12732(a)(2)(E) related to funeral honors.

5.0 UNIFORM RETIREMENT DATE ACT (URDA), TITLE 5, UNITED STATES CODE SECTION 8301

5.1 Authority

5.1.1. Retirement is effective on the first day of the month after that in which retirement would otherwise be effective, except as otherwise specifically provided by statute.

5.1.2. Notwithstanding subparagraph 5.1.1, the rate of final pay under ***10 U.S.C. § 1406***, applicable to members who first became members before September 8, 1980, is computed as of the date retirement would have occurred but for the provisions of subparagraph 5.1.1. See Table 1-5. Members who enter a Uniformed Service after September 7, 1980, receive the retired pay based on an average of basic pay rates for the period actually served, not to exceed a 36-month period. See Chapter 3 for gross pay computation.

5.2 Special Provisions

Under specific circumstances, computation may be based on another basic pay rate that may provide greater pay. See Chapter 3, sections 2.0, 3.0, and 4.0.

6.0 RANK AND PAY GRADE

6.1 General Determination

6.1.1. Grade at Retirement. Unless entitled to a higher grade under some other provisions of law, those Regular and Reserve members who retire other than for disability will retire in the Regular or Reserve grade they hold on the date of retirement. See Volume 7A, Comparable Grades.

6.1.2. Time-in-Grade Requirement. Pursuant to ***10 U.S.C. § 1370***, a commissioned officer, other than a commissioned warrant officer of the Army, Air Force, Space Force, Navy, or Marine Corps, who voluntarily retires in a grade above the grade of O-3, (captain in the Army, Air Force, Marine Corps, Space Force, or lieutenant in the Navy), must have served on active duty in that grade for a period of not less than 3 years.

6.1.2.1. The Secretary of Defense may reduce the active-duty service in-grade requirement of not less than three years to a period of not less than two years for any officer. This authority may not be delegated.

6.1.2.2. In the case of an officer to be retired in a grade at or below the grade of major general or rear admiral, the Secretary of Defense may authorize the Secretary of the military department concerned to reduce the active-duty service in-grade requirement to a period of not less than two years. This authority may not be further delegated.

6.1.3. Waiver of Not Less Than Two Years Active-Duty Service In-Grade Requirement. The President may waive the service in-grade requirements, as stated in subparagraphs 6.1.2.1 and 6.1.2.2, in individual cases involving extreme hardship or, exceptional or unusual circumstances. This authority of the President may not be delegated.

6.1.4. Retirement to the Next Lower Grade. An officer who does not meet the service-in-grade requirement retires in the next lower grade in which the member served on active duty satisfactorily. Officer grade determinations are made by the Service.

6.1.5. Officers in Grades 0-9 and 0-10.

6.1.5.1. An officer in the grade of general or admiral, or lieutenant general or vice admiral, may retire in that grade if the Secretary of Defense certifies, in writing, to the President and the Committees on Armed Services of the Senate and House of Representatives that the officer served on active duty satisfactorily in that grade.

6.1.5.2. The 3-year service in-grade requirement cannot be reduced or waived if the officer is under investigation for alleged misconduct or if an adverse personnel action is pending against the officer for alleged misconduct.

6.1.6. Reserve Officers

6.1.6.1. Pursuant to ***10 U.S.C. § 1370a***, unless entitled to a higher grade, or to credit for satisfactory service in a higher grade under some other provision of law, a member who becomes entitled to a non-Regular Reserve retirement will, upon application, receive credit for satisfactory service in the highest grade held in which that person served satisfactorily, as determined by the Secretary of the Military Department concerned (or designee).

6.1.6.2. To receive credit for satisfactory service in an officer grade below lieutenant colonel or commander, other than a warrant officer grade, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee) as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 6 months.

6.1.6.3. To receive credit for satisfactory service in a grade above major or lieutenant commander, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned, as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 3 years.

6.1.6.3.1. A member who completes at least 6 months of satisfactory service-in-grade, upon transfer from an active status or upon discharge as a Reserve commissioned officer for mandatory age or years of service, may receive credit for satisfactory service in the grade in which serving at time of transfer or discharge in that grade, notwithstanding failure of the person to complete three years of service in that grade, if the person transferred from an active status or discharged as a reserve commissioned officer:

6.1.6.3.1.1. Solely due to the requirements of a nondiscretionary provision of law requiring that transfer or discharge due to the member's age or years of service; or

6.1.6.3.1.2. Because the member no longer meets qualifications for membership in the Ready Reserves solely because of a physical disability, in accordance with Chapter 61 of Title 10, and at the time of such transfer or discharge the member meets the service requirements established by 10 U.S.C. § 12731(a) for eligibility for retired pay under chapter 1223 of Title 10, unless the disability is described in 10 U.S.C. § 12731(b).

6.1.6.3.2. If a member completes at least 6 months of satisfactory service-in-grade while serving as adjutant general under ***32 U.S.C. § 314*** or as assistant adjutant general to such adjutant general, and the member has failed to complete 3 years of service in such grade solely because the member's appointment to such position has been terminated or vacated under ***32 U.S.C. § 324(b)***, then the member may be credited with satisfactory service in that grade, notwithstanding the failure of the member to complete three years of service in that grade.

6.1.6.3.3. The Secretary of the Military Department concerned may allow credit in a higher grade to a member who has been recommended for promotion in a report of a promotion board but before the member is promoted to the recommended grade. Such credit may be allowed when a member who is in the next lower grade serves in a position after recommendation where the minimum authorized grade for the position the member is serving in is the higher grade to which the member is recommended for promotion. The period of service credited may not include any period before the date that the Senate provides advice and consent for the appointment of that member in the recommended grade.

6.1.6.3.4. A member who qualifies for Federal recognition in a higher grade by a board under ***32 U.S.C. § 307*** who serves in that grade in a position for which the higher grade is the minimum authorized grade and is appointed as a Reserve officer in that grade may receive credit for having served in that grade. The period of service for which the credit is afforded to the extent authorized by the Secretary of the Military Department concerned may be only the period the member served in the position after the Senate provides advice and consent for the appointment.

6.1.6.3.5. A member who completes at least 6 months of satisfactory service in a grade above colonel (or, in the case of the Navy, in a grade above captain), and while serving in an active status in such grade, is involuntarily transferred (other than for cause) from active status, may be credited with satisfactory service for the grade in which serving at the time of such transfer, even though he or she does not complete 3 years of service in that grade.

6.1.6.4. When a member's length-of-service in the highest grade held does not meet the service-in-grade requirements, the member receives credit for satisfactory service in the next lower grade in which the member serves satisfactorily for at least 6 months as determined by the Secretary of the Military Department concerned.

6.1.6.5. The Secretary of Defense may authorize the Secretary of a Military Department concerned to reduce the 3-year period required in subparagraph 6.1.6.3 for an officer above major or lieutenant commander, to a period of not less than 2 years for any person, including a person who, upon transfer to the Retired Reserve or discharge, is to be credited with satisfactory service in a general or flag officer grade. The authority of the Secretary of Defense may not be delegated.

6.1.6.6. The number of reserve commissioned officers of an armed force in the same grade for whom a reduction is made under this section may not exceed the number equal to 2 percent of the strength authorized for that fiscal year for reserve commissioned officers of that armed force in an active status in that grade.

6.1.7. Grade on Retirement for Physical Disability. Pursuant to ***10 U.S.C. § 1372***, unless entitled to a higher grade under some other provision of law, members of the Armed Forces who retire for disability under Chapter 61 of Title 10 are entitled to the highest of:

6.1.7.1. The grade or rank in which serving when placed on the Temporary Disability Retired List or, if not carried on that list, on date of retirement;

6.1.7.2. The highest temporary grade or rank in which member satisfactorily served, as determined by the Secretary of the armed force from which the member retired;

6.1.7.3. The permanent regular or reserve grade to which the member would have been promoted had it not been for the disability for which the member is retired and which was found to exist upon physical examination; or

6.1.7.4. The temporary grade to which the member would have been promoted had it not been for the disability for which the member is retired, if eligibility for that promotion was required based on the cumulative years of service or years of service in grade, and the disability was found upon physical examination.

6.2 Special Provisions

6.2.1. Commissioned officers of the Regular or Reserve Component of the Army, Air Force, or Space Force and Regular officers of the Navy or Marine Corps may, at the discretion of the President, be retired by and with the consent of the Senate, in the highest grade held at any time on the active list if they have served as:

6.2.1.1. Chief of Staff to the President;

6.2.1.2. Chief of Staff of the Army;

6.2.1.3. Chief of Naval Operations;

6.2.1.4. Chief of Staff of the Air Force;

6.2.1.5. Chief of Space Operations;

6.2.1.6. Senior member of the Military Staff Committee of the United Nations;

6.2.1.7. General or lieutenant general in a position of importance and responsibility designated by the President;

6.2.1.8. Admirals or vice admirals in positions of great importance and responsibility designated by the President under ***10 U.S.C. § 601***;

6.2.1.9. Chief or assistant chief of a branch of the Regular Army for at least 4 years;

6.2.1.10. Surgeon General of the Army or Air Force in the grade of lieutenant general;

6.2.1.11. Permanent professor of the U.S. Military Academy (USMA) or U.S. Air Force Academy (USAFA). If the grade is below brigadier general and service as professor is long and distinguished, then the professor may, at the discretion of the President, be retired in the grade of brigadier general; or

6.2.1.12. Chiefs of Bureaus or Judge Advocate General.

6.2.2. Regular and Reserve commissioned officers of the Army and Air Force are entitled to the grade equal to the highest temporary grade in which they served on active duty satisfactorily for not less than 6 months. See exception in subparagraph 6.1.2.

6.2.3. Where an existing statute authorizes computation of pay based on a grade in which the member served satisfactorily that is higher than the pay of the grade otherwise entitled, computation is based on the higher grade:

6.2.3.1. Without regard to whether that grade was temporary or permanent, and

6.2.3.2. Even though the military service in which the member held that higher grade is not the military service in which retired.

6.2.4. Retired warrant officers of the Army, Air Force, and Space Force and enlisted members of the Regular Army, Regular Air Force, and Regular Space Force are entitled to be advanced on the retired list to the highest grade in which they served on active duty satisfactorily, when their active service plus time on the retired list equals 30 years.

6.2.5. Unless otherwise entitled to a higher grade, officers of the Regular Navy or Regular Marine Corps holding a permanent grade of W-1 or above, retired with 30 or more years of service, are retired in the grade in which they are serving at the time of retirement.

6.2.6. Unless otherwise entitled to a higher grade, members of the Navy and Marine Corps retired while serving in a temporary grade to which they were appointed in time of war or national emergency that terminates on date of detachment are retired in the grade they would hold if they had not received such appointment.

6.2.7. Warrant officers of the Navy and Marine Corps who retire after completion of 20 years of service may elect to be retired in the highest grade entitled under any provision of law.

6.2.8. Unless otherwise entitled to a higher grade, members, other than retired members of the Navy or Marine Corps, when retired, are advanced on the retired list to the highest officer grade in which they served satisfactorily under a temporary appointment.

6.2.9. A courtesy title is not to be used for computation of pay. The grade for pay purposes is determined under the criteria of general determinations and special provisions as prescribed in this paragraph, with specific reference to the section of law that authorizes the grade for pay purposes.

6.2.10. Members promoted while missing-in-action, whose status is changed to killed in action, are exempted from the 6-month time-in-grade requirement since promotions received while in a missing status are “fully effective for all purposes” under ***37 U.S.C. § 552(a)***. Note: This provision is applicable only to members of the Army and Air Force.

6.2.11. A member who enters a Uniformed Service after September 7, 1980, and who later retires, may receive retired pay computed from a retired pay base made up of active duty pay rates from more than one grade.

6.3 Satisfactory Service

The determination as to what constitutes satisfactory service for the purpose of retirement in the highest grade is within the discretionary power of the Secretary of the Military Department concerned (or designee). The Service determines the retired grade.

7.0 NON-CITIZENS

7.1 Philippine Constabulary/Philippine Scout

The Act of February 2, 1901, as amended by the Act of May 16, 1908, authorized the President of the United States to organize a Military Component to be known as the Philippine Scouts and make it a part of the Regular Army. Retirement eligibility was the same as for enlisted men of the Regular Army. Officers were entitled to the same pay, privileges, and retirement benefits as authorized officers of like grade and service of the Regular Army. The Philippine Constabulary/Philippine Scouts are no longer maintained as a continuing part of the Army.

7.2 Insular Force

The Insular Force of the U.S. Navy was established by Executive Order on April 5, 1901, as amended on June 25, 1901. The Secretary of the Navy was authorized to enlist 500 natives of the Islands of the Philippines and Guam. Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy.

7.3 Payment

7.3.1. Philippine Scouts. Adjustments of retired pay of Philippine Scouts will be made to reflect changes in the Consumer Price Index as provided by ***10 U.S.C. § 1401a***.

7.3.2. Change in Citizenship of Non-Regular Retirees. If a member's citizenship status changes after retirement, then it may have an impact on the member's retired pay. See Chapter 6 for additional information on change or loss of U.S. citizenship.

8.0 HEROISM PAY

*8.1 Entitlement

8.1.1. Regular Retirement. Enlisted members of the Army, Air Force, Space Force, Navy, and Marine Corps, retired after the completion of 20 or more but less than 30 years of active service for Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to retired or retainer pay. Enlisted members of the Army, the Air Force, and the Space Force, with 20 or more, but less than 30, years of service who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to their retired pay, but the total amount of monthly retired pay may not exceed 75 percent of the retired pay base upon which retired pay is

based. Effective December 23, 2024, members who served during the Vietnam Era (the period beginning on August 5, 1964 and ending on March 27, 1973) are not subject to the restriction of 75 percent of the retired pay base upon which retired pay is based. Enlisted members of the Navy, Marine Corps, and Coast Guard with 20 or more, but less than 30, years of active service are eligible to have retired or retainer pay increased by 10 percent without the restriction of 75 percent of the retired pay base upon which retired pay is based.

8.1.2. Non-Regular Retirement. Entitlement to increased Reserve retired pay for heroism became effective October 1, 2002, and applies with respect to retired pay for months beginning on or after that date. Enlisted members of the Reserve Component retired after the completion of less than 30 years of service for non-Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, will receive a 10 percent increase to their retired pay, but the total amount of monthly retired pay may not exceed 75 percent of the retired pay base upon which the computation is based. For enlisted members who retired after December 31, 2006, with more than 30 years of service, the total amount of monthly retired pay may not exceed the sum of 75 percent of the retired pay base upon which the computation is based and 2.5 percent of years of service credited for the computation of retired pay.

8.1.3. Disability Retirement. Enlisted members retired for disability who otherwise are eligible for voluntary retirement for 20 or more, but less than 30, years of service, and who are entitled to a 10 percent increase in pay for certified acts of extraordinary heroism, are entitled to an additional computation under the computation for a length-of-service retirement. However, in no case may the retired pay multiplier for a disability retirement based upon less than 30 years of service exceed 75 percent.

8.2 Determination of Entitlement

The Secretary of the Military Department concerned (or designee) has the authority to grant 10 percent of additional retired pay to an individual who has performed an act of extraordinary heroism in the line of duty. The Secretary's determination as to extraordinary heroism is conclusive for all purposes.

8.3 Special Provisions

8.3.1. Advancement on the Retired List. Retired enlisted members of the Regular Army or Air Force receiving the 10 percent additional increase in pay for extraordinary heroism are not entitled to the 10 percent increase when advanced to a higher grade on the completion of 30 years of service. See Chapter 9.

8.3.2. Recomputation After a Period of Active Duty. For detailed information on recomputation after subsequent active duty, see Chapter 7, section 2.0.

8.3.2.1. Retired enlisted members of the Army, Air Force, and Space Force are entitled to the 10 percent increase in retired pay for extraordinary heroism when pay is recomputed to reflect active service performed after the date of retirement. The retired pay may not exceed 75 percent of the monthly basic pay upon which retired pay is based. Effective

December 23, 2024, members who served during the Vietnam Era (the period beginning on August 5, 1964 and ending on March 27, 1973) are not subject to the restriction of 75 percent of the retired pay base upon which retired pay is based. Regardless of when the member's retired pay was recomputed, benefits will not accrue under this provision for any period prior to November 1, 1992.

8.3.2.2. Enlisted members of the Navy and Marine Corps who elected to receive retainer pay are entitled to the 10 percent increase in their pay for extraordinary heroism when that pay is recomputed to reflect active service performed after date of transfer.

9.0 PAYMENT

9.1 Effective Date of Payment

Pay accrues on a day-to-day basis from and including the date on which retirement is effective, except members who are transferred to the Fleet Reserve/Fleet Marine Corps Reserve. These members become entitled to pay on the day after the date of transfer. Amounts of retired pay and retainer pay due a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues. When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of the Defense Finance and Accounting Service may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before the last day of the pay period. See also Chapter 14.

9.1.1. Regular Retirement. Except as otherwise provided by law, the effective date of retirement is the first day of the month after the month in which service requirements are fully met.

9.1.2. Disability Retirement. Placement on the Temporary and Permanent Disability Retired Lists may become effective on any day of the month as specified by the Secretary of the military service concerned (or designee).

9.1.3. Mandatory Retirement for Age and Service. Members attaining age and service requirements for involuntary retirements are retained on active duty through the last day of the month in which age and service requirements are met.

9.1.4. Non-Regular Retirement. Reservists are entitled to pay effective on the date on which the requirements for age and service have been met, or on the first day of any later month that the retiree may elect.

9.2 Revocation of Retirement and/or Transfers

9.2.1. Where proper officials have made a determination that a member is entitled to retirement and retired pay on the basis of physical disability, after the effective date of retirement, the retirement orders are final and can be reopened only upon a showing of fraud, substantial new evidence, mistake of law, or mathematical miscalculation. Subsequent information showing that the decision may have resulted from the exercise of poor judgement alone does not provide a basis

to cancel or modify the prior order. However, the initial retiring action may be cancelled or revoked before the date that it is legally effective because the individual concerned has not yet acquired any rights or become entitled to any retirement benefits under the revoked retiring order.

9.2.2. Transfer of members to the Fleet Reserve/Fleet Marine Corps Reserve and to the retired list of the Regular Navy or Marine Corps or the Retired Reserve is conclusive for all purposes. The Secretary may correct any error or omission in the determination as to the member's grade and years of creditable service.

9.2.3. Payment of active duty pay and allowances may be permitted after the first of the month in which retirement is effective until retirement orders are actually delivered to the member later in the same month, provided prior notice of retirement orders had not been received.

9.2.4. Where advance notice of retirement orders is given, but orders are not delivered, an attempt may be made to revoke them after they become effective and replace them with orders directing retirement at a later date. When it is apparent that the member had no knowledge of the lack of legal authority for this action, and active duty pay and allowances were received "under color of authority," the "de facto rule" permits repayment of active duty pay and allowances paid for the period and later collected.

9.3 Computation

For detailed information on gross pay computation, see Chapter 3.

9.3.1. Monthly Pay. Compute monthly pay as if each month had 30 days. The daily rate is 1/30 of the monthly rate.

9.3.2. Intermediate Day. When retirement begins on an intermediate day of the month, compute pay at the rate of 1/30 for the actual number of days after date of retirement but only through the 30th day of that month. If pay begins on February 28, then pay accrues for 3 days. If the pay begins on February 29, then pay accrues for 2 days.

Table 1-1. Voluntary Retirement

RULE	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
1	an enlisted member	Army	20 (note 1)		7314	rule 4.
2	an enlisted member	Air Force (AF) or Space Force (SF)	20 (note 1)		9314	rule 4.
3	a Regular enlisted member	Army	30		7317	rule 4.
4	a Regular enlisted member	AF or SF	30		9317	rule 4.
5	a commissioned officer	Army	20 (note 1)	10 years of active commissioned service (note 2)	7311	rule 5.
6	a commissioned officer	AF or SF	20 (note 1)	10 years of active commissioned service (note 2)	9311	rule 5.
7	a Regular commissioned officer	Army	30		7318	rule 5.
8	a Regular commissioned officer	AF or SF	30		9318	rule 5.
9	a commissioned officer	Army	40		7324	rule 5.
10	a commissioned officer	AF or SF	40		9324	rule 5.
11	a warrant officer	Armed Forces	20 (note 1)		1293	rule 3.
12	a warrant officer	Army	40		7324	rule 5.
13	a warrant officer	AF or SF	40		9324	rule 5.
14	a Regular officer W-1 and above	Navy or Marine Corps (MC) Reserve	40		8321	rule 6.
15	a Regular officer W-1 and above	Navy or MC Reserve	30		8322	rule 7.

Table 1-1. Voluntary Retirement (Continued)

RULE	A person who is	of the	and years of service total	including at least	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
16	a Regular officer W-1 and above	Navy or MC	20 (note 1)	10 years of active commissioned service (note 2)	8323 (note 3)	rule 6.
17	a Regular enlisted member (note 4)	Navy or MC Reserve	30		8326	rule 7.
18	an enlisted member	Navy, MC, Navy Reserve, or MC Reserve	20 (Note 1)		may transfer to Fleet Reserve/ Fleet MC Reserve under section 8330	with retainer pay computed under rule 14.
19	an officer or enlisted member	Navy Reserve or MC Reserve	30		8327 (note 5)	rule 8.
20	an officer or enlisted member	Navy Reserve or MC Reserve	20 (Note 1)	10 years of active service served in the 11 years immediately before retirement	8327 (note 5)	rule 8.

NOTES:

1. See subparagraphs 3.1.1 and 3.1.2. Under TERA, Public Law (P.L.) 102-484, § 4403, October 23, 1992, the Secretary of the Military Department concerned (or designee) may reduce the 20 years of creditable service requirement for regular retirement to 15 years of creditable service. Legislative history for TERA is located at 10 U.S.C. § 1293 note. The authority was continuously extended numerous times and ended on September 1, 2002, under P.L. 107-314, § 554. ***P.L. 112-81, section 504(b)*** reinstated this authority effective December 31, 2011, with the end date extended to December 31, 2025, under P.L. 114-328, § 508(a), December 23, 2016. For non-regular retirement, see 10 U.S.C. § 12731a, Temporary special retirement qualification authority, in effect October 23, 1992 - December 31, 2001.
2. See subparagraph 3.1.3.1. Under the Temporary Authority to Reduce Minimum Length of Active Service as a Commissioned Officer Required for Voluntary Retirement as an Officer, the Secretary of the Military Department concerned (or designee) may reduce the 10-year active service requirement to not less than 8 years. ***P.L. 111-383, section 506***, January 7, 2011, extended this authority to September 30, 2013. The most recent period for this authority commenced January 7, 2011, and ended September 30, 2013. Title 10, U.S.C. § 7311(b)(2), 10 U.S.C. § 9311(b)(2), and 10 U.S.C. § 8323(a)(2)(B).
3. Members mandatorily retired under P.L. 86-155 thereafter are considered as having retired voluntarily pursuant to 10 U.S.C. § 8323. See P.L. 86-155, section 3. There are no officers processed under P.L. 86-155 after June 1, 1966.
4. Includes Regular enlisted members holding temporary appointment as commissioned officer or warrant officer.
5. ***Title 10, U.S.C. § 8327*** applies only to persons who were members of the Navy Reserve or the Marine Corps Reserve on January 1, 1953. This section terminates on January 1, 1973.

Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
1	Regular commis-sioned officer of the Army, AF, SF, Navy, or MC	20 years	below Brigadier General or Rear Admiral (lower half) (note 1)		62 (notes 4 and 23)	1251	1251	1251	1251	rule 9.
2	Regular commis-sioned officer of the Army or AF	20 years	below Major General (note 1)		60	3883 (note 2)	8883 (note 3)			rule 10 or 12.
3	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	60	3884 (note 2)	8884 (note 2)			rule 10 or 12.
4	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	62	3885 (note 2)	8885 (note 2)			
5	Regular commis-sioned officer of the Army or AF	35 years (note 3)	Major General	5 years	64	3886 (note 2)	8886 (note 2)			
6	Regular commis-sioned officer of the Army or AF	20 years (note 3)	any grade (note 5)			3913 (note 2)	8913 (note 2)			
7	Regular commis-sioned officer of the Army or AF	28 years (note 3)	Lieutenant Colonel (note 6)			3916 (note 2)	8916 (note 2)			

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
8	Regular commis-sioned officer of the Army or AF	30 years (note 3)	any grade (note 7)	5 years		3919 (note 2)	8919 (note 2)			rule 10 or 12.
9	Regular commis-sioned officer of the Army or AF		Colonel (note 8)	5 years		3921 (note 2)	8921 (note 2)			rule 10 or 12.
10	Regular commis-sioned officer of the Army or AF		Brigadier General	5 years		3922 (note 2)	8922 (note 2)			rule 10 or 12.
11	Regular commis-sioned officer of the Army or AF		Major General	5 years		3923 (note 2)	8923 (note 2)			rule 10 or 12.
12	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (notes 9 and 11)	5 years				6371 (notes 2 and 10)		rule 11.
13	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (notes 11 and 12)	7 years				6372 (notes 2 and 13)		rule 11.
14	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Major General (notes 11 and 14)	5 years				6373 (note 2)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
15	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (Navy), - Brigadier General (USMC) (note 9)					6374 (note 2)		rule 11.
16	Regular officer of the Navy or MC	35 years of total commis-sioned service (note 3)	Rear Admiral (Navy), Brigadier General (USMC) (notes 11 and 14)	5 years				6375 (note 15)		rule 11.
17	Regular officer of the Navy or MC	30 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 9 and 16)					6376 (note 2)		rule 11.
18	Regular officer of the Navy or MC	31 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 11 and 17)							rule 11.
19	Regular officer of the Navy or MC	30 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 12 and 16)					6377 (notes 2 & 18)		rule 11.
20	Regular officer of the Navy or MC	31 years of total commis sioned service (note 3)	Captain (Navy), Colonel (USMC) (notes 11, 12, and 17)					6377 (notes 2 & 18)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
21	Regular officer of the Navy or MC	26 years (note 3)	Commander (Nurse Corps) (notes 11, 12, and 16)					6377 (notes 2 & 18)		rule 11.
22	Regular officer of the Navy or MC	35 years (note 3)	Captain (Navy), Commander (Nurse Corps) (notes 7 and 12)		62			6378 (notes 2 & 19)		
23	Regular officer of the Navy or MC	26 years of total commis-sioned service (note 3)	Commander, Lieutenant Colonel (note 16)					6379 (note 2)		rule 11.
24	Regular officer of the Navy or MC	20 years of total commis-sioned service (note 3)	Lieutenant Commander, Major (note 16)					6380 (note 2)		rule 11.
25	Regular officer of the Navy or MC designated for limited duty	30 years of active naval service	Navy officer serving in grade below Commander MC officer of any grade					8372		rule 11.
26	Regular officer of the Navy or MC designated for limited duty who twice fails promotion	Eligible to retire under any provisio n of law	Commander or Lieutenant Commander (Navy), Major (MC) (notes 16 and 20)					8372		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
27	Regular officer of the Navy designated for limited duty who is not recommended for promotion	35 years of service	Commander					8372		rule 11.
28	Regular officer of the Navy designated for limited duty	38 years of service	Captain					8372		rule 11.
29	Regular officer of the Navy or MC		any grade below Fleet Admiral		62			6390 (note 2)		rule 11.
30	Regular officer of the Navy or MC		Rear Admiral, Major General, and Brigadier General		62			6394 (note 2)		rule 11.
31	Regular officer of the Navy or MC	20 years of active commis-sioned service (note 3)	Lieutenant Commander, Major and below (Nurse Corps)					6396 (note 2)		rule 11.
32	female Regular officer of the Navy or MC	26 years of active commis sioned service						6398 (note 2)		rule 11.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
33	female Regular officer of the Navy or MC	30 years of active commis-sioned service	Captain Colonel (note 21)					6398 (note 2)		rule 11.
34	female Regular officer of the Navy or MC	20 years of active commis-sioned service	Lieutenant Commander, Major (note 5) and below					6400 (note 2		rule 11.
35	commis-sioned officer of the Army	More than 30 years of commis-sioned service (note 22)	USMA - permanent professor or Director of Admissions			7320				rule 10.
36	commis-sioned officer of the AF or SF	More than 30 years of commis-sioned service (note 22)	USAFA - permanent professor or Director of Admissions				9320			rule 12.
37	commis-sioned officer of the Army, AF, SF or Navy	blank	USMA - permanent professor or Director of Admissions USAFA - permanent professor or registrar, and U.S. Naval Academy - permanent professor		64	1251(a), 1252	1251(a), 1252	1251(a), 1252		rule 9.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
38	permanent Regular warrant officer of the Armed Forces who twice fails to be selected for promotion	20 years (note 23)	Warrant Officer 1, Warrant Officer 2, and Warrant Officer 3						580	rule 9.
39	permanent Regular warrant officer of the Armed Forces	20 years	Warrant Officer 1, Warrant Officer 2, Warrant Officer 3, and Warrant Officer 4		55 (note 24)				1255 (repealed by P.L. 90.130, November 8, 1967)	rule 9.
40	permanent Regular warrant officer of the Armed Forces	20 years (note 23	Warrant Officer 1, Warrant Officer 2, Warrant Officer 3, and Warrant Officer 4		62				1263	rule 9.
41	permanent Regular warrant officer of the Armed Forces	30 years of active service (For Army warrant officer, must be 30 years active service as a warrant officer)	Any grade, except Navy W-5 shall be retired upon completion of 33 years of total active service.						1305	rule 9.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A person who is a	and has at least	who holds the Regular grade of	and time in grade is	and is age	is retired by Secretary of the Military Department concerned under 10 U.S.C. §				with retired pay computed under Chapter 3, Table 3-1
						Army	AF or SF	Navy or Marine Corps	Armed Forces	
42	Regular officer of the Army, AF, SF, MC, or Navy	28 years of commis-sioned service Note 25	Lieutenant Colonel, Commander (Navy)			633	633	633	633	rule 9.
43	Regular officer of the Army, AF, SF, MC, or Navy	30 years of commis-sioned service	Colonel, Captain (Navy)			634	634	634	634	rule 9.
44	Regular officer of the Army, AF, SF, MC, or Navy	30 years of commis-sioned service	Brigadier General, Rear Admiral (Lower Half) (Navy)	At least 5 years		635	635	635	635	rule 9.
45	Regular officer of the Army, AF, SF, MC, or Navy	35 years of commis-sioned service	Major General, Rear Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.
46	Regular officer of the Army, AF, SF, MC, or Navy	38 years commis-sioned service	Lt General, Vice Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.
47	Regular officer of the Army, AF, SF, MC, or Navy	40 years commis-sioned service	General, Admiral (Navy)	At least 5 years		636	636	636	636	rule 9.

Table 1-2. Mandatory Retirement - Commissioned Officers and Warrant Officers (Continued)

NOTES:

1. Member is exempt from mandatory retirement at age 62 if holding one of the following positions: permanent professor or director of admissions of U.S. Military Academy, permanent professor at U.S. Naval Academy, or permanent professor or registrar of U.S. Air Force Academy. See Rule 37.
2. Sections repealed by P.L. 96-513, December 12, 1980, effective September 15, 1981.
3. Army or AF service is computed under paragraph 3.5 (10 U.S.C. §§ 3927 and 8927 were repealed by P.L. 96-513).
4. Deleted.
5. Member was not recommended for promotion.
6. Member was on the lieutenant colonel promotion list.
7. Member was excessive number in any grade.
8. Member was on the colonel promotion list.
9. Member was not restricted in performance of duty.
10. Title 10, U.S.C. § 6371, Executive Order 11284, May 27, 1966 was revoked by Executive Order 12553, February 25, 1986.
11. Member was not recommended for continuation on active duty.
12. Member is restricted in performance of duty.
13. Title 10, U.S.C. § 6372 was repealed by P.L. 96-513, December 12, 1980 (94 Stat. 2898).
14. Member who served as Commandant of the U.S. Marine Corps.
15. Title 10, U.S.C. § 6375 was repealed by P.L. 87-123, August 3, 1961.
16. Member failed selection for promotion twice to next higher grade and was not on promotion list.
17. Member was not on promotion list and retirement subject to completion of 5-years of service in grade.
18. Title 10, U.S.C. § 6377(c) was repealed by P.L. 90-130, November 8, 1967.
19. Any Navy captain or commander who will complete 35 years of total commissioned service or who will become age 62 in the fiscal year in which the selection board is convened is ineligible for consideration for retention.
20. Deleted.
21. Except female officers on promotion list or serving as assistant to Chief of Naval Personnel with rank of captain, or assistant to Commandant of the U.S. Marine Corps with rank of colonel.
22. Compute service under paragraph 3.3.
23. Compute service under paragraphs 3.5 and 3.6. Title 10, U.S.C. § 1263 allows a retirement of a Warrant Officer age (at age 62), but only if the member already has 20 years of service.
24. The statute, which pertained to female Regular warrant officers, was repealed by P.L. 90-130, November 8, 1967 (81 Statute 374).
25. This rule is not applicable to a Navy officer to whom Rule 25 or 26 applies or who is a permanent professor at the U.S. Naval Academy.

Table 1-3. Disability Retirement

RULE	A person who is	of the	ordered to active duty for	and is determined	may retire under 10 U.S.C. §	with retired pay computed under Chapter 3, Table 3-1
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less or on inactivity-duty training	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 1)	1204	rule 1.
2	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability and placed on the TDRL (note 1 and 2)	1205	rule 2.
3	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	more than 30 days	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 1)	1201	rule 1.
4	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	more than 30 days	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability and placed on the TDRL (note 1 and 2)	1202	rule 2.

NOTES:

1. Member must have at least 20 years of service as computed under 10 U.S.C. § 1208 (see para. 3.7) or a disability rating of at least 30 percent. (***10 U.S.C. §§ 1201***, ***1202***, ***1204***, and ***1205***).
2. Disability is not determined to be of a permanent nature and stable, but Secretary determines that accepted medical principles indicate that the disability may be of a permanent nature.

Table 1-4. Age and Service, Non-Regular Retirement

RULE	A person who is	of the	and has at least	and is age	may retire under	with retired pay computed under
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces, Reserve, or National Guard (note 1)	20 years of service (note 2)	60 or is otherwise eligible (note 3)	10 U.S.C. § 12731 (note 4)	Chapter 3, Table 3-1, rule 13.

NOTES:

1. Persons completing the 20-year requirement before April 25, 2005, must have performed the last 6 years of qualifying service as a member of a Reserve Component, except that in the case of a member who completed 20 years of service before October 5, 1994, the number of years of such qualifying service will be 8 years.
2. Compute service for entitlement to retired pay under 10 U.S.C. § 12732; see paragraph 3.8. The Secretary concerned had authority to reduce the 20 years of service requirement to 15 years during the period October 23, 1992, to December 31, 2001, under 10 U.S.C. § 12731a.
3. The eligibility will be reduced below 60 years of age by 3 months for each aggregate of 90 days on which a member of the Ready Reserve performs active duty or active service pursuant to a call or order under 10 U.S.C. §§ 101(a)(13)(B), 12301(d), or 12304b or 32 U.S.C. § 502(f) in any fiscal year after January 28, 2008, or in any two consecutive fiscal years after September 30, 2014. The eligibility age may not be reduced below 50 years of age.
4. Member is entitled to retired pay under 10 U.S.C. § 12739 upon application only if not entitled to retired or retainer pay under any other provision of law.

Table 1-5. Rate of Basic Pay for Retired Computation Pay Computation under 10 U.S.C. § 1406 - Final Basic Pay Retirees (note 1)

RULE	A member who	and is	who fully qualified or met requirements to be retired	and retirement is	will have retired pay computed using active-duty basic pay rates in effect on
1	retires on other than the first day of an active-duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	at any time	voluntary, mandatory, disability, Reservist (age and service)	the first day of retirement (notes 2 and 3).
2	retires on the first day of an active-duty basic pay rate change	an enlisted member (note 3)	at any time	voluntary	the first day of retirement (note 2).
3	retires on the first day of an active-duty basic pay rate change	a warrant officer	at any time	voluntary	the day before the first day of retirement (notes 2 and 3).
4	retires on the first day of an active-duty basic pay rate change	a commissioned officer	before the month immediately preceding the active-duty basic pay rate change date (note 4)		the first day of retirement (note 2).
5	retires on the first day of an active duty basic-pay rate change	a commissioned officer	at any time prior to the active-duty basic pay rate change date	voluntary (note 4)	the first day of retirement (note 2).
6	retires on the first day of an active-duty basic pay rate change	a commissioned officer	during the month immediately preceding the active-duty basic pay rate change date	voluntary	the day before the first day of retirement unless the member specifically requests retirement on a day later than the first day of eligibility for voluntary retirement under the applicable statute; in which case, use active-duty pay rates in effect on the first day of retirement (notes 2 and 6).
7	retires on the first day of an active-duty basic pay rate change	a warrant officer	any time	mandatory	the day before the first day of retirement (note 2).

Table 1-5. Rate of Basic Pay for Retired Computation Pay Computation under 10 U.S.C. § 1406 - Final Basic Pay Retirees (note 1) (Continued)

RULE	A member who	and is	who fully qualified or met requirements to be retired	and retirement is	will have retired pay computed using active-duty basic pay rates in effect on
8	retires on the first day of an active-duty basic pay rate change	a commissioned officer	any time	mandatory	the day before the first day of retirement (note 2).
9	retires on the first day of an active-duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	during the month immediately preceding the active-duty basic pay rate change date without Secretarial action designating an earlier retirement date	disability (note 5)	the day before the first day of retirement (note 2).
10	retires on the first day of an active-duty basic pay rate change		any time	Non-regular (age and service)	the date the member is granted retired pay; however, if a discharged former member, who entered the military service on or after September 8, 1980, the rate in effect at discharge. See subparagraph 2.2.2. (note 2).

NOTES:

1. See ***5 U.S.C. § 8301(b)***. A retired pay base of average high-36 basic pay is used in lieu of a final basic pay rate in the computation of retired pay for members who enter the Uniformed Services after September 7, 1980. 10 U.S.C. §§ 1406 and 1407.
2. For members who qualify for retirement on an earlier computation date under the same or some other provision of law, compute under rates in effect on that earlier date based on grade **a**nd service credited at that time, if that rate is greater (10 U.S.C. § 1401a(f)).
3. Not applicable to Navy and Marine Corps enlisted members transferred to the Fleet Reserve or Fleet Marine Corps Reserve.
4. Applicable only to retirements under 10 U.S.C. § 8323.
5. If otherwise retirement eligible, then follow rule for that retirement.
6. This rule is effective for retirements on or after December 1, 2000. For retirements prior to that date, compute retired pay using active-duty basic pay rates in effect on the day before the first day of retirement, regardless of the date on which the member requested to be retired. See section 5.0.

*REFERENCES

CHAPTER 1 – INITIAL ENTITLEMENTS-RETIREMENTS

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016

2.0 – MILITARY RETIRED PAY – INITIAL ENTITLEMENTS

2.1	10 U.S.C. §§ 1406, 1407, 1409
2.1.2	P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016
2.2	10 U.S.C. §§ 1406, 1407
2.3	10 U.S.C. § 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016
2.3.2	10 U.S.C. § 1401
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2.5	P.L. 111-383, section 532, January 7, 2011 P.L. 102-484, section 4403, October 23, 1992
2.6	10 U.S.C. § 1447(6)(A)

3.0 – SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

3.1	10 U.S.C. §§ 7311, 8323, 9311 P.L. 111-383, section 506, January 7, 2011 P.L. 112-239, section 505, January 2, 2013
3.1.1	10 U.S.C. §§ 1293, 7311, 8323, 9311
3.1.2	DoDI 1332.46, December 21, 2018
3.1.2.1	P.L. 112-81, section 504, December 21, 2011 P.L. 114-328, section 508, December 23, 2016
3.1.2.2	P.L. 102-484, section 4403, October 23, 1992 P.L. 107-314, section 554, December 2, 2002
3.1.2.3	10 U.S.C. § 12731a 10 U.S.C. § 1293 note

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3.1.3	10 U.S.C. §§ 7311, 8323, 9311 P.L. 101-510, section 523, November 5, 1990 P.L. 106-398, section 571, October 30, 2000 P.L. 109-502, section 506, January 1, 2006 P.L. 111-383, section 506, January 7, 2011 P.L. 112-239, section 505, January 2, 2013
3.2	10 U.S.C. §§ 7325, 9325, 8330, 8326, 8683 (repealed), 1043
3.2.6	Manuscript (MS) Comptroller General (Comp Gen) B-195448, April 3, 1980
3.3	10 U.S.C. §§ 7326, 9326, 8321-8323, 1043
3.4	10 U.S.C. §§ 1293, 1305, 8321, 8322, 1043
3.4.2	P.L. 81-351, § 511, October 12, 1949
3.5.7	10 U.S.C. §§ 1401, 1405
3.6	10 U.S.C. §§ 2106, 2107
3.7	10 U.S.C. §§ 1208, 1043, 12732, 12733
3.8.1 through 3.8.6	10 U.S.C. §§ 12731, 12732, 12733, 1043, 12738 58 Comp Gen 390 10 U.S.C. § 12731a
3.8.6	P.L. 113-291, section 625, December 19, 2014 P.L. 116-92, section 604, December 20, 2019 10 U.S.C. §§ 101, 12301, 12304b, 12731 10 U.S.C. § 12731(f)
3.9.1 and 3.9.2	10 U.S.C. § 972 38 Comp Gen 352 38 Comp Gen 553 10 U.S.C. § 972(b)(4)
3.9.4.5	10 U.S.C. § 12732(b)(7)

4.0 – SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

4.1	10 U.S.C. §§ 1405, 7361, 9361, 8333
4.3	10 U.S.C. §§ 1405, 7361, 9361, 8333 37 U.S.C. § 205(a)(7) MS Comp Gen B-195855, April 1, 1980
4.3.2	Office of the Under Secretary of Defense - Military Personnel Policy memo, July 1, 2002 54 Comp Gen 675
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4.5.1 and 4.5.2	10 U.S.C. §§ 3927 (repealed), 8927 (repealed), 1405
4.6	10 U.S.C. § 1208
4.7	10 U.S.C. § 12733

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5.0 – UNIFORM RETIREMENT DATE ACT (URDA) APPLICATION 5 U.S.C. 8301	
5.1.2	P.L. 96-342, September 8, 1980
6.0 – RANK AND PAY GRADE	
6.1.1 through 6.1.7	10 U.S.C. §§ 7341, 7342, 7343, 9341, 9342, 9343 10 U.S.C. § 1370(b) - (d) 10 U.S.C. § 1370a P.L. 96-513, section 629, December 12, 1980 P.L. 101-510, section 522, November 5, 1990 P.L. 106-398, section 571, October 30, 2000 40 Comp Gen 240 10 U.S.C. § 1372 32 U.S.C. § 307
6.2.1 through 6.2.10	10 U.S.C. §§ 1370(c), 1406(i), 7342, 7343, 5133, 8962 49 Comp Gen 618 10 U.S.C. §§ 8325, 8321, 8322, 8323, 89343 10 U.S.C. §§ 601, 602 (repealed), 603 P. L. 96-342, September 8, 1980
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7.0 - NON-CITIZENS	
7.1	Section 36, Act of February 2, 1901, 31 Stat 757, Act of May 16, 1908 Section 22a, Act of June 4, 1920, 41 Statute 770
7.2	Executive Order, April 5, 1901 and June 25, 1901
7.3	10 U.S.C. § 1401a
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8.0 – HEROISM PAY	
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8.1.2	10 U.S.C. § 12739
8.1.3	55 Comp Gen 701
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8.3.2.1	10 U.S.C. § 1402
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9.0 – PAYMENT

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9.1.4	10 U.S.C. § 12731
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9.2.2	10 U.S.C. § 8332
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9.3	5 U.S.C. § 5505
	20 Comp Gen 772
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Table 1-1	
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VOLUME 7B, CHAPTER 2: "INITIAL ENTITLEMENTS - FLEET RESERVE/FLEET MARINE CORPS RESERVE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter with hyperlinks and formatting to comply with administrative instructions.	Revision
References	Updated references.	Revision

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CHAPTER 2

INITIAL ENTITLEMENT-FLEET RESERVE/ FLEET MARINE CORPS RESERVE

1.0 GENERAL

1.1 Purpose

This chapter provides information for the entitlement to military retirement pay when an enlisted member transfers, at his or her request, to the Fleet Reserve/Fleet Marine Corps Reserve. Pursuant to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, as amended by the NDAA FY 2017, the Department of Defense (DoD) established the Modernized Retirement System, commonly known as the Blended Retirement System (BRS). The BRS is the retired pay system for all Service members who enter military service on or after January 1, 2018. Service members who were already in uniformed service before January 1, 2018, were grandfathered under the applicable legacy retirement system. The law permitted active duty Service members with less than 12 years of service on December 31, 2017, or Service members in the Reserve Component who were in a paid status and had accrued fewer than 4,320 retirement points as of December 31, 2017, the option to elect to be covered under the BRS or to remain with their applicable legacy retirement system. The law provided a 1-year election period for those Service members who were eligible to opt into BRS from January 1, 2018, and ending on December 31, 2018. The decision to opt into BRS was irrevocable.

1.1.1. Fleet Reserve and Fleet Marine Corps Reserve

The Fleet Reserve and Fleet Marine Corps Reserve are composed of enlisted members of the naval service transferred to that status under ***Title 10, United States Code (U.S.C.) section 8330***. They were established to provide an available source of experienced former members of the Regular Navy or Navy Reserve and the Regular Marine Corps or Marine Corps Reserve. These members could be organized without further training to fill billets requiring experienced personnel in the first stages of mobilization during an emergency or in time of war.

1.1.1.1. Members of the Fleet Reserve and Fleet Marine Corps Reserve may be ordered to active duty without their consent in time of:

1.1.1.1.1. War or national emergency declared by the Congress, for the duration of the war or national emergency and for 6 months thereafter; or

1.1.1.1.2. National emergency declared by the President or when otherwise authorized by law.

1.1.1.2. In time of peace, any member of the Fleet Reserve or Fleet Marine Corps Reserve may be required to perform not more than 2 months' active duty for training during each 4-year period.

1.1.2. Retirement for Physical Disability

If a member of the Fleet Reserve or Fleet Marine Corps Reserve is found physically unfit for duty, the member will be transferred to the Regular retired list or Reserve retired list of the Navy or Marine Corps, as appropriate. Such retirement is by reason of physical disability.

1.1.3. Retirement After 30 Years of Service

Upon completion of 30 years of active and inactive service, a member of the Fleet Reserve or Fleet Marine Corps Reserve is transferred to the Regular retired list or the Retired Reserve of the Navy or Marine Corps, as appropriate.

1.1.3.1. Unless otherwise entitled to higher pay, each member transferred to the retired list or the Retired Reserve is entitled to retired pay at the same rate as the retainer pay to which he was entitled at the time of his transfer to the retired list or the Retired Reserve.

1.1.3.2. Upon placement on the retired list, a member may be advanced to the highest officer grade in which the member served satisfactorily under a temporary appointment with retired pay based on that grade. See Chapter 9, section 3.0 for advancement on the retired list.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TRANSFER ELIGIBILITY-SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

2.1 Minimum Required Service

Upon completion of at least 20 years of active service in the Armed Forces (to include service as a cadet or midshipman), enlisted members of the Regular Navy, Regular Marine Corps, Navy Reserve, or Marine Corps Reserve may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve under 10 U.S.C. § 8330(d). In this section, service as a cadet or midshipman refers to service as a cadet at the U.S. Military Academy, U.S. Air Force Academy, or U.S. Coast Guard Academy; or service as a midshipman at the U.S. Naval Academy. This service is not creditable service for any Officer.

2.1.1. Prior to December 31, 1977, a member became eligible for transfer upon completion of 19 years and 6 months of active service since that part of a year that is 6 months or more was creditable as a whole year. If service is creditable to the member for such purpose before December 31, 1977, then:

2.1.1.1. A completed minority enlistment of the member is counted as 4 years of active service, and

2.1.1.2. An enlistment of the member terminated within 3 months before the end of the term of enlistment is counted as active service for the full term.

2.1.2. On or after December 31, 1977, a member must complete a total of 20 years of active service to be eligible for transfer to the Fleet Reserve or Fleet Marine Corps Reserve. For such members, service creditable under subparagraph 2.1.1, which was not actually served by the member, may not be counted in determining eligibility for transfer.

2.2 Service Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is creditable for transfer eligibility and percentage multiple purposes if performed in an active duty (and active duty for training) status after August 9, 1956:

2.2.1. Service in the Army, Navy, Air Force, Marine Corps, and Coast Guard;

2.2.2. Service as an appointed or enlisted aviation cadet in the Navy Reserve or Marine Corps Reserve; or

2.2.3. Service as a cadet or midshipman at a Service academy (this pertains to only the credit for enlisted members transferring to the Fleet Reserve or Marine Corps Reserve). See Chapter 1, paragraphs 3.2 and 3.3 for rules pertaining to cadet/midshipman credit for officers.

2.3 Service Not Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is not creditable for transfer eligibility and percentage multiple purposes:

2.3.1. Service in the Philippine Constabulary;

2.3.2. Furlough without pay;

2.3.3. Inactive service as a member of a Reserve Component;

2.3.4. Inactive service while on the Temporary Disability Retired List; and

2.3.5. Time lost in excess of 1 day (24 consecutive hours) because of:

2.3.5.1. Sickness due to misconduct (SKMC) before June 17, 1955, the Bureau of Naval Personnel credited time lost due to SKMC for transfer purposes;

2.3.5.2. Nonperformance of duty before July 24, 1956, due to imprisonment because of a general court-martial sentence and while under arrest awaiting trial and during trial that results in conviction as finally approved;

2.3.5.3. Nonperformance of duty after July 23, 1956, due to confinement under a sentence by any court-martial, as finally approved, before, during, and after trial. If the member is acquitted or sentence is set aside and charges dismissed, the period of confinement is not considered time lost;

2.3.5.4. Absence while the member is in civil arrest (while in custody of civil authorities), unless the member is acquitted or released without making restitution or reparation; or

2.3.5.5. Unauthorized absence, which includes absence without leave (AWOL), absence over leave (AOL), and desertion (the latter of which previously was shown as AOL or AWOL and now is shown as Unauthorized Absence).

2.4 Constructive Service

Constructive service is service for which credit is given although not actually performed. Constructive service earned prior to December 31, 1977, is creditable as service for transfer eligibility and percentage multiple purposes. Constructive service is not creditable for determining basic pay rate upon which retainer pay is computed. No constructive service is creditable after December 31, 1977.

2.4.1. Minority Enlistments. A minority enlistment is the enlistment of a male between the age of 14 and 18 or female between the age of 18 and 21 who enlists with the consent of his or her parents or guardians to serve in the Navy or Marine Corps until reaching the age of 21. (The Navy policy is to accept members for enlistment at 17 years of age with written parental consent or 18 years of age without parental consent.) A completed minority enlistment, or a minority enlistment which terminates within 3 months of the expiration date of the enlistment, is counted as 4 years of active service when actual day-for-day service performed totals at least the period constituting the member's minority status upon enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

2.4.2. Short-Term Enlistment. A short-term enlistment refers to an enlistment that is terminated within 3 months before the end of the term of enlistment. This enlistment is counted as active service for the full term when the actual day-for-day active service performed amounts to at least the full term of the enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

2.4.3. Involuntary Extension. An involuntary extension is when an enlistment (including a minority enlistment) is extended involuntarily for a specific period. Compute service based on the constructive service principle for short-term enlistments, which applies equally for computing service for transfer by the Bureau of Naval Personnel on and after March 15, 1966, and by the Commandant of the Marine Corps on and after January 1, 1968.

2.4.4. Voluntary Extension. A voluntary extension is when the member agrees to serve beyond the scheduled term, modify the original minority or term enlistment contract by increasing the period agreed to by the member. The same rule established for crediting constructive service for short-term enlistments applies for voluntary extensions.

2.4.5. Lost Time and Inactive Service. Before crediting constructive service for a period of service, deduct any lost time and any inactive service from the member's day-for-day service. After these deductions, if the member is eligible to receive constructive service for the period of enlistment, credit it. If, after deductions, the member is not eligible for constructive service for a period of enlistment, give credit only for the actual day-for-day service. For the definition of lost time, see Chapter 1, subparagraphs 3.9.1 and 3.9.2.

2.4.6. Waiver of Recoupment of Time Lost for Confinement. The circumstances under which the Secretary concerned may waive recoupment of time lost for confinement are provided in ***10 U.S.C. § 972(c)***.

2.5 Conclusiveness of Transfer

All transfers of members to the Fleet Reserve or Fleet Marine Corps Reserve, when effected, are conclusive for all purposes, except that the Chief of Naval Personnel or the Commandant of the Marine Corps, acting for the Secretary of the Navy, may correct any error or omission in the determination as to a member's grade and years of creditable service. When such a correction is made, the member is entitled, when not on active duty, to retainer pay based on the grade and number of years of creditable service, as corrected, from the effective date of transfer.

3.0 SERVICE FOR BASIC PAY PURPOSES

The total service for basic pay purposes follows the same principle as service for percentage multiple purposes. For an explanation of service creditable for basic pay purposes, see Volume 7A, Chapter 1, section 2.0.

4.0 DATE OF TRANSFER

4.1 Effective Date of Transfer

Members are transferred to the Fleet Reserve and Fleet Marine Corps Reserve only by the authority of, and on the date specified by, the Chief of Naval Personnel or the Commandant of the Marine Corps. Commanding officers may defer transfers to the Fleet Reserve up to 30 days beyond the date authorized when urgent operational commitments demand the member's service. Transfers to the Fleet Marine Corps Reserve may not be made on a date other than the date

specified in the authority for release. The Commandant of the Marine Corps must authorize any change in this date prior to the effective date of transfer. The date of transfer is the member's last day of active duty and the member is entitled to active duty pay and allowances for that date.

4.2 Application of Uniform Retirement Date Act

Since a transfer to the Fleet Reserve or Fleet Marine Corps Reserve is not considered a retirement, the Uniform Retirement Date Act (URDA), ***5 U.S.C. § 8301***, does not apply. Once the member has completed a total of 30 years of active service and is eligible for retirement, the member's date of retirement comes under the URDA. A transfer to the Fleet Reserve may be made on any intermediate day of a month as approved by the Chief of Naval Personnel. Transfers to the Fleet Marine Corps Reserve are made on the last day of the month except where transfer has been requested on the effective date of an expiration of enlistment. Except in time of war or national emergency, personnel transferred to the Fleet Marine Corps Reserve are released from active duty on the date of such transfer, unless an order to the contrary is received.

4.3 Modification of "Not Earlier Than Date"

The Chief of Naval Personnel normally does not approve a requested change of authorized date for transfer to the Fleet Reserve. In case of hardship, meritorious circumstances, or unusual conditions, a member may submit a request for a change of authorized date for the transfer to the Chief of Naval Personnel through the commanding officer and appropriate personnel distribution. If an earlier date of transfer is requested, the commanding officer's endorsement must state whether the member's services can be spared. If approved, the Chief of Naval Personnel issues a message to the commanding officer and sends a copy to the Defense Finance and Accounting Service-Cleveland, Retired and Annuitant Pay.

4.4 Effective Date of Retainer Pay

Members transferred to the Fleet Reserve and Fleet Marine Corps Reserve receive "retainer" pay versus "retired" pay, as they are considered to have their services retained for possible use. A member becomes entitled to retainer pay starting on the day after the effective date of transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

4.5 Retainer Pay Effective on the First Day of New Active Duty Pay Rates

4.5.1. When a member is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, compute retainer pay using the rate of active-duty pay received at the time of transfer. For example, if a member is transferred on December 31, 1991, with retainer pay effective on January 1, 1992, compute the member's retainer pay using the January 1, 1991, active-duty pay rates. If a member transferred on January 1, 1992, with retainer pay effective on January 2, 1992, compute retainer pay using the January 1, 1992, active-duty pay rates.

4.5.2. If a member of the Fleet Reserve or Fleet Marine Corps Reserve first became entitled to a monthly retainer pay on or after January 1, 1971, that pay may not be less than the monthly retainer pay to which the member would be entitled if he or she had become entitled to retainer pay at an earlier date. Adjust this monthly retainer pay to reflect any applicable increase in such pay under ***10 U.S.C. § 1401a(f)***. In computing the amount of retainer pay to which the member would have been entitled on that earlier date, base the computation, subject to 10 U.S.C. § 1401a(f), on the member's grade, length of service, and the rate of basic pay applicable at that time. This subparagraph does not authorize any increase in the monthly retainer pay to which a member was entitled for any period before October 7, 1975.

5.0 RANK AND GRADE

A member transferred to the Fleet Reserve or Fleet Marine Corps Reserve has retainer pay computed based on the pay grade in which serving on the date of transfer.

5.1 Pay Grade

A member who served as a temporary officer but holds permanent enlisted status will revert to a permanent enlisted pay grade upon transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

5.2 Retainer Pay

A member who has served as the Master Chief Petty Officer of the Navy or as Sergeant Major of the Marine Corps is entitled to retainer pay at the highest basic pay rate to which the member was entitled while so serving, if that rate is higher.

6.0 GROSS PAY COMPUTATION

6.1 Computation

See Chapter 3, section 2.0 for basic computation.

6.2 Extraordinary Heroism

See Chapter 1, section 8.0 for guidance. See Chapter 3, subparagraph 2.3.3 and Chapter 3, paragraph 5.6 for computation rules.

6.3 Good Conduct (Markings)

For members retired and being paid under laws in effect before October 1, 1949, a 10 percent credit for good conduct may apply. To qualify for this credit, a member must have been retired under the specific citation that contains the authority for this increase, and the member's average marks for conduct for 20 or more years must not have been less than 95 percent of the maximum.

6.3.1. Section 203 of the Naval Reserve Act of 1938, which authorized the 10 percent "good conduct" increase added to retired pay of enlisted members of the Coast Guard who retire from the Coast Guard after 20 years of service, was repealed by Public Law 88-114, dated September 6, 1963.

6.3.2. The saving provision of Public Law 88-114 retained the 10 percent increase for members on active duty with the Coast Guard on or before September 6, 1963. The provision may apply to retired enlisted members of the Coast Guard who served on active duty in the Regular Coast Guard on or before September 6, 1963. Members who served in the Regular Coast Guard before September 6, 1963, but who were not serving in the Coast Guard on September 6, 1963, and who later retired from the Coast Guard, are entitled to the 10 percent good conduct increase, if otherwise qualified.

6.4 Insular Force

Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy. See Chapter 1, paragraph 7.2 for guidance.

7.0 PAYMENT DATE

See Chapter 1, section 9.0.

*REFERENCES

CHAPTER 2 – INITIAL ENTITLEMENT – FLEET RESERVE/FLEET MARINE CORPS RESERVE

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 Public Law 114-328, sections 631-634, December 26, 2016 Public Law 114-92, sections 631-635, November 25, 2015 Deputy Secretary of Defense, Memorandum, Subject: Implementation of the Blended Retirement System, January 27, 2017
1.1.1	10 U.S.C. § 8330
1.1.1.1	10 U.S.C. § 8385(a)
1.1.1.2	10 U.S.C. § 8385(b)
1.1.2	10 U.S.C. § 8331
1.1.3	10 U.S.C. § 8331
1.1.3.2	10 U.S.C. § 8262(a)

2.0 – TRANSFER ELIGIBILITY – SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

2.1	10 U.S.C. § 8330(b) and (d) Manuscript Comptroller General (MS Comp Gen) B-195448, April 3, 1980
2.1.1 &2	10 U.S.C. § 8330 (d)(2)(3)
2.3	10 U.S.C. § 972 Comp Gen B-195448, April 3, 1980
2.4	43 Comp Gen 826, June 25, 1964
2.4.1 & 2	10 U.S.C. § 8330(d)
2.4.6	10 U.S.C. § 972(c)
2.5	10 U.S.C. § 8332

3.0 – SERVICE FOR BASIC PAY PURPOSES

	10 U.S.C. § 8330(d)

4.0 – DATE OF TRANSFER

4.2	5 U.S.C. § 8301 44 Comp Gen 584, March 26, 1965
4.5.1	44 Comp Gen 584, March 26, 1965
4.5.2	10 U.S.C. § 1401a(f)

REFERENCES (continued)

5.0 – RANK AND GRADE

5.1	10 U.S.C. § 8330(c) 49 Comp Gen 800, May 26, 1970
5.2	10 U.S.C. § 8330(c) 10 U.S.C. § 1406(i)

6.0 – GROSS PAY COMPUTATION

6.3	Naval Reserve Act of 1938, section 203 34 U.S.C. § 854(b)(repealed) Public Law 88-114, September 6, 1963 MS Comp Gen B-193199, Apr 11, 1979

VOLUME 7B, CHAPTER 3: "GROSS PAY COMPUTATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated September 2024 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
2.13	Added special rule for officers who served in grade O-9 or O-10 and retired in grade O-8.	Addition
5.4.1	Pursuant to Title 10, United States Code, sections 1370(b)(1)(A) and 1370(b)(2), updated subparagraph to state, "The Secretary of Defense may reduce the active-duty 3 year service in grade requirement to not less than 2 years. This authority may not be delegated."	Revision
Table 3-1	Updated table to include Space Force when Air Force is mentioned.	Revision
Table 3-1 Note 4	Updated to provide elimination of the 75 percent cap on additional retired pay for extraordinary heroism for members of the Army, Air Force, and Space Force who served during the Vietnam Era.	Revision
References	Updated references.	Revision

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CHAPTER 3

GROSS PAY COMPUTATION

1.0 GENERAL

1.1 Purpose

This chapter establishes the standard way of computing basic retired pay, which includes the application of saved pay, impact of the Tower Amendment, impact of other special provisions related to retired pay, and calculations and payment of a lump sum of retired pay. This update introduces guidance for the Modernized Retirement System, known as the Blended Retirement System (BRS). BRS is authorized by the Fiscal Year (FY) 2016 National Defense Authorization Act (NDAA), ***Public Law (P.L.) 114-92***, sections 631 through 635. BRS was further modified in the FY 2017 NDAA, ***P.L. 114-328***, sections 631 through 633 and FY 2018 NDAA, ***P.L. 115-91***, section 622. BRS became effective January 1, 2018. Unless specifically stated in P.L. 114-92, P.L. 114-328, or P.L. 115-91, all existing provisions in statute, regulation, and policy related to retired pay, retainer pay, and survivor benefits remain in effect under the BRS.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.), including Titles 10, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BASIC COMPUTATION

2.1 Overview

In most cases, retired or retainer pay is the product of multiplying the retired pay base by the years of service multiplier. In some military disability retirement cases, retired pay is the product of multiplying the retired pay base by the percentage of disability determined by the military service.

2.1.1. Retired Pay Base. The retired pay base is determined by using the active-duty basic pay entitlement of the member.

2.1.1.1. Pre-September 8, 1980 Member. For individuals who first became members before September 8, 1980, the retired or retainer pay base is the basic pay of the member on the day before retirement. See paragraphs 2.2 through 2.6 for exceptions.

2.1.1.2. Post-September 7, 1980 Member. For individuals who first became members after September 7, 1980, the retired or retainer pay base is the average of the highest 36 months of basic pay received.

2.1.1.2.1. The retired pay base for a member with 36 or more months of active service is the average monthly basic pay the member received over their highest earning 36 months. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled during the member's high 36 months or to which the member would have been entitled if the member had served on "active duty" during the entire period of the member or former member's high 36 months. Only months during which the individual was a member of a uniformed service may be used. Starting with the highest rate of pay, add together the monthly basic pay amounts until the total number of months equals 36 months. Divide the total pay derived from the sum of months by 36, and round to the nearest cent to obtain the retired pay base applicable to the member. Any lost time the member had is not to be included in the computation.

2.1.1.2.2. The retired pay base for a member with less than 36 months of active service is the member's basic pay for the entire period of the member's active service added together divided by the number of months (including any fractions thereof) of the member's active service. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled or to which the member would have been entitled if the member had served on active duty during the entire period before being retired. Divide the total pay by the total time expressed as months and days, count days that are less than 30 as 1/30th of a month. Round the result to the nearest cent.

2.1.1.2.3. A full month served counts as 1 month regardless of any interruption by a pay rate change and regardless of the number of days in that month. Service for an entire calendar month at a single rate of basic pay counts as 1 month under that rate of basic pay, regardless of the number of days in the month, i.e., 28, 29, 30, or 31 days. For a calendar month that has multiple rates of basic pay, compute service for an entire calendar month, for the number of days paid at each rate. For example, if a member has a longevity pay increase effective February 11th, the old rate is applicable for 10 days and the new rate is applicable for 20 days (regardless of leap year). If a month has 31 days, ignore the 31st. For example, if the member has a longevity pay increase effective August 11th, the old rate is applicable for 10 days and the new rate is applicable for 20 days. Allocate the computation of pay for a 30-day month in a straightforward manner.

2.1.1.2.4. When a member serves less than a full month, count only the number of days actually paid so that each total of 30 days equals 1 month. If a member serves less than a full month and one or more rates of basic pay apply, compute each rate as applicable for the number of days paid to the member at that rate. For example, assume the member had a break in service and returned to active duty on February 8th, but has a longevity increase effective February 11th. When a member serves through the end of February, consider the month to have 30 days. This member receives 3 days at one rate and 20 days at the new rate or 23 days of pay.

Example: A member receives monthly basic pay of $17,658.30 over 14 months and 11 days:

$\frac{\$17,658.30}{14 \text{ months} + 11 \text{ days}} = \frac{\$17,658.30}{14.36667} = \$1,229.12$ Retired Pay Base

$1,229.12 Retired Pay Base
x % Retired Pay Multiplier
= $x,xxx.xx Retired Pay Rounded

2.1.1.3. Consider an individual to have first become a member of a uniformed service when that individual is first appointed or is enlisted in the uniformed services. A member who first enlists under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member on the date of enlistment or entry into those programs.

Example 1: A member who first enlists before September 8, 1980, under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before September 8, 1980.

Example 2: A member who first enlists before January 1, 2018, under the delayed entry program; in a Reserve Component as part of the Senior ROTC or ROTC Financial Assistance programs; as a student at the Uniformed Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before January 1, 2018.

2.1.1.4. The Defense Finance and Accounting Service (DFAS) may use a saved pay rate under the provisions of the Tower Amendment to compute retired pay when it is to the member's advantage. See paragraph 4.1 for eligibility. The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based.

2.1.2. Retired Pay Multiplier

2.1.2.1. In computing retired or retainer pay, other than for disability or non-regular service retirement, the retired pay or retainer pay multiplier is the product of the applicable percentage and the member's years of creditable service. The percentage varies according to the member's retirement program. See Table 3-4 (pre-BRS - 2.5 percent) and Table 3-5 (BRS - 2.0 percent). The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay,

including credit for each full month of service in addition to full years of service. See Chapter 1, section 4.0 for determining creditable years of service for computing retired pay.

2.1.2.1.1. Pre-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a Date of Initial Entry into Military Service (DIEMS) before January 1, 1980, is the product of 2.5 percent and the member's years of creditable service unless that member elected to enroll in the BRS.

2.1.2.1.2. Post-January 1, 1980 Member. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 1980, is the product of 2.5 percent and the member's years of creditable service, unless that member accepted the Career Status Bonus (CSB) or elected to enroll in the BRS.

2.1.2.2. The retired pay or retainer pay multiplier for a regular member with a DIEMS on or after August 1, 1986, but before January 1, 2018, who has accepted the CSB and who retires with less than 30 years of creditable service is:

2.1.2.2.1. The product of 2.5 percent multiplied by the member's years of creditable service;

2.1.2.2.2. Minus 1 percentage point for each full year of creditable service less than 30; and

2.1.2.2.3. One twelfth of 1 percentage point for each full month of creditable service less than a full year.

NOTE: See subparagraph 2.10.2 for the restoring of retired pay at age 62.

2.1.2.3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent multiplied by the years of creditable service.

2.1.2.3.1. For a regular retirement under the BRS, the years of service multiplier is determined by multiplying 2 percent by the member's years of creditable service, as computed in accordance with ***Title 10, U.S.C. § 1405***. The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay, including credit for each full month of service in addition to full years of service.

2.1.2.3.2. For a non-regular retirement under the BRS, the years of service multiplier is determined by multiplying 2 percent by the years of service credited for percentage purposes. In accordance with ***DoD Instruction (DoDI) 1215.07***, as determined under ***10 U.S.C. § 12733***, the formula for converting retirement points into years of service credited for percentage purposes is total number of retirement points divided by 360.

2.1.2.3.3. For a disability retirement under the provisions of ***10 U.S.C., Chapter 61***, the years of service multiplier is determined by multiplying 2 percent by the member's years of creditable service if enrolled in BRS (otherwise 2.5 percent multiplied by the member's years of creditable service), as computed in accordance with ***10 U.S.C. § 1208***. However, a member may elect to receive retired pay equal to their retired base pay multiplied by the member's rated percent of disability in accordance with ***10 U.S.C. § 1401***. All other provisions of 10 U.S.C., Chapter 61 apply.

2.1.2.4. If retired before January 1, 2007, the retired pay or retainer pay multiplier is limited to 75 percent for a member with more than 30 years of creditable service. If retired after December 31, 2006, for other than disability, there is no restriction on the retired pay multiplier.

2.2 Disability Retirement (Table 3-1, Rules 1 and 2)

2.2.1. The retired pay base pay for a disability retirement is determined based on when a member entered service.

2.2.1.1. Pre-September 8, 1980. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay of the grade or rank in which the member was serving when placed on the Temporary Disability Retired List (TDRL), or the highest temporary grade or rank in which the member served satisfactorily or to which the member was entitled on the day before retirement or placement on the TDRL, whichever is the higher.

2.2.1.2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.2.

2.2.2. The retired pay multiplier for a disability retirement is determined as follows:

2.2.2.1. A member permanently retired for disability receives retired pay that is equal to the retired pay base under Table 3-1, Rule 1, multiplied by the member's election of either:

2.2.2.1.1. The applicable percentage described in subparagraph 2.1.2.3.3 multiplied by the years of service credited for percentage purposes under 10 U.S.C. § 1208, except as provided in subparagraph 2.2.3;

2.2.2.1.2. Percentage of disability, not to exceed 75 percent, on date retired;

2.2.2.1.3. The retired pay multiplier may not exceed 75 percent for a member with 30 or more years of service, retiring on or before January 7, 2011. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011; or

2.2.2.1.4. The retired pay multiplier is 2 percent multiplied by the years credited for percentage purposes under 10 U.S.C. § 1208, for a member who was enrolled in BRS or the percentage of disability, not to exceed 75 percent, on date retired for those who elected to enroll in the BRS.

2.2.2.2. A member placed on the TDRL receives retired pay that is equal to the retired pay base under Table 3-1, Rule 2, multiplied by the member's election of either:

2.2.2.2.1. The applicable percentage described in subparagraph 2.1.2 multiplied by the years of service credited for percentage purposes under 10 U.S.C. § 1208; or,

2.2.2.2.2. Percentage of disability, not to exceed 75 percent, on the date when the military department concerned places the member's name on the TDRL.

2.2.2.2.3. If neither multiplier as described under subparagraphs 2.2.2.2.1 and 2.2.2.2.2 is at least 50 percent, DFAS will pay a minimum of 50 percent of the retired pay base while the member is on the TDRL.

2.2.2.2.4. For a member placed on the TDRL on or before January 7, 2011, the retired pay multiplier may not exceed 75 percent. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011.

2.2.3. If a member is retired for disability and is eligible under another provision of law, follow the rule in Table 3-1 applicable to the section of law that is more advantageous to the member. Note, however, for a non-regular member who is retired for disability and becomes entitled to immediate retired pay under Chapter 61 before eligibility age, the retired pay may not be recomputed at eligibility age (usually age 60) based on ***10 U.S.C. § 12731***. To be entitled to retired pay for non-regular service under 10 U.S.C. § 12731, a member must "not be entitled under any other provision of law, to retired pay from an armed force." See 10 U.S.C. § 12731.

2.2.4. DoD will compute creditable service for disability retirees under 10 U.S.C. § 1208. DoD will not apply CSB reduction factors when computing retired pay for disability retirees.

2.3 Voluntary Retirement (Table 3-1, Rules 3 through 8)

2.3.1. The retired or retainer pay base pay for a voluntary retirement is determined based on when a member entered service.

2.3.1.1. Pre-September 8, 1980. For a member who entered service before September 8, 1980, the retired or retainer pay base is the monthly basic pay rate applicable on the date of the member's retirement for the grade or rank in which the member was retired or to which the member advances on the retired list. Compute the retired pay base as shown in Table 3-1, Rules 3 through 8.

2.3.1.1.1. A Reserve enlisted member, who is retired in the highest enlisted grade satisfactorily held on active duty (or in which the member served on full-time National Guard duty satisfactorily) after being administratively reduced in grade not as the result of the member's misconduct, may use the basic pay rate of the retired grade.

2.3.1.1.2. For Army, Air Force, and Space Force Reserve enlisted personnel, the basic pay applicable on the member's date of retirement for the retired grade is the retired pay base, in lieu of the retired pay base under ***10 U.S.C. § 1406(c) or (e)***.

2.3.1.1.3. For Navy and Marine Corps Reserve enlisted personnel transferred to the Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) in the highest grade satisfactorily held on active duty after being administratively reduced in grade not as the result of the member's misconduct, use the basic pay rate of the grade in which the member transferred for the retired or retainer pay base. This subparagraph applies to the member who entered a uniformed service before September 8, 1980, and who retired (or transferred to the FR/FMCR) after September 30, 1996.

2.3.1.1.4. For warrant officers, compute the retired pay base on the monthly basic pay to which the member would be entitled if serving on active duty in the retired grade on the day before retirement. If the member, however, is entitled to a higher rate of pay using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2.3.1.2. Post-September 7, 1980. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraphs 2.1.1.2.1 and 2.1.1.2.2.

2.3.1.2.1. An Army, Air Force or Space Force enlisted member with less than 30 years of service who is retired under ***10 U.S.C. § 7314*** or ***10 U.S.C. § 9314*** will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

2.3.1.2.2. A Navy and Marine Corps enlisted member who is transferred to the FR/FMCR in accordance with ***10 U.S.C. § 8330*** will have the retired pay base computed using only the rates of basic pay for months of active duty as an enlisted member.

2.3.2. The retired or retainer pay multiplier for a voluntary retirement is determined in accordance with subparagraph 2.1.2.

2.3.2.1. For service credited for percentage purposes of enlisted members, see Chapter 1, paragraph 4.2.

2.3.2.2. For service credited for percentage purposes of commissioned officers, see Chapter 1, paragraph 4.3.

2.3.2.3. For service credited for percentage purposes of warrant officers, see Chapter 1.

2.3.2.4. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 2.1.2.2.

2.3.2.5. See paragraph 2.11 for retired pay computation for a member retired under the Temporary Early Retirement (TERA).

2.3.3. DFAS may increase retired or retainer pay by 10 percent of retired pay for extraordinary heroism in the line of duty. See paragraph 5.6.

2.4 Involuntarily Retirement (Table 3-1, Rules 9 through 12)

2.4.1. The retired pay base pay for a mandatory retirement is determined as follows:

2.4.1.1. For a member who entered service before September 8, 1980, the retired pay base is the basic pay rate of member's grade that is applicable on member's date of retirement. Do not use the grade of brigadier general if the member was a permanent professor at a military academy and was conferred such a title upon retirement. If a warrant officer is entitled to a higher rate of pay, using any other warrant officer grade satisfactorily held by the member on active duty, retired pay may be computed using the basic pay for that warrant officer grade.

2.4.1.2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.

2.4.2. The retired pay multiplier for a mandatory retirement is determined in accordance with subparagraph 2.1.2.

2.4.2.1. For service credited for percentage purposes of Army, Air Force, and Space Force retirees, see Chapter 1.

2.4.2.2. For service credited for percentage purposes of Navy and Marine Corps retirees, see Chapter 1.

2.4.2.3. The retired pay multiplier for a member who enters a uniformed service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 2.1.2.2.

2.5 Reservist (Meets Age and Service Requirements) (Table 3-1, Rule 13)

2.5.1. The retired pay base pay for a non-regular retirement is determined as follows:

2.5.1.1. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay at the rate applicable on the date granted retired pay, at the highest grade held satisfactorily at any time in the Armed Forces.

2.5.1.2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 2.1.1.2. The high-36 months of such a member are the 36 months for which the pay was the highest, whether or not consecutive, out of all the months before the member became entitled to retired pay or would have become entitled to retired pay. This will generally be the 36 months immediately preceding receipt of retired pay even

though the member may not have been in an active status during such time. However, DFAS may only use months during which the individual was a member of a uniformed service for this purpose.

2.5.1.3. Non-regular members who, after completing 20 years of service computed under 10 U.S.C. § 12732, elect to be discharged to civilian status (awaiting pay at eligibility age) are former members. The high-36 months of such a member would only include the months prior the discharge.

2.5.2. The retired pay multiplier for a non-regular retirement is determined by multiplying the applicable percentage in accordance with subparagraph 2.1.2 by the years of service credited for percentage purposes. See Chapter 1 for service credited for percentage purposes.

NOTE: Pursuant to 10 U.S.C. § 12733, the formula for converting retirement points into percentage years is the total number of retirement points divided by 360. Carry the result to three decimal places; round to two decimal places. Example: 4,735 retirement points divided by 360 equals 13.152 years or 13.15 years for percentage purposes.

2.5.3 For non-regular members who were previously retired for disability and became entitled to immediate retired pay under Chapter 61, see subparagraph 2.2.3.

2.6 Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) Transfer (Table 3-1, Rule 14)

When not on active duty, a member transferred to the FR/FMCR is entitled to retainer pay computed by multiplying the retainer pay base by the applicable percentage in accordance with subparagraph 2.1.2 multiplied by the years of service credited for percentage purposes. In lieu of the retainer pay base computed in accordance with ***10 U.S.C. § 1406(d)***, a Reserve enlisted member may use the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This paragraph applies to an individual who first became a member of the uniformed service before September 8, 1980, and who at the time of transfer is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member's misconduct.

2.6.1. Pre-September 8, 1980 Member. The retainer pay base is the basic pay that the member received at the time of transfer to the FR/FMCR. The retainer pay base is multiplied by the applicable percentage in accordance with subparagraph 2.1.2 multiplied by the number of years of active service (as adjusted in subparagraph 2.1.1) in the Armed Forces.

2.6.2. Post-September 7, 1980 Member. The retainer pay base is the person's high-three average. The high-three average is the total amount of monthly basic pay for the highest 36 months of member's active service, whether or not consecutive, divided by 36. When a member transfers to the FR/FMCR with less than 30 years of service, DFAS computes the high-36 average using only rates of basic pay applicable to months of active duty as an enlisted member.

2.7 Historical Pay Computations

2.7.1. The laws that governed the computation of retainer pay for a member transferred to the FR/FMCR from its inception in 1916, through June 30, 1938, are of no value since assimilated in the Naval Reserve Act of 1938, effective July 1, 1938. Therefore, the earlier computations are not included since they were restated effective July 1, 1938. See Table 3-2 for the pay computations.

2.7.2. A member transferred to the FR/FMCR was administratively placed in a class to differentiate between laws and conditions governing the computation of these pay entitlements. The following classes are applicable to these members:

COMPONENT	CODE	APPLICABLE TO
FR/FMCR	F-4c 1-b	Member who is in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 16 years but less than 20 years of active service.
FR/FMCR	F-4d 1-c	Member who was in the Naval service on July 1, 1925, and later transferred to the FR/FMCR after completion of 20 years but less than 30 years of active service.
FR/FMCR	F-5 H-1	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR before August 10, 1946, after completion of 20 years but less than 30 years of active service.
FR/FMCR	F-6 1-d	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR on or after August 10, 1946, after completion of 20 years but less than 30 years of active service.

2.7.3. Longevity is the length of service performed by each member.

2.7.3.1. Before October 1, 1949, longevity pay was a significant factor in computing retainer pay. Certain pay laws contained provisions for computing longevity pay based on the member's length of service. During this period, base pay and longevity fit into the framework of pay formulas to arrive at retainer pay. The computation for the longevity pay changed several times before being superseded by basic pay. The various computations and the periods applicable are:

2.7.3.1.1. Until May 31, 1942, for Navy members, the computation was 10 percent of base pay for the first increment of 4 years of Naval service, plus 5 percent of base pay for each 4-year increment thereafter, not to exceed 16 years, or 25 percent. For example, a member who served 18 years; on transfer to the FR, the longevity pay credit computed as:

2.7.3.1.1.1. 10 percent – 4 years;

2.7.3.1.1.2. 5 percent – 4 years;

2.7.3.1.1.3. 5 percent – 4 years;

2.7.3.1.1.4. 5 percent – 4 years; and

2.7.3.1.1.5. 0 percent – 4 years.

2.7.3.1.2. From June 1, 1942 to September 30, 1949, the computation was 5 percent of base pay for each 3 years of service up to 30 years; a maximum of 50 percent.

2.7.3.2. On October 1, 1949, when basic pay became an important factor, longevity pay was not computed separately but was included in the rate of basic pay.

2.7.3.2.1. A member who transferred to the FR/FMCR on or after October 1, 1949, was required to elect the formula under which DFAS would compute their pay. The two formulas were the fractional (under which a member would receive one third or one-half of base pay) and the percentage (2.5 percent multiplied by years of active Federal service multiplied by basic pay). The authorization for transfer to the FR indicates such election.

2.7.3.2.2. Under P.L. 1028, effective August 10, 1956, a member who transfers to the FR/FMCR receives retainer pay computed on the formula included in the codification of the military pay laws under Title 10 U.S.C. The prior computations were still in effect for the members to whom they applied. A member who enters a uniformed service before September 8, 1980, receives retainer pay computed under this formula.

2.7.3.2.3. A member who enters the uniformed service after September 7, 1980, receives retainer pay under the formula codified in 1956, except the retainer pay base is used instead of a monthly basic pay rate.

2.8 Service Credit Rounding of Months

For percentage purposes in computing retired or retainer pay:

2.8.1. A member who retired before January 1, 1982, receives credit for any fractional part of a year that is 6 months or more as an additional year. Disregard any portion of a year that is less than 6 months. See Table 3-3. This applies to any member who, before January 1, 1982:

2.8.1.1. Applied for retirement;

2.8.1.2. Applied for transfer to the FR/FMCR;

2.8.1.3. Was being processed for retirement under the provisions of 10 U.S.C., Chapter 61; or

2.8.1.4. Was on the TDRL and thereafter retired under the provisions of *10 U.S.C. § 1210(c) or (d)*.

2.8.2. Unless covered by subparagraph 2.1.1, a member who became entitled to retired or retainer pay January 1, 1982 through September 30, 1983, inclusive, received credit on a month-by-month basis for each full month served of 6 months or more. Disregard any fraction of a year less than 6 months. See Table 3-3.

2.8.3. A member who became entitled to retired or retainer pay on or after October 1, 1983, receives credit for each full month served. Disregard less than full months. See Table 3-4.

NOTE: If a member retires October 1, 1983 or later and the member is entitled to retired pay under *10 U.S.C. § 1401a(f)* using a hypothetical retirement date which is before January 1, 1982, service credit of 6 months or more was rounded to a full year. However, funding limitations each FY prohibited payment for months in excess of whole months actually served until permanent codification was effective July 1, 1986.

2.8.4. In calculating the percentage factor under subparagraphs 2.8.2 or 2.8.3, round the percent to the nearest 1/100 of 1 percentage point. For example, 20 years, 7 months (20.58 years) time's 2.5 percent equals 51.45 percent. See Table 3-4. This rounding method will also be used if the member is entitled to retired pay computed under the saved pay provision in paragraph 3.3 or under 10 U.S.C. § 1401a(f) in section 4.0.

2.9 Rounding Retired Pay

Under P.L. 98-94, the 1984 DoD Authorization Act, round the monthly retired or retainer pay entitlement as initially computed and as subsequently adjusted.

2.9.1. Effective October 1, 1983, the initial computation of gross retired pay, if not a multiple of $1, round down to the next lower multiple of $1. Make all further reductions, deductions, withholdings, and allotments from this rounded figure. When retired pay is subsequently increased under 10 U.S.C. § 1401a by cost-of-living adjustment (COLA), the retired or retainer pay, if not a multiple of $1, is rounded down to the next lower multiple of $1.

2.9.2. The retired or retainer pay for a member already retired on September 30, 1983, was not rounded until the next COLA, December 1, 1984. If not a multiple of $1, round the retired or retainer pay to the next lower multiple of $1. The same rounding procedure applies to all subsequent COLA.

2.10 Special Computations for Career Status Bonus With Reduced Retirement (CSB/REDUX)

2.10.1. Except for disability retirees, the retired pay or retainer pay multiplier of members who elected the CSB with REDUX retirement will be reduced 1 percentage point for each full year of creditable service less than 30 and 1/12th of 1 percent for each full month of creditable service

less than a full year. Note: The CSB reduction factors in this subparagraph will not apply to members who are retired for disability under Title 10, Chapter 61 of the U.S. Code.

2.10.2. Effective on the first day of the month following the member's 62nd birthday, DFAS will recompute the retired pay of members who elected the CSB with REDUX to equal the amount of retired pay to which the member would have been entitled on that date if the member had not taken the CSB with REDUX retirement and had no reduction in their multiplier or COLA. Following the restoration discussed in the preceding sentence, DFAS will continue to apply the annual COLA reduction to the member's retired pay each year throughout the member's retirement.

2.10.3. Members who elected the CSB/REDUX retirement and accepted early retirement under the TERA program will have their retired pay recomputed as discussed in subparagraph 2.10.1; however, they will be subject to the TERA reduction factor from Table 3-6 for the entirety of their retirement with no restoration of that reduction at age 62 or at any other time.

2.11 Temporary Early Retirement Authority (TERA)

The TERA legislation provided the Secretary of Defense a temporary additional force management tool with which to affect the drawdown of military forces from October 23, 1992 through September 1, 2002. Congress amended that legislation and reinstated certain TERA provisions for the period beginning December 31, 2011 and ending on December 31, 2025. DFAS will compute the basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps, Air Force, and Space Force as described in this paragraph.

2.11.1. Computation of Retired Pay. DFAS will multiply the applicable reduction factor from Table 3-6 to compute the amount of retired pay otherwise prescribed for a retiring member using years of creditable service, high-36-month average basic pay, and the applicable retired pay percentage factor. The resulting reduced amount of retired pay, if not a multiple of $1, round to the next lower multiple of $1. This rounded amount is the initial gross monthly retired pay entitlement.

2.11.2. Reduction Factor. To determine the appropriate reduction factor from Table 3-6, take the difference between 240 months (20-year career) and the number of months of active service as of the date of the member's retirement or transfer to the FR/FMCR under TERA.

2.11.2.1. Round up to the next whole month any portion of a month of active service in excess of a whole month. For example, round up the total active service of 15 years, 7 months, and 13 days to 15 years, 8 months. Then compute the reduction factor based on 15 years and 8 months as: (15 × 12) + 8 = 188 months and the applicable reduction factor corresponds to the Table 3-6 entry for 240 less 188 or 52 months. The applicable reduction factor for 52 months from Table 3-6 is .95667. Note: In computing the retired pay, disregard the 13 days in excess of 187 months of service. Compute retired pay based on 187 months. The rounding up is applied only to determine the TERA reduction factor.

2.11.2.2. As an example, the retired pay for a member retired under TERA as an E-7, with 15 years, 7 months, 13 days of creditable service and a high-36-month average basic pay of $3,783.50 would be computed as follows:

RPB × ((AS ÷ MO) × RPF) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) × .95667 =
$3,783.50 × (15.5833 ×.025) × .95667 =
$3,783.50 × .3896 × .95667 = $1,410.18 (round down to $1,410.00)

RPB	-	Retired Pay Base (i.e., high-36-month average basic pay)
AS	-	Active Service (in months)
MO	-	Months in a year
RPF	-	Retired Pay Percentage Factor
TRF	-	TERA Reduction Factor (Table 3-6)

2.11.3. TERA Computation Modified for CSB/REDUX. DFAS must modify the basic TERA retired pay entitlement if a member has elected to receive a CSB and is subject to the REDUX retirement plan. In such case, the normal retired pay multiplier must first be reduced by $1/12^{th}$ of 1 percentage point for each month that the member's creditable service is less than 30 years (360 months) under the REDUX computation before the application of the TERA reduction factor from Table 3-6.

Using the example in subparagraph 2.11.2.2, compute the TERA retired pay for a member who has elected to receive a CSB as follows:

RPB × ((AS ÷ MO) × RPF) – (((360 – AS) ÷ MO) ×RRF)) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) – (((360 – 187) ÷ 12) × .01)) × .95667 =
$3,783.50 × ((15.5833 ×.025) – ((173 ÷ 12) × .01)) × .95667 =
$3,783.50 × (.3896 – (14.42 × .01)) × .95667 =
$3,783.50 × (.3896 – .1442) × .95667 =
$3,783.50 × .2454 × .95667 = $888.24 (round down to $888.00)

RPB	-	Retired Pay Base
AS	-	Active Service (in months)
MO	-	Months in a year
RPF	-	Retired Pay Percentage Factor
360	-	30 Years (360 months)
RRF	-	REDUX Reduction Factor (1%)
TRF	-	TERA Reduction Factor (Table 3-6)

Note: The amount determined in subparagraph 2.11.3 will be increased by the annual COLA as determined for other members who have elected the CSB and REDUX retirement. This will result in a COLA that is reduced by 1 percentage point whenever the standard military retirement COLA is greater than 1 percent and the same COLA whenever the standard is 1 percent or less.

2.11.4. Unlike the prior TERA eligibility period from 1992 through 2002, under the new TERA authority, commencing on December 31, 2011, members may not earn additional credit for purposes of re-computing retired pay for any employment by a public service or community service organization.

2.11.5. Persons retired under the TERA provisions have all the same entitlement rights, privileges, and responsibilities of participation in the Survivor Benefit Plan (SBP), as retired members of their respective branch of service.

2.11.5.1. Full coverage under SBP means coverage on the amount of retired pay computed in subparagraph 2.11.1 which is the initial computation of TERA retired pay as reduced by the applicable reduction factor from Table 3-6.

2.11.5.2. For a CSB/REDUX member, the base amount for full SBP coverage is the amount computed using the TERA formula in subparagraph 2.11.1 including the reduction from Table 3-6. The SBP full base amount for a CSB recipient does not include the REDUX retirement reduction in subparagraph 2.11.3. If the member elects a reduced base amount, with spouse concurrence, at the time of retirement, even if based on the REDUX re-computation in subparagraph 2.10.3, no increase will be made in that base amount as a result of the re-computation at age 62 other than an increase to restore the elected base amount to what would have been in effect had full COLAs been in effect. No increase will be made in that base amount as a result of the re-computation at age 62 for the restoration of the retired pay multiplier.

2.12 Exception to High-36-Month Retired Pay Computation for Members Retired Following a Disciplinary Reduction in Grade

Members or former members who entered the uniformed services on or after September 8, 1980, will have their retired pay base computed using the high-36-month average, except for the members described as follows, whose retired pay base is based on the final basic pay of the grade prescribed under 10 U.S.C. § 1406, rather than the highest-36-month average of basic pay.

2.12.1. Affected Members. A member or former member subject to the exception in paragraph 2.12 is one who, by reason of conduct occurring after October 30, 2000:

2.12.1.1. In the case of an enlisted member retired or transferred to the FR/FMCR, is reduced in grade as a result of court-martial sentence, nonjudicial punishment, or an administrative action, unless the member was subsequently promoted to a higher enlisted grade or appointed to a commissioned or warrant grade, in which case see subparagraph 2.12.2.

2.12.1.2. In the case of an officer, retired in a grade lower than the highest grade in which the officer served by reason of denial of a determination or certification under ***10 U.S.C. § 1370*** that the officer served on active duty satisfactorily in that grade, apply this determination only in those circumstances where such determination is the result of conduct occurring after October 30, 2000. Conduct for the purposes of this subparagraph will not include failure to complete the time necessary for certification under 10 U.S.C. § 1370, absent any other conduct bearing on such certification.

2.12.2. Special Rule for Enlisted Members. In the case of an enlisted member retired within 3 years after having been reduced in grade as prescribed in subparagraph 2.12.1.1, and who was not subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the retired pay base will be computed using the final basic pay rather than the high-36-month average. If, however, the member is subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the member's retired pay will be computed using a high-36-month average computation. The computation will use the final 36 months of basic pay, except for the months in which the member served in a grade higher than the grade in which retired. The basic pay for such months will be the rates that would have applied to the member at that time if serving in the grade in which retired such as:

2.12.2.1. An E-7 is reduced to an E-5 and retired as an E-5. This member comes under subparagraph 2.12.1.1, with retired pay base computed under the pre-September 1980 system, which is final pay rules using the pay of an E-5.

2.12.2.2. An E-7 is reduced to an E-5 two years before retirement, is promoted 1 year later to an E-6 and retired as an E-6. This member uses the "Special Rule" and computes a high-36 average as specified in subparagraph 2.11.2 rather than using the final pay of an E-6. In computing the high-36 average, it would include 12 months as an E-7, 12 months as an E-5, and 12 months as an E-6. The "Special Rule" requires that the time as an E-7 will be replaced in the high-36 formula with pay rates of an E-6.

*2.13 Retired Pay Base for Officers Serving in the Grade of O-9 or O-10 Who Are Conditionally or Permanently Retired in the Grade of O-8

Effective December 23, 2024, officers who previously served in the grade of O-9 or O-10 who are conditionally or permanently retired in the grade of O-8 pursuant to 10 U.S.C. § 1370 ***10 U.S.C. § 1370a***, will have their retired or retainer pay base computed using the lower of:

2.13.1. The member's high-36 average as determined under ***10 U.S.C. § 1407(c) or (d)***, as applicable; or

2.13.2. The amount determined under 10 U.S.C. § 1406, as if the officer first became a member of a uniformed service before September 8, 1980.

3.0 APPLICATION OF SAVED PAY

3.1 Career Compensation Act, Effective October 1, 1949

3.1.1. An officer retired for disability before October 1, 1949, who failed to elect within a 5-year period to receive pay under the 1949 Act, or who did not qualify for pay under the 1949 Act, continued to receive pay under laws in effect before October 1, 1949, computed at 75 percent of the basic pay of the grade authorized.

3.1.2. A member who, on October 1, 1949, was a hospital patient and who, before January 1, 1951, retired for disability as the result of the disease or injury for which hospitalized could elect to receive retired pay:

3.1.2.1. Computed under laws in effect on September 30, 1949, at 75 percent of the basic pay of the grade authorized; or

3.1.2.2. Computed under section 402(d) of P.L. 81-351.

3.1.3. A member, who on October 1, 1949, was receiving or was entitled to receive retired pay under any provision of law, was authorized to continue the entitlement to receive the pay to which entitled under the laws in effect on September 30, 1949.

3.2 Military Pay Act, Effective June 1, 1958

3.2.1. A member who:

3.2.1.1. Retired or transferred to the FR/FMCR on or after June 1, 1958 and before April 1, 1963; and

3.2.1.2. Was receiving active-duty basic pay under the April 1, 1955, saved pay rates will continue to receive pay computed under the 1955 rates, based upon service credited for basic pay purposes as of June 1, 1958.

3.2.2. A member who retired or transferred to the FR/FMCR on June 1, 1958, was entitled to pay computed on the June 1, 1958 active duty basic pay rates, or on the April 1, 1955, active duty basic pay rates plus 6 percent, whichever was greater.

3.2.3. A member retired or transferred to the FR/FMCR after June 1, 1958, who was receiving active duty saved pay, was entitled to retired pay computed on the April 1, 1955, active duty basic pay rates, but was not entitled to the additional 6 percent increase.

3.3 Military Pay Act, Effective October 1, 1967

3.3.1. With respect to a member entitled to retired pay computed under this paragraph, the retired or retainer pay may not be less than it would have been if the member had become entitled to that pay based on the same basic pay grade, years of service for basic pay and percentage purposes, and percent of disability (if any) on the day before the effective date of the rates of monthly basic pay on which retired or retainer pay is based. Such members receive pay:

3.3.1.1. Computed under the current basic pay rates in effect on the date of retirement or transfer, or

3.3.1.2. Computed under the rates of basic pay in effect immediately before the current rates, whichever is greater.

3.3.2. The computations in paragraph 3.3 were, in some instances, subject to the provisions of the Uniform Retirement Date Act.

3.3.3. The "1-year look-back" provision codified at 10 U.S.C. § 1401a(e) was repealed by section 921 of the DoD Authorization Act, FY 1984. Under the provisions of that repeal, this paragraph now applies only to:

3.3.3.1. A member retired or transferred to the FR/FMCR October 1, 1967, through September 24, 1983, inclusive; and

3.3.3.2. A member eligible for retirement or transfer on or before September 24, 1983, provided the member retires or transfers on or before September 24, 1986. If the member retires or transfers after September 24, 1986, the retired or retainer pay may not be less than it would have, had the member actually retired or transferred on September 23, 1986.

4.0 TOWER AMENDMENT

4.1 Basic Provisions

4.1.1. A member, who retires or transfers to the FR/FMCR on or after January 1, 1971, and who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay, as though the member had actually retired or been transferred on the earlier date:

4.1.1.1. After becoming retirement-eligible on or after January 1, 1971 (see Chapter 1, section 2.0);

4.1.1.2. Based upon the grade and the service creditable on the earlier computation date. (For retirements on or after October 5, 1994, the grade used in the computation cannot be higher than the grade in which the member is retired.);

4.1.1.3. Using the rate of basic pay applicable to the member on the earlier computation date in determining the retired pay base; or

4.1.1.4. Subject to the provisions of paragraph 3.3.

4.1.2. A member, who retired or transferred to the FR/FMCR before October 7, 1975, the effective date of the Tower Amendment, is entitled to pay adjusted from October 7, 1975. No adjustment is authorized under the provisions of the amendment for any period before October 7, 1975.

4.1.3. A member who retired between October 1, 1988 and October 4, 1994, and who is reduced in grade under sentence of court-martial after initially becoming eligible for retired pay is not entitled to computation on a grade higher than the grade in which retired.

4.1.4. See subparagraph 5.3.1 for provision concerning an officer who served in a special position as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service.

4.1.5. See paragraph 5.5 for the provision concerning an enlisted member who served in a special position as a senior enlisted member.

4.2 Earlier Computation Dates

4.2.1. Predetermined earlier computation dates are established for uniformity in computing the pay of a member who qualifies under 10 U.S.C. § 1401a(f), and the Tower Amendment, as amended. Generally, the day immediately preceding an active-duty basic pay rate change is the earlier date of voluntary retirement eligibility, unless the computation is more favorable based on the first day of the month preceding an active-duty basic pay rate change.

4.2.2. A member of the FR/FMCR may transfer on any intermediate day of a month. Therefore, the earlier computation date for this member is the day before new active-duty basic pay rates are effective.

4.2.3. A warrant officer retired under provisions of ***10 U.S.C. § 1293*** (see Table 3-1, rule 3), on the effective date of a change in the active-duty pay rates, receives retired pay computed by using the rate of basic pay in effect on the day before the date of retirement. Thus, the earlier retirement eligibility date under 10 U.S.C. § 1401a(f) computation would be one year earlier with retired pay based upon rates in effect on the day before the earlier eligibility date. If the member is entitled to use the saved pay rate under paragraph 3.3, the rate in effect immediately prior to the rate in effect on the day before the earlier retirement eligibility date is used.

4.3 Computation at the Time of Retirement or Transfer to the FR/FMCR

4.3.1. A member receives the most favorable retired pay, as adjusted by applicable COLA, computed by using:

4.3.1.1. The active-duty basic pay rate applicable on the actual retirement or transfer date;

4.3.1.2. One prior active-duty basic pay rate at the same grade and service applicable on the actual retirement or transfer date if the provisions of paragraph 2.3 apply; or

4.3.1.3. Any active-duty basic pay rate in effect on or after January 1, 1971, at the grade and service credited on the earlier computation date, if retirement-eligible on the earlier date. After this rule is used, apply subparagraph 4.3.1.2 without further loss of grade and service.

4.3.2. A member retiring for disability who is eligible for voluntary retirement or transfer to the FR/FMCR on an earlier date may have gross retired pay entitlement computed in accordance with the provisions of 10 U.S.C. § 1401a(f) when more favorable; however, the basic pay rate applicable for an earlier retirement date under this condition for gross pay computation cannot be used for computing pay based upon the disability rating. DFAS calculates the rate of pay based upon degree of disability only on the basic pay rate applicable under subparagraph 4.3.1.1 or 4.3.1.2 (if applicable).

5.0 SPECIAL PROVISIONS

5.1 Entitlement Under More Than One Pay Formula

A member who is entitled to pay computed under more than one pay formula or provision of law is entitled to be paid under the formula that is most favorable. Note, however, that for a non-regular member who is retired for disability and becomes entitled to immediate retired pay under Chapter 61 before eligibility age, the retired pay may not be recomputed at eligibility age (usually age 60) based on 10 U.S.C. § 12731. See subparagraph 2.2.3.

5.2 Commissioned Officer With More Than Four Years of Active Enlisted and/or Warrant Officer Service

A member, who at the time of retirement, is in pay grade O1E, O2E, or O3E, having served more than 4 years of active duty as an enlisted member and/or warrant officer, receives pay computed on the special basic pay rate that is authorized.

5.3 Commissioned Officer Serving in a Special Position

5.3.1. Joint Chief of Staff and Chief of Service. An officer who serves as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of the Service may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. Except as provided in paragraph 5.9, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. The term “Chief of Service” refers to one of the following:

5.3.1.1. Chief of Staff of the Army;

5.3.1.2. Chief of Naval Operations;

5.3.1.3. Chief of Staff of the Air Force;

5.3.1.4. Commandant of the Marine Corps; or

5.3.1.5. Commandant of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position.

5.3.2. Special Rule for Computation of Retired Pay Base for Commanders of Combatant Commands. An officer who serves as a Commander of a Unified or Specified Combatant Command may receive retired pay that is computed on the highest rate of basic pay applicable to the member while serving in that position. The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position. Except as provided in paragraph 5.9, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. This special rule will apply with respect to officers who first become entitled to retired pay on or after November 23, 2004.

5.4 Officer in Grade O-9 or O-10

* 5.4.1. An officer who served in grade O-9 or O-10 for not less than 3 years is entitled to retired pay based on that grade if the Secretary of Defense certifies in writing to the President and the Congress that the officer served on active duty satisfactorily. The Secretary of Defense may reduce the active duty 3 year service in grade requirement to not less than 2 years. This authority may not be delegated. (see Chapter 1, subparagraph 6.1.2.1). The Secretary of Defense may not reduce or waive the 3 year time in grade requirement if the officer is under investigation for alleged misconduct or while an adverse personnel action is pending against the officer for alleged misconduct.

5.4.2. An officer who served in grade O-9 or O-10 for a period of less than 3 years before retirement will have retired pay based on the next lower grade, unless a waiver of the time-in-grade requirement has been granted by the appropriate authority. The granting of the waiver will affect only the pay computation for the date of retirement. Computations for earlier dates on which eligible to retire must be based on the next lower grade.

5.4.3. Section 601(e) of ***P.L. 106-65***, October 5, 1999, provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999 through December 31, 1999. As a result, DFAS will recompute the retired pay of

members' grade O-9 with over 26 years of service and O-10s with over 16 years of service. The new rates will be for months beginning on or after January 1, 2000, and will be computed as if the Level II limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000, as a result of this subparagraph. DFAS will recompute retired pay rates for affected members as though the following rates of basic pay had been applicable at the time of retirement:

O-9	Over 26 years of service:	$9,528.00
O-10	Over 16 years of service:	$9,528.00
O-10	Over 18 years of service:	$9,528.00
O-10	Over 20 years of service:	$10,167.00
O-10	Over 22 years of service:	$10,167.00
O-10	Over 24 years of service:	$10,167.00
O-10	Over 26 years of service:	$10,491.60

5.5 Enlisted Member Serving in a Special Position

The senior enlisted member of an Armed Force may receive retired pay, which DFAS computes on the highest rate of basic pay applicable to the member while serving in that special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term "senior enlisted member" refers to one of the following:

5.5.1. Sergeant Major of the Army;

5.5.2. Master Chief Petty Officer of the Navy;

5.5.3. Chief Master Sergeant of the Air Force;

5.5.4. Sergeant Major of the Marine Corps; or

5.5.5. Master Chief Petty Officer of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by member's conduct after October 16, 1998, the member is reduced in grade by court-martial, nonjudicial punishment, or other administrative process.

5.6 Heroism Pay

An enlisted member retired after 20 years of service, to include an enlisted member retired due to disability, may be entitled to an additional 10 percent retired pay for extraordinary heroism, if authorized. See Chapter 1, section 8.0.

5.7 Computation Under the Uniformed Services Pay Act, October 2, 1963

5.7.1. Beginning October 1, 1963, a member retired between October 1, 1949 and May 31, 1958, including a member retired before October 1, 1949, receiving pay under the 1949 Act, received the greater of:

5.7.1.1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

5.7.1.2. Pay computed on the basic pay rates established under the June 1, 1958 Act without a 5 percent increase.

5.7.2. Beginning October 1, 1963, a member retired for service before October 1, 1949, and being paid under laws in effect on September 30, 1949 receives the greater of:

5.7.2.1. An increase of 5 percent in the retired pay to which entitled on September 30, 1963; or

5.7.2.2. Pay recomputed on the basic pay rates established by the Military Pay Act of 1958 without a 5 percent increase, based on actual active service creditable.

5.8 Computation Under the Military Pay Act, May 20, 1958

5.8.1. The Military Pay Act, May 20, 1958, authorizes a member who first became entitled to retired pay on June 1, 1958, to receive pay computed on the new June 1, 1958 basic pay rates or on the April 1, 1955 active duty basic pay rates plus 6 percent, whichever is greater.

5.8.2. A member retired after June 1, 1958, who was receiving active duty saved pay was entitled to retired pay computed on the April 1, 1955, active duty basic pay rate, but was not entitled to the additional 6 percent increase.

5.8.3. The basic pay rate used in the computation of pay was increased by increments of $200 for generals and admirals and $100 for lieutenant generals and vice admirals before the 6 percent increase on June 1, 1958, for a retired officer who:

5.8.3.1. Served in that grade for at least 180 days, and

5.8.3.2. Was entitled to retired pay on the day before the effective date of the Military Pay Act of 1958.

5.9 Retired Pay Base for Officers Retired in General or Flag Officer Grades

5.9.1. The retired pay base of a general or flag officer who retires between October 1, 2006 and December 31, 2014 will not be restricted by the requirement in ***37 U.S.C. § 203 (a)(2)*** to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the rate of basic pay for such period provided by law, rather than such rate reduced.

5.9.2. A general or flag officer who retires on or after January 1, 2015, and who served at any point between October 1, 2006 and December 31, 2014, has partial preservation of the computation of the retired pay base using the rate of basic pay for such period provided by law, rather than such rate reduced with the following guidance as stated in ***10 U.S.C. § 1407a***:

5.9.2.1. The retired pay base amount for a general or flag officer under the Final Pay retirement system is based upon the higher of the following:

5.9.2.1.1. The basic pay rate in effect for the highest grade in which the general or flag officer satisfactorily served and his or her years of service as of the date of retirement, as limited by the Executive Level II ceiling, or

5.9.2.1.2. The basic pay rate in effect on December 31, 2014, not limited by the Executive Level II ceiling, for the grade and years of service for which the general or flag officer had satisfactorily served as of December 31, 2014.

5.9.2.2. The retired pay base amount for a general or flag officer under the high-36 retirement system may include the monthly basic pay rate for the general or flag officer's grade and years of service for:

5.9.2.2.1. All months served during this period of October 1, 2006 and December 31, 2014, not limited by the Executive Level II ceiling, or

5.9.2.2.2. A combination of months served during this period not limited by the Executive Level II ceiling and months served after January 1, 2015, now limited by the Executive Level II ceiling.

5.9.3. A general or flag officer who retires on or after January 1, 2015, and did not serve at any point between October 1, 2006 and December 31, 2014 will be restricted by the requirement in 37 U.S.C. § 203 (a)(2) to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base will be determined using the reduced rate of basic pay provided by law. NOTE: This subparagraph pertains only to the computation of the retired pay base for Officers Retired in General or Flag Officer Grades. It does not pertain to the retired pay multiplier. All service creditable on the date of retirement is included for purposes of computing the retired pay multiplier for a general or flag officer who retires on or after January 1, 2015.

6.0 LUMP SUM PAYMENTS OF RETIREMENT ANNUITY

6.1 Eligibility

Public Law 114-92, section 633 enacts ***10 U.S.C. § 1415***, affording a member of a uniformed service covered by the BRS at retirement the option to elect to receive a discounted portion of his or her retired pay as a lump sum. To be eligible to elect the lump sum a member must be covered under the BRS, and qualify for a regular retirement or a non-regular retirement. Members who are retired for a physical disability under provisions of 10 U.S.C., Chapter 61 are not eligible for the lump sum option. A member who is not eligible for the BRS or who does not elect to enroll in the BRS is not eligible to elect a lump sum payment of his or her retirement annuity.

6.2 Election

6.2.1. A member, covered by the BRS, who elects to receive a portion of his or her retired pay as a lump sum must make this election not later than 90 days before:

6.2.1.1. The date upon which the member retires and receives a regular retirement; or

6.2.1.2. The date upon which the member first reaches eligibility age required to receive retired pay under the non-regular retirement program, in accordance with DoDI 1215.07.

6.2.2. A member's decision to elect the lump sum must be recorded on a DoD (DD) Form 2656, "Data for Payment of Retired Personnel," in Part II, "Lump Sum Election."

6.2.2.1. The member will indicate the lump sum percentage, either 25 percent or 50 percent, and the number of equal lump sum payments, up to four, on the DD 2656.

6.2.2.2. The DD 2656 must be signed and dated no later than 90 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

6.2.2.3. The lump sum election must be transmitted to DFAS no less than 30 days prior to the date of retirement, or the date the member is eligible to receive retired pay.

6.2.3. An election of a lump sum of retired pay may not be revoked on or after the date of retirement, or on or after the date the member is first eligible to receive retired pay. To revoke a previous lump sum election prior to retirement, the member must submit a signed, notarized statement rescinding the previous election, dated prior to the date of retirement, acknowledging that this decision to refuse the lump sum is final, and must complete a new DD 2656.

6.3 Amount

A member who elects to receive a portion of his or her retired pay as a lump sum may elect to receive the discounted present value of either 25 percent or 50 percent of the gross estimated retired pay. Pursuant to 10 U.S.C. § 1415(b)(2), the lump sum amount takes into account the projected COLA applicable to that member on the day that member elected the lump sum option. The amount is calculated for the period from the day that member is eligible to begin receiving retired pay to the first day of the month following the month during which the retiree attains the age that was the full social security retirement age.

6.4 Discount Rate

The discount rate applied in computing the amount of the lump sum described in paragraph 6.3 will be determined and published in accordance with procedures specified in and subparagraph 6.4.1.

6.4.1. In computing the amount of the lump sum described in paragraph 6.3, the discounted present value will be:

6.4.1.1. The 7-year average of the 23-year maturity monthly average spot rate taken from the "Treasury High Quality Market (HQM) Corporate Bond Yield Curve;"

6.4.1.2. The 7-year average rate is adjusted for inflation using the 7-year average of the 23-year maturity monthly average rate taken from the "Treasury Breakeven Inflation (TBI) Curve." The inflation adjustment is a multi-step procedure:

6.4.1.2.1. Annualize the 7-year average HQM rate;

6.4.1.2.2. Geometrically back out inflation using the 7-year average TBI rate; and

6.4.1.2.3. Transform the result to a semi-annual rate.

6.4.1.3. The resulting inflation-adjusted rate is increased by an additional 4.28 percentage points; and

6.4.1.4. The result is rounded to the nearest 0.01 percentage point.

6.4.2. The Chief Actuary, DoD Office of the Actuary, calculates the discount rate and the Deputy Assistant Secretary of Defense for Military Personnel Policy promulgates the discount rate annually no later than June 1 of each year to be effective as of January 1 of the succeeding year. The rate promulgated on June 1 of each year will be the Department of Treasury published yield curves as of March of that year averaged with the preceding 83 months plus the adjustment factor of 4.28 percentage points. Accordingly, the initial discount rate used for 2018, as described in subparagraph 6.4.1, was published on June 1, 2017, at 6.99 percent.

6.5 Installment Payments

A member who elects to receive a lump sum payment of his or her retired pay may elect to receive this payment in up to four annual installments over no more than 4 years.

6.6 Timing of Payments

A member who elects installment payments in accordance with paragraph 6.5 will receive equal lump sum distributions payable each year on the anniversary of the first installment; the first installment of which will be paid no later than 60 days after:

6.6.1. The date on which that member retires if eligible for a regular retirement; or

6.6.2. The date on which the member first becomes eligible to begin receiving retired pay if eligible for a non-regular retirement.

6.7 Restoration of Full Annuity Payment

The retired pay of a member who elects to receive a lump sum payment of their retired pay in accordance with paragraph 6.2 will be restored to its full monthly annuitized amount as of the first day of the month following the month in which the member attains the full retirement age that was applicable to that member on the day that the member elected the lump sum option, in accordance with 10 U.S.C. § 1415.

6.8 Relationship to Disability Compensation

Public Law 114-92, section 633, modified ***38 U.S.C. § 5304***, "Prohibition against duplication of benefits," to establish that a member electing to receive a portion of his or her retired pay as a lump sum may not concurrently receive Department of Veteran Affairs (VA) disability compensation, except under specified circumstances. Accordingly:

6.8.1. DFAS will report the amount of any lump sum election to the VA.

6.8.2. Pursuant to 38 U.S.C. § 5304, the VA will withhold disability payments to any retiree who elects to receive a portion of their retired pay as a lump sum until the amount withheld (i.e., not paid to the retiree on a monthly basis) equals the gross amount of the lump sum payment received by that retiree. Once the amount of VA disability compensation withheld equals the amount previously received as a lump sum, the retiree is considered to have fully offset the lump sum distribution. The retiree must then agree to waive a portion of each month's future retired pay, equal to the amount of the VA disability compensation to which he or she is now entitled, to begin receiving that VA disability compensation in accordance with 38 U.S.C. § 5304 and ***38 U.S.C. § 5305***.

6.8.3. A retiree who is eligible for Concurrent Military Retirement Pay and Department of Veterans Affairs (VA) Disability Compensation due to a service-connected disability rating of 50 percent or more, is entitled to be paid both his or her military retired pay and his or her VA disability compensation without regard to the required offsets described in 38 U.S.C. § 5304 and subparagraph 6.8.2. Accordingly, retirees who qualify for Concurrent Military Retirement Pay and VA Disability Compensation and who elect to receive a portion of their retired pay as a lump sum are not subject to withholding of VA disability compensation upon receipt of a lump sum payment. See also 10 U.S.C. § 1414.

6.8.4. A retiree who would otherwise be eligible for Combat-Related Special Compensation (CRSC) in accordance with 10 U.S.C. § 1413a, remains subject to the provisions of 38 U.S.C. § 5304 and 38 U.S.C. § 5305, requiring a waiver of retired pay before a retiree can receive VA disability compensation, as discussed in subparagraph 6.8.2. Specific policies and procedures for payment of CRSC to members who elect a lump sum of retired pay follows:

6.8.4.1. In order to be eligible for CRSC, a retiree must first be determined to have a service-connected, compensable disability in accordance with regulations prescribed by the Secretary of the VA.

6.8.4.2. The Secretary concerned will determine what, if any, portion of that member's service-connected, compensable disability meets the criteria for CRSC eligibility in accordance with existing guidance. The Secretary concerned will notify DFAS of the percentage of the retiree's disability related to combat in accordance with existing CRSC guidance.

6.8.4.3. DFAS will determine the resulting value of CRSC entitlement for which the member would otherwise have been eligible, but for the withholding of disability compensation as required by section 633 of P.L. 114-92, such that the member will receive VA disability compensation only for disabilities determined to be CRSC eligible.

6.8.4.4. DFAS will report to the VA which disabilities have been determined to be CRSC eligible, the associated rating, and the resulting value of the CRSC for which the member would otherwise have been eligible, but for receipt of the lump sum.

6.8.4.5. Prior to receiving disability compensation from the VA, the retiree must agree to waive receipt of retired pay, equal to the amount of VA disability compensation payable from that retiree's actual monthly retired pay received.

6.8.4.6. By agreement, the VA will pay disability compensation only for the disabilities determined by the Secretary concerned to be eligible for CRSC utilizing information provided by DFAS for such determination.

6.8.4.7. DFAS will pay CRSC to the retiree in an amount equal to the amount of the retired pay waived. The VA will continue to withhold any amount of disability compensation to which the retiree is eligible in excess of the amount related to combat until such time as the amount withheld equals the gross amount of the lump sum payment received by that retiree.

6.9 Lump Sum Payment Effect on Survivor Benefit Plan

Pursuant to ***10 U.S.C. § 1447(6)(A)*** and ***10 U.S.C. § 1452***, as amended by P.L. 115-91, section 622, FY 2018 NDAA, a member of a uniformed service who elects a lump sum of retired pay, in accordance with 10 U.S.C. § 1415, and is a participant in Survivor Benefit Plan (SBP) or Reserve Component – SBP (RC-SBP) will have coverage at the full base amount, unless the member elects or previously elected, with spousal concurrence if required, to reduce the base amount.

6.9.1. The full base amount for a retiree who elects to receive a lump sum of retired pay is the amount equal to the amount of his or her unreduced monthly retired pay, without regard to the required reduction in monthly retired pay pursuant to the lump sum.

6.9.2. If electing to reduce coverage less than the full base amount, the reduced base amount may be any whole dollar amount that is greater than or equal to $300, but less than the amount of the unreduced retired pay.

6.9.3. All retiring uniformed service member s, including those who elect a lump sum of retired pay, are considered full participants in SBP or RC-SBP having maximum coverage unless:

6.9.3.1. For members retiring with a regular retirement, or members retiring with a non-regular retirement who previously declined to make an election until reaching the age of eligibility for retired pay, an election for less than full SBP coverage is made prior to the first day of entitlement to retired pay, with spousal concurrence if required; or

6.9.3.2. For members qualifying for a non-regular retirement, an election for less than full RC-SBP coverage is made, with spousal concurrence if required, prior to the completion of the 90 day period immediately following notification to the member that he or she has completed the years of service required to be eligible for a non-regular retirement pursuant to 10 U.S.C., Chapter 1223.

6.9.4. The requirements of ***10 U.S.C. § 1450(f)(3)***, regarding former spouse elections remain applicable to members who elect a lump sum of retired pay.

6.10 Disputes

Members who accept the lump sum distribution may not seek review of, or otherwise retrospectively challenge, the amount of the lump sum, particularly in regards to discount rate, actuarial assumptions, or other factors used in computing this amount.

6.11 Division of Retired Pay

Any lump sum payment of retired pay remains subject to the conditions of ***10 U.S.C. § 1408***, with consideration to court orders.

*Table 3-1. Computation of Retired Pay

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
1	Armed Forces	retired for disability	§ 1201 § 1204	computed under 10 U.S.C. § 1406(b) or § 1407 (note 2)	the percentage of disability assigned, not to exceed 75 percent or 2.5 percent multiplied by the years of service credited to the member under 10 U.S.C. § 1208, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)		
2	Armed Forces	retired for disability	§ 1202 § 1205	computed under 10 U.S.C. § 1406(b) or § 1407 (note 2)	the percentage of disability assigned, not to exceed 75 percent or 2.5 percent multiplied by the years of service credited to the member under 10 U.S.C. § 1208, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)	the amount necessary to increase the product of columns D and E to 50 percent of retired pay base.	
3	Armed Forces	voluntarily retired	§ 1293	computed under 10 U.S.C. § 1406(b) or 10 U.S.C. § 1407 (note 2)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
4	Army, Air Force, or Space Force	voluntarily retired	§ 7314 § 7317 § 9314 § 9317	computed under 10 U.S.C. § 1406(c) for Army, 10 U.S.C. § 1406(e) for Air Force and Space Force, or 10 U.S.C. § 1407 (notes 2 and 6)		10 percent of the product of Columns D and E, if applicable (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).
5	Army, Air Force, or Space Force	voluntarily retired	§ 7311 § 7318 § 7320 § 7324 § 9311 § 9318 § 9324	computed under 10 U.S.C. § 1406(c) for Army, § 1406(e) for Air Force and Space Force, or § 1407 (notes 2 and 6)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).
6	Navy or Marine Corps	voluntarily retired	§ 8321 § 8323	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)			excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
7	Navy or Marine Corps	voluntarily retired	§ 8322 § 8326	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)	10 percent of columns D and E if applicable (note 4)	excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
8	Navy or Marine Corps	voluntarily retired	§ 8327	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (note 2)	50 percent (note 7)	10 percent of columns D and E if applicable (note 4).	
9	Armed Forces	involuntarily retired	§ 580 § 633 § 634 § 635 § 636 § 1251 § 1263 § 1305 (note 8)	computed under 10 U.S.C. § 1406(b) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
10	Army	involuntarily retired	§ 7320 § 7321 (note 5)	computed under 10 U.S.C. § 1406(c) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of the**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 1)**
11	Navy or Marine Corps	involuntarily retired	§ 8371 § 8372 (note 5)	computed under 10 U.S.C. § 1406(d) or §10 U.S.C. 1407 (note 2)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
12	Air Force or Space Force	involuntarily retired	§ 9320 § 9321 (note 5)	computed under 10 U.S.C. § 1406(e) or 10 U.S.C. § 1407 (note 2)	retired pay multiplier for the years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 5).
13	Armed Forces, Reserve, or National Guard	a reservist (meets age and service requirement)	§ 12731	computed under 10 U.S.C. § 1406(b)(2) or 10 U.S.C. § 1407 (note 2)	2.5 percent (or 2.0 percent for members covered by BRS) multiplied by the years of service credited for percentage purposes, (notes 3 and 10)	10 percent of the product of columns D and E (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 5).
14	Navy or Marine Corps	transferred to the FR/FMCR	§ 8330	computed under 10 U.S.C. § 1406(d) or 10 U.S.C. § 1407 (notes 2 and 9)	the retainer pay multiplier for the years of service credited for percentage purposes (note 3)	10 percent of the product of columns D and E (note 4)	excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 5).

Table 3-1. Computation of Retired Pay (Continued)

***NOTES:**

1. If a member was initially retired on or after October 1, 1983, the amount computed, if not a multiple of $1, must be rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on September 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. § 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, must be rounded to the next lower multiple of $1. The rounded amount becomes the member's entitlement and any future adjustments must be based on this rounded entitlement.
2. For applicable active-duty basic pay rate, see sections 4.0 and 5.0, Chapter 1, paragraph 5.2, and paragraph 3.1. For a person who first became a member of a uniformed service after September 7, 1980, use the high-36-month average. For exception to high-36 months retired pay computation for members retired following a disciplinary reduction in grade, refer to paragraph 2.12.
3. See Chapter 1 for service creditable for percentage purposes:

Voluntary retirement:
Chapter 1, Paragraph 3.2—Enlisted members
Chapter 1, Paragraph 3.3—Commissioned Officers
Chapter 1, Paragraph 3.4—Warrant Officers

Disability retirement:
Chapter 1, Paragraph 3.6

Mandatory retirement:
Chapter 1, Subparagraph 3.5.1—Army, Air Force, and Space Force
Chapter 1, Subparagraph 3.5.2—Navy and Marine Corps

Reservist age and service retirement:
Chapter 1, Paragraph 3.7

4. For enlisted members credited with an act of extraordinary heroism in the line of duty. For Army, Air Force, and Space Force enlisted members, the total retired pay to include the 10 percent increase may not exceed the maximum pay of 75 percent of the retired pay base upon which the computation of such retired pay is based. Effective December 23, 2024, the 75 percent cap referenced in the preceding sentence does not apply to those who served during the Vietnam Era (August 5, 1964 and ending on March 27, 1973). For Navy and Marine Corps enlisted members, the total maximum retired pay is 75 percent of the retired pay base upon which the computation of such retired pay is based, plus the 10 percent increase. Members with more than 30 years of creditable service should also have retired pay computed without the 10 percent add-on and awarded the higher of the two calculations. All members who retire under the provisions of 10 U.S.C. § 12731 with credit for extraordinary heroism are restricted to a maximum pay of 75 percent of the retired pay base upon which the computation of such retired pay is based.
5. For members who retired on or after January 1, 2007, the retired pay multiplier is the sum of 75 percent for 30 years of service plus 2.5 percent for every year over 30 years.
6. For a Reserve enlisted member retired under 10 U.S.C. § 7314 or § 9314 after September 30, 1996, the retired pay base is the monthly basic pay of the member's retired grade (based on rates applicable on date of member's retirement) in lieu of the retired pay base under 10 U.S.C. § 1406(e).
7. Members retired under ***10 U.S.C. § 8327*** are authorized to receive retired pay at 50 percent of the active duty basic pay of their grade when not on active duty. This provision applies only to persons who were members of the Naval Reserve or Marine Corps Reserve on January 1, 1953. The provisions of 10 U.S.C. § 8327 terminated on January 1, 1973. However, termination of the section did not affect any accrued rights to retired pay.
8. Section 564 repealed by P.L. 102-190, December 5, 1991. Section 1255 repealed by P.L. 90-130, November 8, 1967. An officer who was on active duty on September 15, 1981 and who is retired under 10 U.S.C. § 1251 is entitled to retired pay of at least 50 percent of the basic pay upon which the retired pay is based. Title 10, U.S.C. § 1251 allows a retirement for age (at age 62), but only if the member already has 20 years of service. See also 10 U.S.C. § 12731.
9. In lieu of the retainer pay base computed under 10 U.S.C. § 1406(d), a Reserve enlisted member may be entitled to retainer pay computed by using the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This provision applies to an individual who first became a member of the uniformed service before September 8, 1980 and who, at the time of transfer, is serving on active duty in a grade lower than the highest enlisted grade held by the member while on active duty not as a result of the member's own misconduct.

Table 3-1. Computation of Retired Pay (Continued)

10. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, round to two decimal places. EXAMPLE: 4735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by the applicable percentage rate described at subparagraph 2.1.2.

Table 3-2. Historical Pay Computations – FR/FMCR

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
1	F-4c 1-b	pre-1938 to May 31, 1942	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent)	52 Stat 1179, section 203, 34 U.S.C. § 854b.
2	F-4d 1-c	pre-1938 to May 31, 1942	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	52 Stat 1179, section 203, 34 U.S.C. § 854b.
3	F-5 H-1	pre-1938 to May 31, 1942	20; less than 30	1/2 x base pay rating in which transferred (note 1)		52 Stat 1179, section 204, 34 U.S.C. § 854c.
4	F-4c 1-b	June 1, 1942 to August 9, 1946	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
5	F-4d 1-c	June 1, 1942 to August 9, 1946	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
6	F-5, H-1	June 1, 1942 to August 9, 1946	20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	56 Stat 359, P.L. 607, June 6, 1942.
7	F-4c 1-b	August 10, 1946 to September 30, 1949	16; less than 20 (note 2)	1/3 x base pay rating in which transferred (notes 1 or 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	60 Stat 993, P.L. 720, August 10, 1946.
8	F-4d 1-c	August 10, 1946 to September 30, 1949	20; less than 30	1/2 x base pay rating in which transferred (note 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent).	

Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
9	F-6 (note 3) 1-d		20 years	1/2 x base pay rating in which transferred (note 1) or 2.5 percent x years of active federal service multiplied by base pay of rating in which transferred (note 2)	longevity pay (75 percent maximum), extraordinary heroism (10 percent)	
10	all classes	transferred before October 1, 1949, effective on October 1, 1949	20 years	pay received on 9/30/49 (saved pay) or 2.5 percent x years of active service = percent; percent x basic pay of highest federally recognized rating satisfactorily held (note 4).		
11	F-4c 1-b	on or after October 1, 1949	20 years	1/3 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent)	
12	F-4d 1-c	on or after October 1, 1949	20 years	1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent), or good conduct (10 percent)	
13	F-6 1-d	on or after October 1, 1949	20 years	1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent	extraordinary heroism (10 percent)	

Table 3-2. Historical Pay Computations – FR/FMCR (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**If member retires in class**	**during period**	**with years of service of at least**	**then pay computation formula is**	**plus**	**and applicable law is**
14	F-6 1-d	on or after August 10, 1956	20 years	2.5 percent x years of active service in Armed Forces = percent; percent x basic pay receiving at transfer (notes 7 and 8)	extraordinary heroism (10 percent)	P.L. 1028, August 10, 1956, 10 U.S.C. § 8330.

NOTES:
1. Fractional year of 6 months or more not creditable as 1 year for longevity or transfer.
2. Fractional year of 6 months or more creditable equals' full year for transfer and longevity, effective August 10, 1946.
3. Effective August 10, 1946, class F-5 changed to class F-6.
4. Six months or more equals 1 year for active service; 6 months or more does not equal 1 year for basic pay; nor good conduct or extraordinary heroism.
5. Six months equals 1 year for basic pay and not for computing years of Naval service for transfer.
6. Six months or more equals 1 full year for active service and basic pay.
7. Six months equals 1 year for active service (include constructive service in active service). Six months equals 1 year for basic pay (do not include constructive service in service for basic pay).
8. If member entered a uniformed service after September 7, 1980, substitute the retainer pay base for the base or basic pay.

Table 3-3. Pre-1982 Retirement Percentage Multiple Conversions

PRE-1982 RETIREMENT PERCENTAGE MULTIPLE CONVERSIONS							
At Least			Not More Than				
Years	Months	Days	Years	Months	Days	Converted Years	Percentage
0	6	0	1	5	29	1	2.50
1	6	0	2	5	29	2	5.00
2	6	0	3	5	29	3	7.50
3	6	0	4	5	29	4	10.00
4	6	0	5	5	29	5	12.50
5	6	0	6	5	29	6	15.00
6	6	0	7	5	29	7	17.50
7	6	0	8	5	29	8	20.00
8	6	0	9	5	29	9	22.50
9	6	0	10	5	29	10	25.00
10	6	0	11	5	29	11	27.50
11	6	0	12	5	29	12	30.00
12	6	0	13	5	29	13	32.50
13	6	0	14	5	29	14	35.00
14	6	0	15	5	29	15	37.50
15	6	0	16	5	29	16	40.00
16	6	0	17	5	29	17	42.50
17	6	0	18	5	29	18	45.00
18	6	0	19	5	29	19	47.50
19	6	0	20	5	29	20	50.00
20	6	0	21	5	29	21	52.50
21	6	0	22	5	29	22	55.00
22	6	0	23	5	29	23	57.50
23	6	0	24	5	29	24	60.00
24	6	0	25	5	29	25	62.50
25	6	0	26	5	29	26	65.00
26	6	0	27	5	29	27	67.50
27	6	0	28	5	29	28	70.00
28	6	0	29	5	29	29	72.50
29	6	0				30	75.00

NOTE: This Table applies to members retired before January 1, 1982, with several exceptions covered in paragraph 2.8.

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
blank	blank	00.	3	blank	7.50	6	blank	15.00	9	blank	22.50
	1	00.20	3	1	7.70	6	1	15.20	9	1	22.70
blank	2	00.43	3	2	7.93	6	2	15.43	9	2	22.93
	3	00.63	3	3	8.13	6	3	15.63	9	3	23.13
blank	4	00.83	3	4	8.33	6	4	15.83	9	4	23.33
	5	1.05	3	5	8.55	6	5	16.05	9	5	23.55
blank	6	1.25	3	6	8.75	6	6	16.25	9	6	23.75
	7	1.45	3	7	8.95	6	7	16.45	9	7	23.95
blank	8	1.68	3	8	9.18	6	8	16.68	9	8	24.18
	9	1.88	3	9	9.38	6	9	16.88	9	9	24.38
blank	10	2.08	3	10	9.58	6	10	17.08	9	10	24.58
	11	2.30	3	11	9.80	6	11	17.30	9	11	24.80
1	blank	2.50	4	blank	10.00	7	blank	17.50	10	blank	25.00
1	1	2.70	4	1	10.20	7	1	17.70	10	1	25.20
1	2	2.93	4	2	10.43	7	2	17.93	10	2	25.43
1	3	3.13	4	3	10.63	7	3	18.13	10	3	25.63
1	4	3.33	4	4	10.83	7	4	18.33	10	4	25.83
1	5	3.55	4	5	11.05	7	5	18.55	10	5	26.05
1	6	3.75	4	6	11.25	7	6	18.75	10	6	26.25
1	7	3.95	4	7	11.45	7	7	18.95	10	7	26.45
1	8	4.18	4	8	11.68	7	8	19.18	10	8	26.68
1	9	4.38	4	9	11.88	7	9	19.38	10	9	26.88
1	10	4.58	4	10	12.08	7	10	19.58	10	10	27.08
1	11	4.80	4	11	12.30	7	11	19.80	10	11	27.30
2	blank	5.00	5	blank	12.50	8	blank	20.00	11	blank	27.50
2	1	5.20	5	1	12.70	8	1	20.20	11	1	27.70
2	2	5.43	5	2	12.93	8	2	20.43	11	2	27.93
2	3	5.63	5	3	13.13	8	3	20.63	11	3	28.13
2	4	5.83	5	4	13.33	8	4	20.83	11	4	28.33
2	5	6.05	5	5	13.55	8	5	21.05	11	5	28.55
2	6	6.25	5	6	13.75	8	6	21.25	11	6	28.75
2	7	6.45	5	7	13.95	8	7	21.45	11	7	28.95
2	8	6.68	5	8	14.18	8	8	21.68	11	8	29.18
2	9	6.88	5	9	14.38	8	9	21.88	11	9	29.38
2	10	7.08	5	10	14.58	8	10	22.08	11	10	29.58
2	11	7.30	5	11	14.80	8	11	22.30	11	11	29.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
12	blank	30.00	15	blank	37.50	18	blank	45.00	21	blank	52.50
12	1	30.20	15	1	37.70	18	1	45.20	21	1	52.70
12	2	30.43	15	2	37.93	18	2	45.43	21	2	52.93
12	3	30.63	15	3	38.13	18	3	45.63	21	3	53.13
12	4	30.83	15	4	38.33	18	4	45.83	21	4	53.33
12	5	31.05	15	5	38.55	18	5	46.05	21	5	53.55
12	6	31.25	15	6	38.75	18	6	46.25	21	6	53.75
12	7	31.45	15	7	38.95	18	7	46.45	21	7	53.95
12	8	31.68	15	8	39.18	18	8	46.68	21	8	54.18
12	9	31.88	15	9	39.38	18	9	46.88	21	9	54.38
12	10	32.08	15	10	39.58	18	10	47.08	21	10	54.58
12	11	32.30	15	11	39.80	18	11	47.30	21	11	54.80
13	blank	32.50	16	blank	40.00	19	blank	47.50	22	blank	55.00
13	1	32.70	16	1	40.20	19	1	47.70	22	1	55.20
13	2	32.93	16	2	40.43	19	2	47.93	22	2	55.43
13	3	33.13	16	3	40.63	19	3	48.13	22	3	55.63
13	4	33.33	16	4	40.83	19	4	48.33	22	4	55.83
13	5	33.55	16	5	41.05	19	5	48.55	22	5	56.05
13	6	33.75	16	6	41.25	19	6	48.75	22	6	56.25
13	7	33.95	16	7	41.45	19	7	48.95	22	7	56.45
13	8	34.18	16	8	41.68	19	8	49.18	22	8	56.68
13	9	34.38	16	9	41.88	19	9	49.38	22	9	56.88
13	10	34.58	16	10	42.08	19	10	49.58	22	10	57.08
13	11	34.80	16	11	42.30	19	11	49.80	22	11	57.30
14	blank	35.00	17	blank	42.50	20	blank	50.00	23	blank	57.50
14	1	35.20	17	1	42.70	20	1	50.20	23	1	57.70
14	2	35.43	17	2	42.93	20	2	50.43	23	2	57.93
14	3	35.63	17	3	43.13	20	3	50.63	23	3	58.13
14	4	35.83	17	4	43.33	20	4	50.83	23	4	58.33
14	5	36.05	17	5	43.55	20	5	51.05	23	5	58.55
14	6	36.25	17	6	43.75	20	6	51.25	23	6	58.75
14	7	36.45	17	7	43.95	20	7	51.45	23	7	58.95
14	8	36.68	17	8	44.18	20	8	51.68	23	8	59.18
14	9	36.88	17	9	44.38	20	9	51.88	23	9	59.38
14	10	37.08	17	10	44.58	20	10	52.08	23	10	59.58
14	11	37.30	17	11	44.80	20	11	52.30	23	11	59.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24	blank	60.00	27	blank	67.50	30	blank	75.00	33	blank	82.50
24	1	60.20	27	1	67.70	30	1	75.20	33	1	82.70
24	2	60.43	27	2	67.93	30	2	75.43	33	2	82.93
24	3	60.63	27	3	68.13	30	3	75.63	33	3	83.13
24	4	60.83	27	4	68.33	30	4	75.83	33	4	83.33
24	5	61.05	27	5	68.55	30	5	76.05	33	5	83.55
24	6	61.25	27	6	68.75	30	6	76.25	33	6	83.75
24	7	61.45	27	7	68.95	30	7	76.45	33	7	83.95
24	8	61.68	27	8	69.18	30	8	76.68	33	8	84.18
24	9	61.88	27	9	69.38	30	9	76.88	33	9	84.38
24	10	62.08	27	10	69.58	30	10	77.08	33	10	84.58
24	11	62.30	27	11	69.80	30	11	77.30	33	11	84.80
25	blank	62.50	28	blank	70.00	31	blank	77.50	34	blank	85.00
25	1	62.70	28	1	70.20	31	1	77.70	34	1	85.20
25	2	62.93	28	2	70.43	31	2	77.93	34	2	85.43
25	3	63.13	28	3	70.63	31	3	78.13	34	3	85.63
25	4	63.33	28	4	70.83	31	4	78.33	34	4	85.83
25	5	63.55	28	5	71.05	31	5	78.55	34	5	86.05
25	6	63.75	28	6	71.25	31	6	78.75	34	6	86.25
25	7	63.95	28	7	71.45	31	7	78.95	34	7	86.45
25	8	64.18	28	8	71.68	31	8	79.18	34	8	86.68
25	9	64.38	28	9	71.88	31	9	79.38	34	9	86.88
25	10	64.58	28	10	72.08	31	10	79.58	34	10	87.08
25	11	64.80	28	11	72.30	31	11	79.80	34	11	87.30
26	blank	65.00	29	blank	72.50	32	blank	80.00	35	blank	87.50
26	1	65.20	29	1	72.70	32	1	80.20	35	1	87.70
26	2	65.43	29	2	72.93	32	2	80.43	35	2	87.93
26	3	65.63	29	3	73.13	32	3	80.63	35	3	88.13
26	4	65.83	29	4	73.33	32	4	80.83	35	4	88.33
26	5	66.05	29	5	73.55	32	5	81.05	35	5	88.55
26	6	66.25	29	6	73.75	32	6	81.25	35	6	88.75
26	7	66.45	29	7	73.95	32	7	81.45	35	7	88.95
26	8	66.68	29	8	74.18	32	8	81.68	35	8	89.18
26	9	66.88	29	9	74.38	32	9	81.88	35	9	89.38
26	10	67.08	29	10	74.58	32	10	82.08	35	10	89.58
26	11	67.30	29	11	74.80	32	11	82.30	35	11	89.80

Table 3-4. Post-1981 – Pre-2018 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 – PRE-2018 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
36	blank	90.00	38	blank	95.00	40	blank	100.00	42	blank	105.00
36	1	90.20	38	1	95.20	40	1	100.20	42	1	105.20
36	2	90.43	38	2	95.43	40	2	100.43	42	2	105.43
36	3	90.63	38	3	95.63	40	3	100.63	42	3	105.63
36	4	90.83	38	4	95.83	40	4	100.83	42	4	105.83
36	5	91.05	38	5	96.05	40	5	101.05	42	5	106.05
36	6	91.25	38	6	96.25	40	6	101.25	42	6	106.25
36	7	91.45	38	7	96.45	40	7	101.45	42	7	106.45
36	8	91.68	38	8	96.68	40	8	101.68	42	8	106.68
36	9	91.88	38	9	96.88	40	9	101.88	42	9	106.88
36	10	92.08	38	10	97.08	40	10	102.08	42	10	107.08
36	11	92.30	38	11	97.30	40	11	102.30	42	11	107.30
37	blank	92.50	39	blank	97.50	41	blank	102.50	43	blank	107.50
37	1	92.70	39	1	97.70	41	1	102.70	43	1	107.70
37	2	92.93	39	2	97.93	41	2	102.93	43	2	107.93
37	3	93.13	39	3	98.13	41	3	103.13	43	3	108.13
37	4	93.33	39	4	98.33	41	4	103.33	43	4	108.33
37	5	93.55	39	5	98.55	41	5	103.55	43	5	108.55
37	6	93.75	39	6	98.75	41	6	103.75	43	6	108.75
37	7	93.95	39	7	98.95	41	7	103.95	43	7	108.95
37	8	94.18	39	8	99.18	41	8	104.18	43	8	109.18
37	9	94.38	39	9	99.38	41	9	104.38	43	9	109.38
37	10	94.58	39	10	99.58	41	10	104.58	43	10	109.58
37	11	94.80	39	11	99.80	41	11	104.80	43	11	109.80

NOTE: To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .025.

Example 1: 20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .025 = 51.45%

Example 2: 44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .025 = 111.68%

Exception: Members who retire between January 1, 1982 and September 30, 1983 and meet requirements of paragraph 2.7 will round service credit of 6 months or more, as shown on the Table.

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
blank	blank	0	3	blank	6.00	6	blank	12.00	9	blank	18.00
	1	.17	3	1	6.17	6	1	12.17	9	1	18.17
blank	2	.33	3	2	6.33	6	2	12.34	9	2	18.34
	3	.50	3	3	6.50	6	3	12.50	9	3	18.50
blank	4	.67	3	4	6.67	6	4	12.67	9	4	18.67
	5	.83	3	5	6.83	6	5	12.84	9	5	18.84
blank	6	1.00	3	6	7.00	6	6	13.00	9	6	19.00
	7	1.17	3	7	7.17	6	7	13.17	9	7	19.17
blank	8	1.33	3	8	7.33	6	8	13.34	9	8	19.34
	9	1.50	3	9	7.50	6	9	13.50	9	9	19.50
blank	10	1.67	3	10	7.67	6	10	13.67	9	10	19.67
	11	1.83	3	11	7.83	6	11	13.84	9	11	19.84
1	blank	2.00	4	blank	8.00	7	blank	14.00	10	blank	20.00
1	1	2.17	4	1	8.17	7	1	14.17	10	1	20.17
1	2	2.33	4	2	8.34	7	2	14.34	10	2	20.34
1	3	2.50	4	3	8.50	7	3	14.50	10	3	20.50
1	4	2.67	4	4	8.67	7	4	14.67	10	4	20.67
1	5	2.83	4	5	8.84	7	5	14.84	10	5	20.84
1	6	3.00	4	6	9.00	7	6	15.00	10	6	21.00
1	7	3.17	4	7	9.17	7	7	15.17	10	7	21.17
1	8	3.33	4	8	9.34	7	8	15.34	10	8	21.34
1	9	3.50	4	9	9.50	7	9	15.50	10	9	21.50
1	10	3.67	4	10	9.67	7	10	15.67	10	10	21.67
1	11	3.83	4	11	9.84	7	11	15.84	10	11	21.84
2	blank	4.00	5	blank	10.00	8	blank	16.00	11	blank	22.00
2	1	4.17	5	1	10.17	8	1	16.17	11	1	22.17
2	2	4.33	5	2	10.34	8	2	16.34	11	2	22.34
2	3	4.50	5	3	10.50	8	3	16.50	11	3	22.50
2	4	4.67	5	4	10.67	8	4	16.67	11	4	22.67
2	5	4.83	5	5	10.84	8	5	16.84	11	5	22.84
2	6	5.00	5	6	11.00	8	6	17.00	11	6	23.00
2	7	5.17	5	7	11.17	8	7	17.17	11	7	23.17
2	8	5.33	5	8	11.34	8	8	17.34	11	8	23.34
2	9	5.50	5	9	11.50	8	9	17.50	11	9	23.50
2	10	5.67	5	10	11.67	8	10	17.67	11	10	23.67
2	11	5.83	5	11	11.84	8	11	17.84	11	11	23.84

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
12	blank	24.00	15	blank	30.00	18	blank	36.00	21	blank	42
12	1	24.17	15	1	30.17	18	1	36.17	21	1	42.18
12	2	24.34	15	2	30.34	18	2	36.34	21	2	42.34
12	3	24.50	15	3	30.51	18	3	36.51	21	3	42.51
12	4	24.67	15	4	30.67	18	4	36.67	21	4	42.68
12	5	24.84	15	5	30.84	18	5	36.84	21	5	42.84
12	6	25.01	15	6	31.01	18	6	37.01	21	6	43.01
12	7	25.17	15	7	31.17	18	7	37.17	21	7	43.18
12	8	25.34	15	8	31.34	18	8	37.34	21	8	43.34
12	9	25.51	15	9	31.51	18	9	37.51	21	9	43.51
12	10	25.67	15	10	31.67	18	10	37.67	21	10	43.68
12	11	25.84	15	11	31.84	18	11	37.84	21	11	43.84
13	blank	26.00	16	blank	32.00	19	blank	38.00	22	blank	44.00
13	1	26.17	16	1	32.17	19	1	38.17	22	1	44.18
13	2	26.34	16	2	32.34	19	2	38.34	22	2	44.34
13	3	26.51	16	3	32.51	19	3	38.51	22	3	44.51
13	4	26.67	16	4	32.67	19	4	38.67	22	4	44.68
13	5	26.84	16	5	32.84	19	5	38.84	22	5	44.84
13	6	27.01	16	6	33.01	19	6	39.01	22	6	45.01
13	7	27.17	16	7	33.17	19	7	39.17	22	7	45.18
13	8	27.34	16	8	33.34	19	8	39.34	22	8	45.34
13	9	27.51	16	9	33.51	19	9	39.51	22	9	45.51
13	10	27.67	16	10	33.67	19	10	39.67	22	10	45.68
13	11	27.84	16	11	33.84	19	11	39.84	22	11	45.84
14	blank	28.00	17	blank	34.00	20	blank	40.00	23	blank	46.00
14	1	28.17	17	1	34.17	20	1	40.17	23	1	46.18
14	2	28.34	17	2	34.34	20	2	40.34	23	2	46.34
14	3	28.51	17	3	34.51	20	3	40.51	23	3	46.51
14	4	28.67	17	4	34.67	20	4	40.67	23	4	46.68
14	5	28.84	17	5	34.84	20	5	40.84	23	5	46.84
14	6	29.01	17	6	35.01	20	6	41.01	23	6	47.01
14	7	29.17	17	7	35.17	20	7	41.16	23	7	47.18
14	8	29.34	17	8	35.34	20	8	41.34	23	8	47.34
14	9	29.51	17	9	35.51	20	9	41.51	23	9	47.51
14	10	29.67	17	10	35.67	20	10	41.67	23	10	47.68
14	11	29.84	17	11	35.84	20	11	41.84	23	11	47.84

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24	blank	48.00	27	blank	54.00	30	blank	60.00	33	blank	66.00
24	1	48.18	27	1	54.18	30	1	60.18	33	1	66.18
24	2	48.34	27	2	54.34	30	2	60.35	33	2	66.35
24	3	48.51	27	3	54.51	30	3	60.51	33	3	66.51
24	4	48.68	27	4	54.68	30	4	60.68	33	4	66.68
24	5	48.84	27	5	54.84	30	5	60.85	33	5	66.85
24	6	49.01	27	6	55.01	30	6	61.01	33	6	67.01
24	7	49.18	27	7	55.18	30	7	61.18	33	7	67.18
24	8	49.34	27	8	55.34	30	8	61.35	33	8	67.35
24	9	49.51	27	9	55.51	30	9	61.51	33	9	67.51
24	10	49.68	27	10	55.68	30	10	61.68	33	10	67.68
24	11	49.84	27	11	55.84	30	11	61.85	33	11	67.85
25	blank	50.00	28	blank	56.00	31	blank	62.00	34	blank	68.00
25	1	50.18	28	1	56.18	31	1	62.18	34	1	68.18
25	2	50.34	28	2	56.34	31	2	62.35	34	2	68.35
25	3	50.51	28	3	56.51	31	3	62.51	34	3	68.51
25	4	50.68	28	4	56.68	31	4	62.68	34	4	68.68
25	5	50.84	28	5	56.84	31	5	62.85	34	5	68.85
25	6	51.01	28	6	57.01	31	6	63.01	34	6	69.01
25	7	51.18	28	7	57.18	31	7	63.18	34	7	69.18
25	8	51.34	28	8	57.34	31	8	63.35	34	8	69.35
25	9	51.51	28	9	57.51	31	9	63.51	34	9	69.51
25	10	51.68	28	10	57.68	31	10	63.68	34	10	69.68
25	11	51.84	28	11	57.84	31	11	63.85	34	11	69.85
26	blank	52.00	29	blank	58.00	32	blank	64.00	35	blank	70.00
26	1	52.18	29	1	58.18	32	1	64.18	35	1	70.18
26	2	52.34	29	2	58.35	32	2	64.35	35	2	70.35
26	3	52.51	29	3	58.51	32	3	64.51	35	3	70.51
26	4	52.68	29	4	58.68	32	4	64.68	35	4	70.68
26	5	52.84	29	5	58.85	32	5	64.85	35	5	70.85
26	6	53.01	29	6	59.01	32	6	65.01	35	6	71.01
26	7	53.18	29	7	59.18	32	7	65.18	35	7	71.18
26	8	53.34	29	8	59.35	32	8	65.35	35	8	71.35
26	9	53.51	29	9	59.51	32	9	65.51	35	9	71.51
26	10	53.68	29	10	59.68	32	10	65.68	35	10	71.68
26	11	53.84	29	11	59.85	32	11	65.85	35	11	71.85

Table 3-5. Effective January 1, 2018, BRS Percentage Multiplier Conversions (Continued)

BRS PERCENTAGE MULTIPLIER CONVERSIONS - EFFECTIVE JANUARY 1, 2018											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
36	blank	72.00	38	blank	76.00	40	blank	80.00	42	blank	84.00
36	1	72.18	38	1	76.18	40	1	80.18	42	1	84.18
36	2	72.35	38	2	76.35	40	2	80.35	42	2	84.35
36	3	72.51	38	3	76.52	40	3	80.52	42	3	84.52
36	4	72.68	38	4	76.68	40	4	80.68	42	4	84.68
36	5	72.85	38	5	76.85	40	5	80.85	42	5	84.85
36	6	73.01	38	6	77.02	40	6	81.02	42	6	85.02
36	7	73.18	38	7	77.18	40	7	81.18	42	7	85.18
36	8	73.35	38	8	77.35	40	8	81.35	42	8	85.35
36	9	73.51	38	9	77.52	40	9	81.52	42	9	85.52
36	10	73.68	38	10	77.68	40	10	81.68	42	10	85.68
36	11	73.85	38	11	77.85	40	11	81.85	42	11	85.85
37	blank	74.00	39	blank	78.00	41	blank	82.00	43	blank	86.00
37	1	74.18	39	1	78.18	41	1	82.18	43	1	86.18
37	2	74.35	39	2	78.35	41	2	82.35	43	2	86.35
37	3	74.51	39	3	78.52	41	3	82.52	43	3	86.52
37	4	74.68	39	4	78.68	41	4	82.68	43	4	86.68
37	5	74.85	39	5	78.85	41	5	82.85	43	5	86.85
37	6	75.02	39	6	79.02	41	6	83.02	43	6	87.02
37	7	75.18	39	7	79.18	41	7	83.18	43	7	87.18
37	8	75.35	39	8	79.35	41	8	83.35	43	8	87.35
37	9	75.52	39	9	79.52	41	9	83.52	43	9	87.52
37	10	75.68	39	10	79.68	41	10	83.68	43	10	87.68
37	11	75.85	39	11	79.85	41	11	83.85	43	11	87.85

NOTE: To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to three digits, round to two digits, and add this to the number of years. Then, multiply by .02.

Example 1: 20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .02 = 41.16%

Example 2: 44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .02 = 89.34%

Table 3-6. Reduction Factors Applicable to TERA

REDUCTION FACTORS APPLICABLE TO TEMPORARY EARLY RETIREMENT AUTHORITY					
Months Less than 240	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

NOTE: Mathematically, the reduction factor (RF) is one minus one twelve hundredth of the difference between 240 and the number of months or remaining portion of a month of active service of such member. Thus, for 188 months the reduction factor is computed as:

RF = 1.0 – [(240-188)/1200]
1.0 – [52/1200]
1.0 – .04333
.95667

*REFERENCES

CHAPTER 3 – GROSS PAY COMPUTATION

1.0 – GENERAL

1.1	10 U.S.C. §§ 1401, 1406, 1407, 1409 P.L. 114-92, sections 631-635, November 25, 2015 P.L. 114-328, sections 631-634, December 26, 2016 P.L. 115-91, section 622, December 12, 2017 Office of the Deputy Secretary of Defense, memo, Subject: Implementation of the Blended Retirement System, January 27, 2017

2.0 – BASIC COMPUTATION

2.1.1.1	10 U.S.C. § 1406
2.1.1.2	10 U.S.C. § 1407 10 U.S.C. § 1407(c)(2) 10 U.S.C. § 1407(d)(2)
2.1.2	P.L. 109-364, section 642, October 17, 2006 10 U.S.C. § 1409(b) P.L. 110-181, section 646, January 28, 2008 10 U.S.C. § 8333(a)
2.1.2.3.1	10 U.S.C. § 1405
2.1.2.3.2	10 U.S.C. § 12733 DoD Instruction (DoDI) 1215.07, July 30, 2019, Change 1, May 17. 2021
2.1.2.3.3	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1401
2.1.2.4	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1401 10 U.S.C. § 1409 10 U.S.C. § 12733 DoDI 1215.07, July 30, 2019, Incorporating Change 1, May 17, 2021

REFERENCES (Continued)

2.2.1.1	10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1372
2.2.1.2	10 U.S.C. § 1407
2.2.2.1	P.L. 111-383, section 631, January 7, 2011 10 U.S.C. § 1401(a) 10 U.S.C. § 1402(d) 10 U.S.C. § 1402a(d)
2.2.2.2	P.L. 111-383, section 631, January 7, 2011 10 U.S.C. § 1401(a) 10 U.S.C. § 1402(d) 10 U.S.C. § 1402a(d)
2.2.3	10 U.S.C. § 12731
2.2.4	P.L. 114-92, section 631(c)(1)(A), November 25, 2015 10 U.S.C. § 1401 10 U.S.C. § 1409
2.3.1.1	10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1372
2.3.1.1.2	10 U.S.C. § 1406(c) or (e)
2.3.1.2.1	10 U.S.C. §§ 1407, 7314, and 9314
2.4.1.1	10 U.S.C. § 1406(b)(1)
2.4.1.2	10 U.S.C. § 1407
2.5.1.1	10 U.S.C. § 1406(b)(2) 10 U.S.C. § 1370(d)
2.5.1.2	10 U.S.C. § 1407
2.5.1.3	10 U.S.C. § 12732
2.5.2	10 U.S.C. § 12733 10 U.S.C. § 12739

REFERENCES (Continued)

2.5.2 NOTE	10 U.S.C. § 12733
2.5.3	10 U.S.C., Chapter 61
2.6	10 U.S.C. § 1406(d)
2.8.1.3	10 U.S.C., Chapter 61
2.8.1.4	10 U.S.C. § 1210(c) or (d)
2.9	P.L. 98-94, section 922, September 24, 1983 10 U.S.C. § 1412 Office of the Secretary of Defense (OSD)/Military Personnel and Force Management (MP&FM) Memo, September 29, 1983
2.10	10 U.S.C. §§ 1401a(b), 1409, and 1410 DoD Office of the Actuary Memo, May 5, 1987 Office of the Under Secretary of Defense (OUSD) (Military Personnel Policy (MPP)) Memo, April 12, 2012 DoDI 1332.46, December 21, 2018
2.11	P.L. 102-484, sections 4403 and 4417, October 23, 1992 10 U.S.C., Chapter 67 10 U.S.C. § 1293 note P.L. 112-81, section 504, December 31, 2011 OUSD (MPP) Memo, April 12, 2012 P.L. 114-328, section 508, December 23, 2016 10 U.S.C. § 1293 note DoDI 1332.46, December 21, 2018
2.11.1	10 U.S.C. § 1401 10 U.S.C. § 7361(a) 10 U.S.C. § 8333(a) 10 U.S.C. § 9361(a) 10 U.S.C. § 12739
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2.12.1.2	Office of the Assistant Secretary of Defense/ Military Personnel Policy (OASD/MPP) Memo, December 20, 2001 10 U.S.C. § 1370
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4.1	10 U.S.C. § 1401a(f)
4.1.3	P.L. 100-456, section 622, September 29, 1988 10 U.S.C. § 1401a(f)
4.2.1	Manuscripts Comptroller General (MS Comp Gen) B-189029, September 2, 1980 10 U.S.C. § 1401a(f)
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4.3.2	10 U.S.C. § 1401a(f)
5.0 – SPECIAL PROVISIONS	
5.1	10 U.S.C. § 12731
5.3.1	10 U.S.C. §§ 601(b), 1406(i), 7361, 8325, 8333, and 9361 37 U.S.C. § 203
5.3.2	P.L. 108-136, section 643, November 24, 2003 10 U.S.C. § 1406 37 U.S.C. § 203
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5.4.3	P.L. 106-65, section 601(e), October 5, 1999
5.5	10 U.S.C. § 1406(i) DoD General Counsel Opinion, April 21, 1998
5.6	10 U.S.C. §§ 7361(a), 8330(c), and 9361(a) 55 Comp Gen 701 MS Comp Gen B-259559, June 6, 1995 10 U.S.C. § 1402
5.7	P.L. 88-132, section 5, October 2, 1963 10 U.S.C. § 1402
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6.0 - LUMP SUM PAYMENTS OF RETIREMENT ANNUITY	
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6.1	10 U.S.C. § 1415
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6.8	10 U.S.C. § 1413a 10 U.S.C. § 1414 38 U.S.C. § 5304 38 U.S.C. § 5305
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Table 3-5	P.L. 114-92, section 633, November 25, 2015
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VOLUME 7B, CHAPTER 4: "RECOUPMENT OF SEPARATION PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
2.7, 5.1 and 9.1	Provided administrative information for specific type of pay pursuant to DoD Instruction (DoDI) 1332.29 and DoDI 1332.43.	Revision
10.3	Updated the formerly used term, "Concurrent Retired and Disability Pay," to new term, "Concurrent Military Retirement Pay and Department of Veterans Affairs Disability Compensation."	Revision
Reference	Updated references.	Revision

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CHAPTER 4

RECOUPMENT OF SEPARATION PAYMENTS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance for the recoupment of payments made to members whose status transitions from involuntary discharge, release from active duty, disability separation, or voluntary separation, to retiree.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 14, and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

2.2 Nondisability Severance Pay

Nondisability Severance Pay is a lump-sum payment to certain commissioned and warrant officers, who were on active duty (other than for training) on September 14, 1981, and involuntarily discharged from active duty under certain conditions. Separation Pay superseded Nondisability Severance Pay. Note: This chapter uses the term “Nondisability Severance Pay” when referring to what is commonly known as “Severance Pay” as a mechanism to distinguish severance pay from disability severance pay.

2.3 Separation Pay

Separation Pay is a lump-sum payment to a member of the Uniformed Services who is discharged involuntarily or released from active duty and who does not qualify for retired pay. For more information, see Volume 7A, Chapter 35.

2.4 Disability Severance Pay (DSP)

The DSP is a lump-sum payment to a member of the Uniformed Services involuntarily separated from the military service for minor physical disability and who does not qualify for disability retired pay.

2.5 Voluntary Separation Incentive (VSI)

The VSI is an annual payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). Voluntary Separation Pay (VSP) superseded VSI.

2.6 Special Separation Benefit (SSB)

The SSB is a lump-sum payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). VSP superseded SSB.

*2.7 Voluntary Separation Pay (VSP)

The VSP is an annual or lump-sum payment to certain members to encourage them to leave active duty voluntarily. The authority to separate a member in conjunction with VSP applies for the period of October 17, 2006, through December 31, 2025. Specific administration of the VSP program procedures is detailed in DoDI 1332.43, to include: eligibility; ineligibility; application and approval; Ready Reserve obligations, benefits, and payment methods; repayment; deduction for disability compensation; and separation program designation codes and reentry codes.

2.8 Recoupment

To align entitlement to retirement benefits with applicable active service, this chapter uses the term recoupment in conjunction with the recovery of readjustment pay, nondisability severance pay, separation pay, DSP, VSI, SSB, or VSP previously received.

2.9 Reserve Special Separation Pay (RSSP)

The RSSP is payable to Reserve members who had completed more than 20 years of service but who had not reached age 60. Payment of RSSP is not subject to recoupment from retired pay. For more information, see Volume 7A, Chapter 58.

3.0 READJUSTMENT PAY

3.1 General Provisions

3.1.1. A member who received readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962, and who later qualifies for retired pay under Title's 10 or 14, U.S.C. upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. For this purpose, consider a member who transferred to the Fleet Reserve or the Fleet Marine Corps Reserve to have "qualified for retired pay under a statute authorizing retirement upon completion of 20 years of active service," even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

3.1.2. A Regular Army commissioned officer in the grade of O-1, O-2, or O-3 who received readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

3.1.3. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty, and received readjustment pay after June 28, 1962, but before September 15, 1981, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

3.1.4. A member who received readjustment pay on September 15, 1981, or later, and who later qualifies for retired pay, must have the retired pay reduced until the recovery of the full amount of the readjustment pay. See subparagraph 3.2.2.

3.2 Recoupment of Readjustment Pay

3.2.1. Readjustment Pay Received Before September 15, 1981.

3.2.1.1. Defense Finance and Accounting Service (DFAS) will deduct a total of 75 percent of the gross readjustment pay without interest immediately from retired pay.

3.2.1.2. There is no entitlement to retired pay until the recovery of 75 percent of the lump-sum readjustment pay. During the period that the member is not entitled to retired pay, the member must pay the cost for coverage under the Survivor Benefit Plan (SBP) by direct remittance to:

Defense Finance and Accounting Service, DFAS-CL
SBP and RSFPP Remittance
P.O. Box 979013
St. Louis, MO 63197-9000

3.2.2. Readjustment Pay Received September 15, 1981, or Later. A member who received readjustment pay on September 15, 1981, or later, and who subsequently qualifies for retired pay will have the retired pay reduced in accordance with section 10.0 until the recovery of the full amount of the readjustment pay.

4.0 NONDISABILITY SEVERANCE PAY

4.1 General Provisions

Before September 15, 1981, certain provisions of law governing separation from the active list required recoupment of nondisability severance pay upon a member's retirement. See Table 4-2 for conditions governing recoupment of nondisability severance pay received before September 15, 1981. Members who receive nondisability severance pay on September 15, 1981 or later, and who subsequently qualify for retirement, are subject to recoupment under paragraph 4.2.

4.2 Recoupment of Nondisability Severance Pay

DFAS must recoup lump-sum nondisability severance pay by deducting from retired pay each month an amount as specified in section 10.0 until the total deducted equals the amount of the nondisability severance pay received.

5.0 SEPARATION PAY

*5.1 General Provisions

Separation pay has replaced readjustment pay and nondisability severance pay for involuntary separation of all members of the active and reserve forces other than those separated for disability. For information on eligibility requirements for separation pay, see Volume 7A, Chapter 35. Specific administration of the Involuntary Separation Pay procedures is detailed in DoDI 1332.29, to include: eligibility; computation; repayment; and sole survivorship discharge.

5.2 Recoupment of Separation Pay

5.2.1. A member who received separation pay and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C. will have a monthly installment deducted from payment of such retired or retainer pay. See section 10.0.

5.2.2. A member who receives separation pay, and who also is eligible for disability compensation from Department of Veteran Affairs (VA), will have an amount, equal to the total amount of separation pay received, deducted by the VA from the disability compensation awarded. The VA will not deduct separation pay from disability compensation if disability is based on service performed after receiving separation pay.

5.3 Collection of Separation Pay - Boards for Correction of Military Record Cases

Pursuant to ***10 U.S.C. § 1552***, the Secretary concerned may correct the military record of a member who was previously paid separation pay to reflect the member has been retired or has been restored to active duty and then retired. Based on the corrected record, the separation pay payment, which was proper when made, is now considered an erroneous payment. Thus, a debt must be established for any separation pay previously paid to the member and must be collected from the member. If the member is restored to active duty and then retired, the Correction of Records/Claims Directorate, Debt and Claims Management Office should coordinate with Retirement and Annuitant (R&A) Pay regarding the priority for the collection of the separation pay debt. Generally, the separation pay is first offset from any active pay due and then any military retired pay or Combat-Related Special Compensation (CRSC) payments due as a result of the record correction. If the separation debt cannot be fully collected from retroactive amounts due, then collection of the remainder of the debt must be made pursuant to the authority under Volume 16.

6.0 DISABILITY SEVERANCE PAY (DSP)

6.1 General Provisions

Upon determination by the Secretary concerned that a member of the Armed Forces is unfit to perform the duties of his office, grade, rank or rating because of physical disability rated less than 30 percent, the department may separate the member with disability severance pay. For information on eligibility requirements for disability severance pay, see Volume 7A, Chapter 35.

6.2 Recoupment of DSP

When the Secretary concerned approves a recommendation from the Physical Disability Board of Review (PDBR) to award military disability retirement, DFAS must take action to recoup any disability severance pay previously paid to that member. Recoupment will be consistent with the parameters established in section 10.0, except as noted in paragraph 6.3 and subparagraphs 6.2.1 and 6.2.2.

6.2.1. In most cases, members entitled to disability severance pay will also qualify for the VA disability compensation. In order to avoid duplicate collection, DFAS will reduce the recovery amount of disability severance pay by any amount already separately recovered by the VA through reduction of the VA disability compensation. In such cases, the amount deducted by the VA from the disability compensation will reduce the gross amount of disability severance pay to be recouped by the DoD.

6.2.1.1. To determine the retroactive entitlement of retired pay that is payable to the member, offset the entire VA disability compensation amount that is awarded (prior to any reduction of such VA disability compensation to offset the collection of disability severance pay) from the total retroactive retired pay entitlement. This will result in an amount of the VA disability compensation plus military retired pay paid to the member that is equal to that which the member would have been entitled to had he/she originally been retired instead of separated.

6.2.1.2. DFAS will first apply the entire amount of any retroactive retired pay and/or CRSC entitlement to any required recoupment of disability severance pay without regard to the percentage limitations specified in section 10.0. In determining the retroactive entitlement to retired pay, service members must be treated as though they were retired on the original date of separation, without regard to any disability severance payment received or any reduction in the VA disability compensation to recoup previously paid disability severance pay. In order to determine the amount subject to recoupment, as well as any amount payable to a member, DFAS will determine the amount of retired pay that would have been available had the member originally been retired instead of separated. The total amount to recoup will be the full gross amount of disability severance pay originally paid to the member.

6.2.1.3. As stated in subparagraph 6.2.1, the VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled under any law administered by the VA. There are two exceptions:

6.2.1.3.1. The VA will make no deduction in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense.

6.2.1.3.2. The VA will make no deduction from any death compensation to which a member's dependents become entitled after the member's death.

6.2.2. Members must be promptly notified that future payments of disability retired pay will be subject to reduction until the gross amount of the disability severance pay has been recovered.

6.3 Collection of DSP – Board for Correction of Military Record Cases

The Secretary concerned may change a military record pursuant to the authority at 10 U.S.C. § 1552 in order to award military disability retirement to a member who has previously received DSP. If this occurs, any DSP previously paid to the member must be established as a debt and collected from the member. The DSP amount must first be offset from any military retired pay or CRSC payments due the military retiree as a result of the record correction. If the DSP debt cannot be fully collected from retroactive amounts due, then collection of the remainder of the debt must be made pursuant to the authority under Volume 16.

6.4 Survivor Benefit Plan (SBP) Participation

6.4.1. Members whose record is corrected to a military disability retirement under the PDBR process, and who were married on the retirement effective date, will receive automatic full spouse coverage under the SBP, unless the member makes an affirmative election on a DoD (DD) ***DD Form 2656***, Data for Payment of Retired Personnel, for less than full spouse coverage within 90 days of being provided a DD Form 2656. If the member elects less than full spouse coverage, including an election not to participate in SBP program or an election for child-only

coverage, the election must include a spousal concurrence signed by the person who was the member's spouse on the effective retirement date, as determined by the PDBR, unless such person is deceased. If the member was married on the effective retirement date, but has since divorced that spouse, the member must still submit a concurrence to elect less than full spouse coverage signed by the person who was the member's spouse on the effective retirement date, unless the whereabouts of the member's now former spouse are unknown and the member submits an affidavit verifying that the former spouse's whereabouts are unknown, along with a copy of the parties' divorce decree. The spouse's concurrence on the DD Form 2656 must be signed on or after the date of the member's signature and otherwise conform to an election regarding spouse coverage.

6.4.2. A spouse who was married to the member on the effective date of retirement, who was subsequently divorced from the member and who has not signed the spousal concurrence on DD Form 2656, has 1 year from the date of the approved PDBR recommendation authorizing disability retirement to make a deemed former spouse SBP election, provided there is already in effect a court-approved written agreement or court order requiring the member to elect to provide such an annuity to the former spouse.

6.4.3. If the member had a former spouse on the effective retirement date, the member may elect former spouse SBP coverage. There is no requirement for spousal concurrence for a former spouse election, although the member's current spouse should be provided written notice of the former spouse election. A member who was not married and had no dependent child on the effective date of retirement, who remarries or acquires a dependent child subsequent to the effective date of retirement, may elect to participate in the SBP. The member has 1 year from either the date of acquiring a spouse or dependent child or the date of the approved PDBR recommendation authorizing disability retirement, whichever is later.

6.4.4. If the member had no spouse or dependent child on the effective retirement date and is not otherwise required to provide former spouse coverage, the member may elect to provide an annuity for an insurable interest person if such individual would have been qualified on the effective date of retirement.

6.4.5. Monthly SBP premiums for automatic or properly elected coverage must be charged from the effective retirement date, with the exception that no SBP premiums will be due if the member elects not to participate in the SBP program with proper spousal concurrence within 90 days of the PDBR action awarding a disability retirement or 90 days of the date that the member has been provided a DD Form 2656 to elect SBP participation.

6.4.6. If a member, who is retired for disability as a result of an approved PDBR action, had previously made a Reserve Component Survivor Benefit Plan (RCSBP) election, that RCSBP election will be considered of no effect if the PDBR action is approved prior to the date that the member would have become eligible for reserve retired pay under ***10 U.S.C., Chapter 1223***.

7.0 VOLUNTARY SEPARATION INCENTIVE (VSI)

7.1 General Provisions

Certain members who voluntarily separated before December 31, 2001, received annual payments of VSI based on their grade or rank at separation and number of years of service creditable for retirement purposes. See Volume 7A, Chapter 35 for eligibility requirements.

7.2 Beneficiary Payment Procedures

Upon the death of the member, DFAS Cleveland Site will pay all remaining VSI installments to the designated beneficiaries. DFAS will distribute VSI installment payments according to the legal order of precedence if there is no valid designation on file and maintained at DFAS Cleveland Site. See Chapter 23 for more information regarding beneficiary payment procedures.

7.3 Recoupment of VSI

7.3.1. A member who has received VSI, who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., must have the amount of VSI deducted from each payment of such retired or retainer pay by a monthly installment not to exceed 40 percent of the member's gross retired pay as specified in paragraph 10.4. The gross retired pay amount paid does not include any amounts offset because of the member's receipt of military compensation between the date of separation which caused the VSI to begin and the date that he or she became eligible for receipt of retired pay.

7.3.2. In a case in which a member is receiving simultaneous VSI and retired pay, the member may elect to terminate the receipt of VSI. Such election is permanent and irrevocable. Under these circumstances, effective after such election to terminate VSI, DFAS will reduce the rate of monthly recoupment from retired pay of VSI received in accordance with subparagraph 7.3.1. The rate of recoupment will be reduced in accordance with the following formula: Divide the total number of months that would not be paid as a result of the member's election to terminate the VSI by the number of months that the VSI was scheduled to be paid. Multiply the resulting fraction, which is a percentage rate of reduction, by the percentage in subparagraph 7.3.1 to compute a percentage that is the proportionate rate of reduction; and, subtract the proportionate rate of reduction from the original rate of reduction in subparagraph 7.3.1 to determine the reduced rate of recoupment from retired pay.

7.3.3. A member who is receiving VSI payments will not be deprived of this incentive by reason of entitlement to disability compensation under the laws administered by the VA, but there will be deducted from VSI payments an amount equal to the amount of any such disability compensation concurrently received. Notwithstanding the preceding sentence, DFAS will make no deduction from VSI payments for any disability compensation received because of an earlier period of active duty if the member receives VSI because of discharge or release from a later period of active duty.

7.3.3.1. Any reduction in VSI as a result of receipt of the VA disability compensation will reduce the gross amount of VSI paid, as described in subparagraph 7.3.1, and will not be recovered through recoupment from retired pay.

7.3.3.2. In a case in which a member is receiving simultaneous VSI and retired pay, DFAS will reduce the VSI payment by the amount of any VA disability compensation. In addition, the member's election to waive retired pay, as described under Chapter 12, subparagraph 1.1.1.1, will also still apply. Furthermore, DFAS will reduce the member's retired pay as described in subparagraph 7.3.1.

8.0 SPECIAL SEPARATION BENEFIT (SSB)

8.1 General Provisions

Under conditions prescribed by the Secretary of the Military Department concerned (or designee), a member who separated voluntarily from a Military Service before December 31, 2001, could elect to receive an SSB.

8.2 Recoupment of SSB

If a member who has received an SSB payment later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., DFAS will recoup the gross amount of SSB received through a monthly installment from each payment of such retired or retainer pay as specified in section 10.0.

9.0 VOLUNTARY SEPARATION PAY (VSP)

*9.1 General Provisions

Certain members who voluntarily separate between October 17, 2006 and December 31, 2025, may receive a lump-sum VSP in an amount up to four times the full amount of the separation pay a member may receive. See Volume 7A, Chapter 35 for more information on separation pay. Specific administration of the VSP program procedures is detailed in DoDI 1332.43, to include: eligibility; ineligibility; application and approval; Ready Reserve obligations, benefits, and payment methods; repayment; deduction for disability compensation; and separation program designation codes and reentry codes.

9.2 Recoupment of VSP

9.2.1. A member who is paid VSP and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., will have deducted from each payment of such retired or retainer pay a monthly installment specified by the Secretary of the Military Department concerned (or designee). The total amount of retired or retainer pay deductions will equal the total amount paid to the member. See also Volume 7A, Chapter 35, paragraph 8.9.

9.2.2. The requirement to repay VSP following retirement from the Armed Forces does not apply to an officer who was eligible to retire at the time the officer applied and was accepted for VSP benefits.

9.2.3. The Secretary of the Military Department concerned (or designee) may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. Upon approval, the Military Department concerned will forward a copy of all waivers to the Deputy Under Secretary of Defense, Military Personnel Policy.

9.2.4. Waivers by the Secretary of the Military Department concerned (or designee) must be determined on a case-by-case basis, which requires identification of the individual member, the amount of debt, and the circumstances of each case. The Principal Deputy Under Secretary of Defense, Personnel and Readiness, will review, in coordination with the DoD Office of General Counsel, any waiver by a Secretary of the Military Department (or designee) that applies to more than one individual. This review process will ensure a consistent consideration of the equities in such cases throughout DoD.

9.3 Repayment For Members Who Return to Active Duty

See Volume 7A, Chapter 35, paragraph 8.11.

10.0 RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

10.1 Members Affected

Service members who received separation pay, nondisability severance pay, readjustment pay, or DSP under any provision of law based on service in the Armed Forces, or a member awarded disability retirement from the PDBR, as described in paragraph 6.2, who subsequently qualify under Titles 10 or 14 of the U.S.C. for retired or retainer pay will have deducted an amount equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP, without regard to any withholding for taxes. DFAS will make such deductions from each payment of retired or retainer pay until the total amount recouped is equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP. The member may authorize a deduction in an amount greater than that required by law.

10.2 VA Disability Compensation

10.2.1. In some cases, members entitled to disability retired pay will also qualify for the VA disability compensation. In such cases, the amount deducted to recoup the separation payment by the VA will reduce the gross amount of separation, severance or readjustment pay to be recouped by DoD.

10.2.2. DFAS will subtract the gross monthly amount of the VA disability compensation from the gross monthly amount of the retired pay subject to recoupment. DFAS will then use this

adjusted gross retired pay in place of gross retired pay for members with a VA waiver. In cases where the amount of the VA disability compensation award is greater than military retired pay, recoupment of disability severance pay will be suspended until, when or if, the amount of gross retired pay exceeds the monthly VA disability compensation except as provided in paragraph 10.3.

*10.3 Concurrent Receipt Programs

Members who meet all the eligibility criteria for the CRSC program or for Concurrent Military Retirement Pay and Department of Veterans Affairs Disability Compensation must have their CRSC or retired pay entitlement computed based on the full amount of retired pay and the full amount of the applicable VA disability compensation (i.e., before any reductions for recoupment of separation, nondisability severance, readjustment pay, or DSP). In other words, DFAS must compute the CRSC or retired pay entitlement amount without regard to the recoupment of separation, severance, or readjustment pay. DFAS must add the CRSC or retired pay entitlement to the adjusted gross retired pay remaining after the VA disability compensation offset in determining the amount of the monthly disability severance pay recoupment and must be, along with the adjusted gross retired pay, available for reduction.

10.4 Recoupment Rates

The maximum rate of recoupment will be no more than an amount equal to 40 percent of the member's gross retired pay.

10.4.1. DFAS will re-compute the monthly recoupment rate when there is an increase in gross or adjusted gross retired pay for cost-of-living adjustments, except when the member has authorized withholding at a higher monthly rate.

10.4.2. DFAS will make no income tax withholding from retired pay used for satisfying the recoupment of separation pay, nondisability severance pay, readjustment pay, or DSP. Neither is such pay included on Internal Revenue Service Form 1099-R, Distribution from Pensions, Annuities, Retirement Profit Sharing Plans, IRAs, Insurance Contracts, nor is it reported as taxable income. The gross taxable income is the difference between the amount of the recoupment and adjusted gross retired pay.

10.4.3. DFAS will provide written notification to members subject to recoupment. DFAS sends this notice 90 days in advance of the initial collection from the member's retired pay. The written notification will provide the current outstanding balance and the proposed monthly recoupment amount and explain the options of a more lenient repayment request if the member asserts that the maximum rate of recoupment imposes a financial hardship. See paragraph 10.6. The written notification will also explain the requirement for concurrent recoupment of the separation or nondisability severance pay by both DFAS and VA.

10.5 Exceptions

10.5.1. Those members whose recoupment rates were suspended in May 2009, by the direction of the Office of the Under Secretary of Defense (Comptroller) memorandum, dated May 18, 2009, and whose recoupment rates under the previous formula were less than the new maximum percentage will be reinstated at the previously established lower rate.

10.5.2. Members may, at their personal discretion, request to increase their recoupment to a rate greater than the maximum, in order to shorten the term of recoupment.

10.6 Financial Hardship

A member whose retired pay is subject to recoupment based on paragraph 10.1 may, at any time, request a review of the amount recouped based upon materially changed circumstances such as disability, divorce, or illness that results in the imposition of undue financial hardship on the member and the member's dependents. A member requesting such a review will submit the basis for claiming that the current rate of recoupment results in an undue financial hardship along with supporting documentation. DFAS will consider any information submitted and make a determination in accordance with the following procedures and standards.

10.6.1. A rate of recoupment results in an undue financial hardship for a member and his dependents if the recoupment amount prevents the member from meeting the costs necessarily incurred for essential subsistence expenses of the member and the member's dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation and medical care.

10.6.2. In determining whether the recoupment amount prevents the member from meeting the essential subsistence expenses described in subparagraph 10.6.1, DFAS will consider the following:

10.6.2.1. The income from all sources of the member, the member's spouse, and dependents;

10.6.2.2. Whether these essential subsistence expenses have been minimized to the greatest extent possible; and

10.6.2.3. The extent to which the member and the member's spouse and dependents have other exceptional expenses that DFAS should take into account and whether these expenses have been minimized to the greatest extent possible.

10.6.3. If there is an undue financial hardship, DFAS will reduce the recoupment rate based on the member's financial condition. Any reduction of the recoupment rate will be effective for 1 year. Upon the expiration of 1 year, the recoupment rate will revert back to 40 percent unless the member has reapplied for a reduction in rate and can again demonstrate financial hardship.

10.6.4. DFAS will adjust the rate of recoupment based on the following formula:

10.6.4.1. Subtract the total monthly living expenses from the total monthly income. The result is the net income available for monthly recoupment.

10.6.4.2. The net income available for monthly recoupment will be divided by the gross monthly retired pay to determine the actual recoupment percentage. If the result is 40 percent or greater, the recoupment is limited to 40 percent. A result of 10 percent or less limits the recoupment to 10 percent. DFAS will apply any factor within the range of 10 to 39 percent as the actual percentage with any fractional portions of a percentage point rounded down to the lower whole percentage point.

Figure 4-1. Financial Hardship Calculation Examples

EXAMPLE A:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 3,000.00	Rent/Mortgage	$ 1,500.00
Other income	460.00	Electric	$ 80.00
Spouse's income	$ 500.00	Natural Gas	$ 125.00
Total Income	$ 3,960.00	Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 400.00
		Car Payment	$ 280.00
		Health Care	$ 500.00
		Total Expenses	$ 2,940.00

Total Income	$ 3,960.00	
Total Expenses	$ 2,940.00	
Net Income	$ 1,020.00	(Available for recoupment)

Divide the member's Net Income ($1,020.00) by the gross retired pay ($3,000.00) which equals .34 or a recoupment rate of 34%.

EXAMPLE B:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 2,000.00	Rent/Mortgage	$ 800.00
Spouse's income	$ 500.00	Electric	$ 80.00
Total Income	$ 2,500.00	Natural Gas	$ 125.00
		Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 200.00
		Car Payment	$ 280.00
		Health Care	$ 900.00
		Total Expenses	$ 2,440.00

Total Income	$ 2,500.00	
less: Total Expenses	$ 2,440.00	
Net Income	$ 60.00	(Available for recoupment)

Divide the member's Net Income ($60.00) by the gross retired pay ($2,000.00) which equals .03. In this case, it defers to the minimum recoupment rate of 10% or $200.00 as referenced in subparagraph 10.6.4.2.

Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981 (Note 1)

RULE	**If a member was a**	**and received before September 15, 1981 (note 1)**	**and later qualifies for retirement**	**then readjustment pay is**
1	Reserve member (or member of the Army or Air Force without component (temporary))	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
2	regular Army officer below the grade of O-4	readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
3	temporary officer on active duty and held a Reserve officer status	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).

NOTES:

1. For recoupment of readjustment pay received September 15, 1981, or later, see subparagraph 3.2.2.
2. Includes transfer to Fleet Reserve or Fleet Marine Corps Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not recouped from retired pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note)

RULE	If a member was	and was discharged	and received before September 15, 1981 (note)	and later qualifies for	then
1	a Regular commissioned Air Force or Army officer	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
2	a Regular commissioned Air Force or Army officer	because of moral or professional dereliction, or unsatisfactory performance	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
3	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of unsatisfactory performance with less than 20 years	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
4	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
5	a Regular warrant officer of any Military Service	because of unfitness or unsatisfactory performance of duty and did not reenlist	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
6	a Regular warrant officer of any Military Service	because of failure of selection for promotion and did not reenlist or was not retained on active duty as a regular warrant officer	nondisability severance pay	retired pay	deduct full amount of nondisability severance pay.
7	an officer of the Navy or Marine Corps	because found not qualified from causes arising from own misconduct upon reexamination for promotion	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
8	a female officer of the Regular Navy or Regular Marine Corps in grade O-3	because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps	nondisability severance pay		

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note) (Continued)

RULE	If a member was	and was discharged	and received before September 15, 1981 (note)	and later qualifies for	then
9	a female officer of the Regular Navy or Regular Marine Corps in grade O-2	because she is not on a promotion list and has completed 7 years of active service in the Navy or Marine Corps	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
10	an ensign in the Navy or a second lieutenant in the Marine Corps	because found not professionally qualified upon reexamination for promotion	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
11	a Reserve member of any Military Service	without the member's consent before active duty agreement under 10 U.S.C. § 12311(a) expired	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
12	a Regular commissioned officer of the Coast Guard	because performance is below standard or because of moral or professional dereliction	nondisability severance pay	retired pay	do not deduct nondisability severance pay.

NOTE: For recoupment of nondisability severance pay received September 15, 1981 or later, see paragraph 4.2.

*REFERENCES

CHAPTER 4 – RECOUPMENT OF SEPARATION PAYMENTS

2.0 – DEFINITIONS

2.1	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
2.2	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. §611 note
2.3	10 U.S.C. § 1174
2.4	10 U.S.C. § 1212
2.5	10 U.S.C. § 1175
2.6	10 U.S.C. § 1174a
2.7	Public Law 114-328, section 508, December 23, 2016 10 U.S.C. § 1175a(k) DoD Instruction 1332.43, November 28, 2017
2.8	Public Law 102-484, section 4416, October 23, 1992 10 U.S.C. § 1331 10 U.S.C. § 12732

3.0 – READJUSTMENT PAY

3.1.1	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 109, December 12, 1980 10 U.S.C. § 611 note 50 U.S.C. § 1016 (repealed) 43 Comptroller General (Comp Gen) 402 Public Law 96-513, December 12, 1980 10 U.S.C. § 611 note
3.1.2	Public Law 93-558, December 30, 1974 10 U.S.C. § 3814a (repealed) Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
3.1.3	46 Comp Gen 107 Public Law 96-513, December 12, 1980 10 U.S.C. § 611 note
3.1.4	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note 10 U.S.C. § 1174(h)(1)
3.2.1.2	10 U.S.C. § 1452
3.2.2	10 U.S.C. § 1174(h)

REFERENCES (continued)

4.0 – NONDISABILITY SEVERANCE PAY

4.2	53 Comp Gen 921, id: 923

5.0 – SEPARATION PAY

5.1	10 U.S.C. § 1174 DoD Instruction 1332.29, March 3, 2017
5.2.1	Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
5.2.2	10 U.S.C. § 1174(h)(2)
5.3	10 U.S.C. § 1552 Comptroller General Decision B-270349, December 17, 1996

6.0 – DISABILITY SEVERANCE PAY (DSP)

6.1	10 U.S.C. § 1212 Deputy Under Secretary of Defense, Military Personnel Policy ((DUSD (MPP)) Policy Memorandum, August 10, 2010
6.2	10 U.S.C. § 1554a(e)(2) DUSD (MPP) Policy Memorandum, August 10, 2010
6.2.1.2	10 U.S.C. § 1413a 10 U.S.C. § 1554a DUSD (MPP) Policy Memorandum, August 10, 2010
6.2.1.3	10 U.S.C. § 1212(d)(1)
6.2.1.3.1	10 U.S.C. § 1212(d)(2)
6.2.1.3.2	10 U.S.C. § 1212(d)(3)
6.3	10 U.S.C. § 1552(a) and (e) Comptroller General Decision B-270349, December 17, 1996
6.4	DUSD (MPP) Policy Memorandum, August 10, 2010
6.4.6	10 U.S.C., Chapter 1223 DUSD (MPP) Policy Memorandum, August 10, 2010

7.0 – VOLUNTARY SEPARATION INCENTIVE (VSI)

7.1	10 U.S.C. § 1175(d)(3)
7.2	10 U.S.C. § 1175(f) 10 U.S.C. § 2771(a)
7.3.1	10 U.S.C. § 1175(e)(3)(A)
7.3.2	10 U.S.C. § 1175(e)(3)(B)

REFERENCES (continued)

7.3.3	10 U.S.C. § 1175(e)(4) 38 U.S.C. § 5305

8.0 – SPECIAL SEPARATION BENEFIT (SSB)

8.1	10 U.S.C. § 1174a(g) 10 U.S.C. § 1174(h)

9.0 – VOLUNTARY SEPARATION PAY (VSP)

9.1	Public Law 114-328, section 508, December 23, 2016 10 U.S.C. § 1175a(k) DoD Instruction 1332.43, November 28, 2017 Principal Deputy Under Secretary of Defense for Personnel and Readiness ((PDUSD) (P&R)) Policy Memorandum, April 14, 2008
9.2	PDUSD (P&R) Policy Memorandum, April 14, 2008
9.3	10 U.S.C. § 1175a(j)

10.0 – RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

10.1	10 U.S.C. § 1174(h)(1) DUSD (MPP) Policy Memorandum, March 19, 2010
10.2	10 U.S.C. § 1174(h)(2) DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
10.3	DUSD (MPP) Policy Memorandum, March 19, 2010 OUSD (Compt) Memo, May 18, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
10.4	DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009
10.5	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010
10.6	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010

Table 4-1

Rule 1	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
Rule 2	10 U.S.C. § 3814a (repealed) Public Law 96-513, December 12, 1980

REFERENCES (continued)

Rule 3	46 Comp Gen 107 Public Law 96-513, December 12, 1980
Note 1	43 Comp Gen 402
Table 4-2	
Rules 1 & 2	10 U.S.C. § 3303 (repealed), 3786 (repealed), 3796 (repealed), 8303, 8786, 8796
Rules 3 & 4	10 U.S.C. § 6382(c) (repealed), 6383(f), 6384(b) (repealed) 14 U.S.C. § 286 (repealed)
Rules 5 & 6	10 U.S.C. § 564 (repealed), 1166, 1167(b)
Rule 7	10 U.S.C. § 5864 (repealed)
Rule 8	10 U.S.C. § 6401 (repealed)
Rule 9	10 U.S.C. § 6402 (repealed)
Rule 10	10 U.S.C. § 5865 (repealed)
Rule 11	10 U.S.C. § 12312
Rule 12	14 U.S.C. § 327 (repealed)

VOLUME 7B, CHAPTER 5: "CONFLICT-OF-INTEREST, CONVICTIONS AND FOREIGN GOVERNMENT EMPLOYMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, renumbered, and formatted chapter to comply with current administrative instructions.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 5

CONFLICT-OF-INTEREST, CONVICTIONS AND FOREIGN GOVERNMENT EMPLOYMENT

1.0 GENERAL

1.1 Purpose

This chapter addresses employment of personnel who are drawing military retired pay. This includes, but is not limited to foreign government employment, service in military forces of newly democratic nations, conflict-of-interest issues, and convictions of crimes affecting retired pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 18, 37, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

2.0 CONFLICT-OF-INTEREST

2.1 Statutes

2.1.1. Conflict-of-interest statutes are intended to safeguard the integrity of public administration and prevent government officials from using their positions and influence for personal gain. Some conflict-of-interest statutes apply to personnel who have left Government service.

2.1.2. A comprehensive digest of laws, including conflict-of-interest laws applicable to retired military personnel, is set forth in the ***DoD Regulation 5500.7-R***, Joint Ethics Regulation (JER).

2.2 Withholding Military Retired Pay

Military retired pay may be withheld or forfeited when the employment falls under certain categories of activities prohibited under conflict-of-interest laws.

3.0 CONVICTION FOR CRIMES AFFECTING RETIRED PAY

3.1 Entitlement

Entitlement to military retired pay is directly affected when a retired member is convicted of violating the law under ***5 U.S.C. §§ 8311 – 8322***.

3.2 Violation of Title 5 U.S.C. § 8312

The receipt of military retired pay by the retired member, or receipt of the annuity by the retired member's survivor or beneficiary is prohibited, subject to certain exceptions described in 5 U.S.C. § 8311(2) or (3):

3.2.1. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(b) before, on, or after September 1, 1954, payment is prohibited. The prohibition on payment applies to the period after the date of conviction or after September 1, 1954, whichever is later.

3.2.2. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(c) before, on, or after September 26, 1961, payment is prohibited. The prohibition on payment applies to the period after the date of conviction or after September 26, 1961, whichever is later.

3.2.3. If an individual, who was convicted of an offense named by 5 U.S.C. § 8312, or an offense constituting a violation of 5 U.S.C. § 8314 or § 8315, is pardoned by the President, in accordance with 5 U.S.C. § 8318, the right of the individual and his survivor or beneficiary to receive annuity or retired pay previously denied under this paragraph is restored as of the date of the pardon or the effective date of restoration prescribed by the President.

3.2.4. After January 6, 1996, the spouse of an individual, whose annuity or retired pay is forfeited under 5 U.S.C. § 8312 or § 8313, may have his or her rights to a spousal survivor benefit plan restored, if the U.S. Attorney General determines that the spouse fully cooperated with Federal authorities in the conduct of a criminal investigation and subsequent prosecution of the individual which resulted in the forfeiture. In no event will the spousal survivor benefit plan benefits be paid to the spouse before the retired member has passed away.

3.3 Convictions Under Other Statutes

3.3.1. An individual, or his or her survivor or beneficiary, may not be paid annuity or retired pay on the basis of the service of the individual, which is creditable toward the annuity or retired pay, subject to the exceptions in 5 U.S.C. § 8311 (2) and (3), if the individual before, on, or after September 1, 1954:

3.3.1.1. Refuses, or knowingly and willfully fails to appear, testify, or produce documents relating to his or her service as an employee, before a Federal grand jury, U. S. court, court-martial, or congressional committee, in a proceeding concerning:

3.3.1.1.1. Past or present relationship with a foreign government; or

3.3.1.1.2. A matter involving or relating to a plan or attempt to interfere with or endanger, the national security or defense of the United States, in accordance with 5 U.S.C. § 8314; or

3.3.1.1.3. The prohibition on payment of annuity or retired pay under subparagraph 3.3.1.1, applies to the period after the date of the failure or refusal of the individual, or after September 1, 1954, whichever is later.

3.3.1.1.4. The prohibition of payment of an annuity or retired pay under subparagraph 3.3.1.2 applies to the period after the statement, representation, or concealment of fact is made or occurs, or after September 1, 1954, whichever is later.

3.3.1.2. Knowingly and willfully makes false, fictitious, or fraudulent statements or representations, concealing material facts concerning his or her past or present membership, affiliation, association with, or support of the Communist Party, chapter, branch, or subdivision, in or outside the United States, or other organization, party, or group advocating:

3.3.1.2.1. The overthrow, by force, violence, or other unconstitutional means, of the Government of the United States;

3.3.1.2.2. The establishment, by force, violence, or other unconstitutional means, of a Communist totalitarian dictatorship in the United States; or

3.3.1.2.3. The right to strike against the United States; as stated in 5 U.S.C. § 8315.

3.3.2. Fines levied for convictions under other statutes may result in debts to the United States. However, they do not affect a convicted member's entitlement to receive retired pay.

3.4 Repayment of Annuity or Retired Pay Properly Paid; Waiver

An individual, to whom payment of retired pay is denied due to a conviction under 5 U.S.C. §§ 8311 – 8322, is not required to repay amounts received before the date of conviction. Any amounts of retired pay paid in error after the conviction that, but for the conviction, were otherwise proper, may be subject to repayment.

4.0 FOREIGN GOVERNMENT EMPLOYMENT AND/OR FOREIGN PAYMENTS

4.1 Background

4.1.1. Employment of retired members by a foreign government is restricted. The primary restriction is in Article I, section 9, clause 8 of the Constitution of the United States (known as the Emoluments Clause), which reads: "No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State." The Comptroller General interpreted this to prohibit employment of all retired personnel, including members of the Fleet Reserve or Fleet Marine Corps Reserve, by a foreign government unless congressional consent is granted. In addition to the Emoluments Clause, there are other laws that may apply to restrict the foreign government employment of certain former DoD personnel. For example, 50 U.S.C. § 3073a places restrictions on post-service employment of

members of the intelligence community who previously held certain intelligence positions. The information in paragraph 4.0 only addresses the restrictions on retirees under the Emoluments Clause.

4.1.2. The conditions for accepting foreign employment were modified by Public Law ***(PL) 95-105, section 509(a)(1) and (2)***, codified in 37 U.S.C. § 908. The Congress granted consent for retired members to accept employment or compensation from foreign governments if the members obtain the approval of the Secretary of the Military Department concerned (or designee) and the Secretary of State before accepting employment or compensation. ***PL 116-283, section 641***, further amended 37 U.S.C. § 908 to permit retired members of the uniformed services to accept payment from foreign governments for speeches, travel, meals, lodging, registration fees, or non-cash awards (hereinafter "foreign payments"), if the payment and/or award is approved in advance by the Secretary concerned.

4.1.2.1. The approval to accept foreign employment/foreign payments is only effective prospectively from the date the approval is granted and may not be made retroactively to authorize foreign employment, compensation, or payments received before approval is granted. For foreign employment (and compensation for that employment) approval by both the Secretary of the Military Department concerned (or designee) and Secretary of State are required. For foreign payments (for speeches, travel, meals, lodging, or registration fees/non-cash awards described 10 U.S.C. § 908) approval by the Secretary of the Military Department concerned is required.

4.1.2.2. Compensation received from a foreign government without the required approval from both the Secretary concerned and Secretary of State is considered received by the retired member for the United States. A debt in favor of the government is created which is to be collected by withholding from military retired pay. The debt is an amount equal to the compensation received from the foreign government.

4.1.2.3. What constitutes compensation received from a foreign government in connection with a member's employment by that government must be given its broadest possible scope and includes (but is not limited to) salary, transportation, household goods shipments at employer's expense, housing allowances, consulting and other fees, proportionate profit-sharing, and gratuities. Value should be set fairly, considering the actual value or estimates of the compensation received.

4.2 Legislative History

4.2.1. The history of the constitutional provisions under consideration indicates that the condition intended to be avoided is the exercise of undue influence by a foreign government upon the United States Government.

4.2.2. In determining the existence of an employer-employee relationship between a retired member and a foreign government, or instrumentality thereof, the common law rules of agency are applied to determine whether such instrumentality has the right to control and direct an employee in performance of his or her work and the manner in which the work is done.

4.2.3. When determining whether the relationship of employer and employee exists, there are at least five criteria that may be considered:

4.2.3.1. The selection and engagement of the employee;

4.2.3.2. The payments of wages;

4.2.3.3. The power to discharge;

4.2.3.4. The power to control the employee's conduct; and

4.2.3.5. The relationship of the work to the employer's business, whether the work is a part of the regular business of the employer.

4.2.4. The decisive test to determine the existence of an employer-employee relationship is whether the employer has the right to control and direct the employee in the performance of his or her work and in the manner in which the work is to be done.

4.3 Types of Employment

4.3.1. Employment by educational or commercial institutions that are owned, operated, or controlled by a foreign government is included within the scope of this restriction.

4.3.2. Employment with a foreign government which requires foreign citizenship results in forfeiture of entitlement to retired pay. See Chapter 6 for additional information.

4.3.3. Employment by international agencies, such as the United Nations, is not prohibited.

4.4 Adjustment to Retired Pay

4.4.1. A member's military retired pay will not be suspended or adjusted unless the Secretary concerned makes a determination that a member has accepted foreign employment/foreign payments without first obtaining the required prior approval, prepares a memorandum advising DFAS of the determination, and requests that DFAS establish a debt (to include the amount of the debt to be established).

4.4.2. The Secretaries of the military departments are responsible to investigate any instances in which a retired member is believed to have accepted foreign employment/foreign payments without first obtaining the required prior approval. If substantiated, the Secretary concerned will:

4.4.2.1. Determine the dollar amount of compensation/foreign payments received from the foreign government without approval.

4.4.2.2. Prepare a memorandum to the Director DFAS advising of the determination that a violation has occurred and requesting that DFAS establish a debt for the amount of the

compensation/foreign payments received as determined by the Secretary concerned. The debt determined by the service will normally be an amount equal to the amount of compensation received from the foreign government without approval. The memorandum to DFAS should include a determination regarding the rate of collection of the debt as further explained by subparagraph 4.4.3.

4.4.2.3. Notify the member of the service determination that a violation has occurred, the amount of the debt owed to the United States, and the action the Secretary has taken to initiate the establishment and collection of the debt by DFAS.

4.4.3. Upon receipt of the memorandum from the Secretary concerned, DFAS will establish the debt in the amount specified by the service and provide the member with written notice of all due process rights prior to collection by offset pursuant to Volume 16. The notice will provide the member with the debt amount, the reason for the debt, repayment options, an explanation of the review process available to contest the validity and/or amount of the debt, an explanation and instructions on how the member may seek a waiver of the obligation to repay the debt under 10 U.S.C. § 2774, and any other information required by Volume 16.

4.4.4. Rate of Collection. In the event that the debt must be collected through administrative offset of retired pay, then the rate of collection will be established as follows:

4.4.4.1. If the service has determined that the member was at fault, then up to two-thirds (2/3) of a member's disposable monthly military/retired pay (as specified by the service) may be deducted and applied to the indebtedness. The service will specify the rate, but it may not exceed 2/3.

4.4.4.2. If the service has determined that the member was not at fault, (or if the service makes no finding), then the amount deducted may not reduce a member's disposable monthly retired pay by more than fifteen percent (15%).

4.4.5. Amounts of retired pay withheld from retired members of the uniformed services who accept foreign employment and/or foreign payments without congressional consent, as required by the United States Constitution, should be treated as though the retired member has no entitlement to them and should not be "held in trust" for them pending possible future congressional consent to their receipt.

5.0 SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

5.1 Consent of Congress

5.1.1. Consent. Under 10 U.S.C. § 1060, Congress has consented to a retired member of the uniformed services accepting:

5.1.1.1. Employment by, or holding an office or position in, the military forces of a newly democratic nation as jointly determined by Secretary of the Military Department concerned (or designee) and the Secretary of State; and

5.1.1.2. Compensation associated with such employment, office, or position.

5.1.2. Approval Required. The consent provided for a retired member of the uniformed services to accept employment or hold an office or position applies to a retired member only if the Secretary of the Military Department concerned (or designee) and the Secretary of State jointly approve the employment or the holding of such office or position.

5.2 Continued Entitlement to Retired Pay and Benefits

The eligibility of retired members to receive retired or retainer pay and other benefits, arising from the retired member's status as a retired member of the uniformed services, may not be terminated by reason of employment or holding of an office or position consented to in paragraph 5.1. The eligibility of such retired member's dependents to benefits may not be terminated based on the retired member's status consented to in this section.

*REFERENCES

CHAPTER 5 – EMPLOYMENT

2.0 – CONFLICT-OF-INTEREST

2.1.1	10 U.S.C. § 207 Section 1045 of the National Defense Authorization Act for Fiscal Year 2018 39 Comptroller General (Comp Gen) 366, B-140581, November 9, 1959 PL 104-106, section 4304(b)(3), February 10, 1996 PL 100-180, December 6, 1987 PL 103-335, section 5001, October 13, 1994
2.1.2	DoD Regulation 5500.07-R, August 1993

3.0 – CONVICTION OF CRIMES AFFECTING RETIRED PAY

3.2	5 U.S.C. §§ 8311 - 8322 18 U.S.C. §§ 2151 - 2156 42 U.S.C. §§ 2272 - 2276
3.3	5 U.S.C. §§ 8311 - 8318 10 U.S.C. § 1450
3.4	5 U.S.C. § 8317

4.0 – FOREIGN GOVERNMENT EMPLOYMENT

4.1.2	37 U.S.C. § 908
4.1.2.2	Comp Gen B-178538, October 13, 1977 Comp Gen B-198557, July 17, 1980 61 Comp Gen 306, B-198557, March 25, 1982 61 Comp Gen 306, March 25, 1982 Comp Gen B-231498, June 21, 1989 69 Comp Gen 220, B-220860, February 2, 1990
4.1.2.3	Comp Gen B-178538, October 13, 1977
4.2.1	53 Comp Gen 753, B-178538, April 9, 1974 Comp Gen, B-152844, December 12, 1963
4.2.3	*Maloof v. United States,* 242 F. Supp. 175, 181 (1965)
4.2.4	41 Comp Gen 715, B-147777, May 1, 1962 44 Comp Gen 130, B-154213, September 11, 1964 53 Comp Gen 750, B-180419, April 8, 1974 62 Comp Gen 432, B-210346, June 2, 1983
4.3.1	Comp Gen, B-152844, December 12, 1963
4.4	5 U.S.C. § 7342

*REFERENCES (Continued)

	Comp Gen, B-178538, October 13, 1977
4.4.2	58 Comp Gen 487, B-193562, December 4, 1979

5.0 – SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

10 U.S.C. § 1060

VOLUME 7B, CHAPTER 6: "FOREIGN CITIZENSHIP AFTER RETIREMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current. No revision necessary.	Current

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CHAPTER 6

FOREIGN CITIZENSHIP AFTER RETIREMENT

1.0 GENERAL

1.1 Overview

The right to retired pay based on years of active service or disability for Regular or Reserve officers and Regular enlisted personnel is generally contingent upon the continuation of their military status.

1.1.1. Article I, section 9, clause 8 of the Constitution of the United States prohibits any person "holding any Office of Profit or Trust" under the United States from accepting any present, emolument, office or title, "of any kind whatever," from a foreign government without the consent of Congress. This provision prohibits employment by a foreign government of retired personnel with a continuing military status, including Fleet Reserve or Fleet Marine Corps Reserve, unless prior congressional consent is granted. Without prior congressional consent, it also subjects such persons to withholding of their retired pay in an amount equal to the amounts received from the foreign government. This constitutional provision also considers retired regular officer and enlisted members of regular components to hold an office under the U.S. military.

1.1.2. While receiving retired pay, a retired member remains subject to rules, regulations, and recall to active duty as required. A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces his or her U.S. citizenship loses the right to retired pay when entitlement to the retired pay depends upon the retiree's continued military status.

1.1.3. The effect of a retired member's loss of U.S. citizenship upon payment of retired pay must be determined by reviewing each case according to individual circumstances, governing laws, and regulations.

1.2 Purpose

The purpose of this chapter is to provide guidance to retired members who have lost their citizenship, have dual citizenship, or who are retired alien enlisted members living in foreign countries.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 8, 10, 18, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FOREIGN RESIDENCE

A citizen of the United States may live outside the United States indefinitely without losing U.S. citizenship.

3.0 LOSS OF U.S. CITIZENSHIP

3.1 Loss of Citizenship

Generally, loss of U.S. citizenship requires a measure of voluntary positive action. A retired member cannot renounce U.S. citizenship on behalf of their minor child(ren) (see subparagraphs 3.1.5 and 3.1.6). After having attained age 18 years or older, a person who is a citizen of the United States loses that citizenship by voluntarily taking one of the following actions with the intention of relinquishing U.S. citizenship:

3.1.1. Obtaining citizenship in a foreign state upon the retired member's application or upon an application filed on his or her behalf by a duly authorized agent;

3.1.2. Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state or a political subdivision thereof;

3.1.3. Entering, or serving in, the armed forces of a foreign state if:

3.1.3.1. Such armed forces are engaged in hostilities against the United States, or

3.1.3.2. Such persons serve as a commissioned or non-commissioned officer;

3.1.4. Accepting, serving in, or performing the duties of any office, post, or employment under the government of a foreign state or a political subdivision thereof, if:

3.1.4.1. The retired member has or acquires the nationality of such a foreign state, or

3.1.4.2. The acceptance of the office, post, or employment requires the retired member to take an oath, affirmation, or declaration of allegiance thereof;

3.1.5. Making a formal renunciation of nationality before a diplomatic or consular officer of the United States in a foreign state, in such form as may be prescribed by the Secretary of State;

3.1.6. Making a formal written renunciation of nationality in such form as may be prescribed by, and before such officer as may be designated by, the Attorney General, whenever the United States is in a state of war and the Attorney General approves such renunciation as not contrary to the interests of national defense; or

3.1.7. Committing any act of treason against, or attempting by force to overthrow, or bearing arms against, the United States, violating or conspiring to violate any of the provisions of ***18 U.S.C. § 2383***, or willfully performing any act in violation of ***18 U.S.C. § 2385***, or violating ***18 U.S.C. § 2384***, by engaging in a conspiracy to overthrow, put down, or to destroy by force the Government of the United States, or to levy war against them, if and when convicted thereof by a court martial or by a court of competent jurisdiction.

3.2 Loss of Citizenship at Issue

If the loss of U.S. citizenship is put at issue in any action or proceeding commenced on or after September 26, 1961, the burden of proof is upon the person or party stating the claim. Any person who has renounced his or her citizenship or performs any act of expatriation under the provisions of ***8 U.S.C., Chapter 12*** or any other Act, is presumed to have done so voluntarily unless it can be proven otherwise by a preponderance of the evidence.

3.3 Comptroller General (Comp Gen) Decisions on Loss of Citizenship

See Table 6-1 for decisions of the Comptroller General pertaining to loss of U.S. citizenship upon acquisition of foreign citizenship.

4.0 CONDITIONS NOT SUBJECTED TO LOSS OF U.S. CITIZENSHIP AND/OR LOSS OF ENTITLEMENT TO RETIRED PAY

4.1 Retired Pay for Non-regular Service

Retired pay benefits authorized for non-regular members of the uniformed services in ***10 U.S.C., Chapter 1223*** are viewed as a pension and entitlement to retired pay under ***10 U.S.C. § 12731*** is not dependent on the continuation of military status.

4.1.1. A military member entitled to receive retired pay under 10 U.S.C. § 12731(a)(1), who acquires foreign citizenship and/or status in a foreign military service prior to becoming eligible to receive retired pay does not lose entitlement to retired pay at the age of eligibility. See Chapter 1 for information regarding entitlements to retired pay under 10 U.S.C. § 12731.

4.1.2. A retired member who receives retired pay pursuant to 10 U.S.C. § 12731 is not required to forfeit such pay upon becoming a citizen of a foreign country. Further, if the retiree enters the armed forces of the foreign country, then the retiree's entitlement to retired pay continues if:

4.1.2.1. The foreign country is not one that is engaged in hostile military operations against the United States, or

4.1.2.2. The retired member is not serving as a commissioned or non-commissioned officer of the foreign services.

4.1.2.3. A right to retirement pay for non-regular members retired for disability under the provisions of the Act of August 27, 1940 is not conditioned on their remaining in military service. Therefore, these non-regular members are entitled to retirement pay without regard to whether they remain citizens of the United States, since that retired pay is viewed in the nature of a pension.

4.2 Retired Alien Enlisted of the Armed Forces

A retired alien enlisted member of a Regular Component of the armed forces who lives in a foreign country does not lose the right to retired pay in the absence of some provision of law or regulation affecting the member's right in such circumstances.

5.0 DUAL CITIZENSHIP AND/OR SERVICE IN THE ARMED FORCES OF A FOREIGN COUNTRY

5.1 Dual Citizenship

A retired member of a Regular Component, who resides in a foreign country and acquires foreign citizenship by operation of that country's law, and who does not relinquish U.S. citizenship is considered to have dual citizenship. Dual citizenship alone does not require a member to lose entitlement to retired pay.

5.2 Service in the Armed Forces of a Foreign Country

5.2.1. Service in the military force of a foreign country by a retired member of the Regular Component is inconsistent with the obligations of regular retired status, as well as being prohibited without congressional consent under Article I, section 9, clause 8 of the Constitution. Conditional congressional consent to accept foreign government "civil employment" granted by ***37 U.S.C. § 908*** does not apply to foreign military service.

5.2.2. Retired pay must be discontinued when a retired member becomes a member of a foreign military service without legislation indicating congressional consent. The eligibility of a retired member to receive retired or retainer pay and other benefits arising from the retired member's status as a retired member of the uniformed services, and the eligibility of dependents of the retired member to receive benefits based on the retiree's status, may not be terminated by reason of employment or holding of an office or position consented to by Congress. See Chapter 5 for provisions regarding service in military forces of newly democratic nations.

Table 6-1. Comp Gen Decisions-Foreign Citizenship

COMP GEN Decision Number	Synopsis
1. 37 Comp Gen 207	Reserve officers of the Navy who retire for physical disability are entitled to disability retired pay regardless of whether they continue to hold a status as a commissioned officer in a Reserve component, and the right to disability retired pay does not terminate upon becoming a citizen of another nation. The right of a retired member of Regular Navy to receive disability retired pay is contingent upon continuation of a status in the Regular Navy and loss of U.S. citizenship by a member is inconsistent with continuation of military status. Therefore, the right to retired pay terminates if a member of the Regular Navy becomes a citizen of a foreign country.
2. 41 Comp Gen 715	a. Retired Reserve officers, receiving retired pay for length of service under laws other than 10 U.S.C. § 12731, who lose U.S. citizenship by acquiring foreign citizenship are no longer eligible for involuntary recall to active duty in times of war or national emergency, and the acquisition of foreign nationality would be inconsistent with the oath prescribed for Reserve officers to support and defend the Constitution of the United States. Therefore, in the absence of any law authorizing continuation of an officer's membership in a Reserve organization after the officer becomes a citizen of a foreign country, payment of retired pay may not be approved. b. A Reserve officer described above may not terminate retired status through resignation or other means, then acquire foreign citizenship and continue to receive retired pay. Resignation terminates the right to retired pay. c. Retired enlisted members of the Regular Components remain a part of the armed forces, and their right to retired or retirement pay is dependent on continuation of their military status.
3. 44 Comp Gen 51	a. A retired enlisted member of a Regular Component of the armed forces who loses U.S. citizenship when the retired member acquires citizenship in a foreign country has taken a voluntary action so inconsistent with the oath of allegiance to the United States and status as a member of the armed forces to warrant termination of retired pay. b. U.S. citizenship is not a prerequisite to receipt of retired pay; however, if a citizen of the United States by birth acquires foreign citizenship, then his or her retired pay may be terminated
4. 44 Comp Gen 227	A retired member who voluntarily loses U.S. citizenship by becoming a citizen of a foreign country is regarded as having taken a voluntary action so inconsistent with an oath of allegiance to the United States to warrant termination of retired pay.
5. 48 Comp Gen 699	Retired pay benefits authorized non-Regular service members under 10 U.S.C. § 12731, viewed as a pension, are not dependent on continuation of military status. Member acquiring foreign citizenship and/or status in a foreign military service before age 60 does not lose entitlement to retired pay at age 60. Neither is retired pay forfeited upon becoming a citizen of a foreign country, and/or entry in the armed forces of a foreign country, provided that country is not one engaged in hostile military operations against the United States.
6. 50 Comp Gen 269	Payment of retired pay to an alien who chooses to live outside the United States after retirement would not constitute a bar to the receipt of retired pay in the absence of some provision of law or regulation affecting retiree's right in such circumstances.
7. Manuscript (MS) Comp Gen B-144694, February 14, 1961	An alien who had met the statutory requirement for enlistment in the Regular Air Force by filing a legal intention to become a citizen of the United States, but who never acquired U.S. citizenship, was entitled to receive retired pay when placed on the Temporary Disability Retired List. In the absence of a provision of law barring the payment of retired pay to an alien or indicating the lack of citizenship is inconsistent with status as a retired member of the Regular Air Force, there was no basis to question the member's right to retired pay benefits.
8. MS Comp Gen B-157646, October 5, 1965	Member was a naturalized citizen who was an officer in the Army Reserve and called to active duty. He retired from active duty for disability under 10 U.S.C. § 1201 and returned to his country of birth. If he resumed former nationality, he would no longer be eligible for retired pay. There is a distinction between a retirement creating a status with an accompanying right to retired pay and a mere grant of retirement pay. This member received retired pay under a law providing for retirement, as distinguished from a grant of retirement pay. The member was transferred to the retired Reserve and was subject to recall to active duty. His continuing retired status would terminate if he became a citizen of another country, and he would not be eligible to receive retired pay.

Table 6-1. Comp Gen Decisions-Foreign Citizenship (Continued)

COMP GEN Decision Number	Synopsis
9. 58 Comp Gen 566	a. A retired Regular Army officer residing in Israel acquired Israeli citizenship by operation of Israeli law, but also remains a U.S. citizen. While the loss of U.S. citizenship is inconsistent with status as a retired Regular officer and thus results in loss of status as an officer and loss of entitlement to retired pay, dual Israeli/U.S. citizenship alone does not require loss of entitlement to retired pay. b. A retired Regular Army officer residing in Israel who has dual Israeli/U.S. citizenship is subject to service in the Israel Defense Forces, the Israeli armed force. Such service in a foreign armed force by a retired Regular officer appears inherently inconsistent with his position as a Regular Army officer, as well as being prohibited (without congressional consent) by Article I, section 9, clause 8 of the Constitution of the United States. Thus, service in the foreign armed force would make the status as a retired Army officer very doubtful. Retired pay may not be paid without authorizing legislation.
10. MS Comp Gen B-212481, February 2, 1984	A retired member of the armed forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces U.S. citizenship, loses the right to retired pay since entitlement to retired pay depends upon the continuation of the individual's status as a retired member of the military service available for service as required, and that status is incompatible with renunciation of U.S. citizenship. Such a person, however, who elected to participate in the Survivor Benefit Plan and from whose retired pay the required deductions were being made for coverage under the plan when U.S. citizenship is renounced, may continue coverage under the plan by making the required payments into the Treasury.

REFERENCES

CHAPTER 06 – FOREIGN CITIZENSHIP AFTER RETIREMENT

1.0 – General

1.1.1	Comp Gen (B-212481) February 2, 1984 58 Comp Gen 487 (B-193562) May 3, 1979 65 Comp Gen 382 (B-220860) March 10, 1986 40 Comp Gen 541 (B-120533) March 23, 1961
1.1.2	37 Comp Gen 207 (B-132458) September 24, 1957 41 Comp Gen 715 (B-147777) May 1, 1962
1.1.3	Comp Gen (B-159945) January 30, 1957 United States v. Tyler, 105 U.S. 244 (1882) MS Comp Gen (B-157646) October 5, 1965 48 Comp Gen 699 (B-166142) April 24, 1969

2.0 – Foreign Residence

	United States v. Gay, 264 U.S. 353 (1924) Schneider v. Rusk, 377 U.S. 163 (1964)

3.0 – Loss of U.S. Citizenship

3.1	8 U.S.C. § 1481(a) 18 U.S.C. §§ 2383, 2384, and 2385 Comp Gen (B-212481) February 2, 1984
3.2	8 U.S.C. § 1481(b)

4.0 – Conditions Not Subjected to Loss of U.S. Citizenship and/or Loss of Entitlement to Retired Pay

4.1	48 Comp Gen 699 (B-166142) April 24, 1969 10 U.S.C., Chapter 1223 10 U.S.C. § 12731 37 Comp Gen 207 (B-132458) September 24, 1957
4.2	44 Comp Gen 51 (B-154218) August 4, 1964 MS Comp Gen (B-144694) February 14, 1961

5.0 – Dual Citizenship and/or Service in the Armed Forces of a Foreign Country

5.2	37 U.S.C. § 908
5.2.2	10 U.S.C. § 1060

VOLUME 7B, CHAPTER 7: "ACTIVE/RESERVE DUTY AFTER RETIREMENT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3.3.1	Renumbered from 3.3.2 and rephrased for clarity.	Revision
3.3.2	Renumbered from 3.3.1 and rephrased for clarity.	Revision
3.5.3	Rephrased to clarify a provision related to disability retirement computation on or after January 8, 2011.	Revision
Table 7-1	Updated with 2 percent multiplier for Blended Retirement System (BRS) to comply with subparagraph 3.3.3.	Revision
References	Updated references.	Revision

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CHAPTER 7

ACTIVE/RESERVE DUTY AFTER RETIREMENT

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information for retired members who subsequently perform additional active/reserve duty and their entitlement to retired or retainer pay recomputation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT AND ELIGIBILITY

2.1 Entitlement to Recomputation of Retired Pay

A member of the Armed Forces who has become entitled to retired or retainer pay, and later serves on active duty (other than for training) is entitled to have retired or retainer pay recomputed upon the member's release from active duty to take into account any additional service. A retiree or member eligible for retired pay who serves in an active status in the Selected Reserve is entitled to elect recomputation of their Reserve (non-regular) retired pay, if the criteria described in paragraph 2.2 or 2.3 are met. The term "active duty" is defined under ***10 U.S.C., section 101(d)(1)*** to mean "full-time duty in the active military service of the United States. Such term includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Such term does not include full-time National Guard duty." As used here, it does not include training.

2.2 Active Reserve (Non-Regular) Service After Regular Retirement or Eligibility for Regular Retirement

A member who served in an active status in the Selected Reserve of the Ready Reserve after becoming eligible for regular retired or retainer pay based on years of service, without regard to whether the member actually retired or received retired or retainer pay for regular service, may apply for Reserve (non-regular) retired pay if the member:

2.2.1. Has attained the Reserve (non-regular) pay eligibility age of 60 years or such other reduced eligibility age as provided for in ***10 U.S.C. § 12731(f)***;

2.2.2. Has performed at least 20 years of service for a Reserve (non-regular) retirement; and

2.2.3. After October 28, 2009, has completed two or more years of satisfactory service, as determined by the Secretary concerned, in an active status (excluding any period of active service) subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay. The term "active status" means the status of a member of a reserve component who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve. See 10 U.S.C. § 101(d)(4). A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory by the Secretary concerned, is not subject to the 2-year service requirement. See paragraph 2.4 for exceptions to the 2-year requirement subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay.

2.3 Active Reserve Service After Reserve (Non-Regular) Retirement

The following subparagraphs address members of the Retired Reserve recalled to an active status in the Selected Reserve under ***10 U.S.C. § 10145(d)*** on or after October 28, 2009, and are subject to the exception in paragraph 2.4:

2.3.1. A member of the Retired Reserve is entitled to recomputation of Reserve (non-regular) retired pay if the member serves in such status for not less than 2 years; or

2.3.2. A commissioned officer of the Retired Reserve who completes not less than 2 years in an active status is entitled to an adjustment in the retired grade, subject to service requirements.

2.4 Exception to 2-Year Active Status Service

The Secretary concerned may reduce the minimum 2-year service requirement specified in subparagraph 2.2.3 and paragraph 2.3 in the case of an officer of the National Guard who:

2.4.1. Completes at least 1 year of service in a position of adjutant general or assistant adjutant general; and

2.4.2. Fails to complete the minimum 2 years of service solely because the appointment of the person to such position was terminated or vacated as provided by:

2.4.2.1. The laws of the State of whose National Guard he or she is a member; or

2.4.2.2. The laws of the Commonwealth of Puerto Rico, or the District of Columbia, Guam, or the Virgin Islands, of whose National Guard he or she is a member.

3.0 RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

3.1 Basic Recomputation Formula

A retired member who subsequently serves on active duty is generally entitled, after completion of that active duty, to retired pay recomputed by multiplying a revised retired or retainer pay base by a revised retired pay multiplier.

3.2 Revised Retired or Retainer Pay Base

The retired or retainer pay base for a recomputation of retired pay differs depending on the date the member first became a member of the uniformed services and whether the recomputation is for subsequent service in the Selected Reserve or subsequent active duty in a Regular Component.

3.2.1. Service in an Active Status in the Selected Reserve. A member, who after retirement or eligibility for retired or retainer pay serves in an active status in the Selected Reserve, as described in paragraph 2.2 or 2.3, is entitled, upon request, to elect to receive reserve retired pay computed using a revised retired pay base.

3.2.1.1. Before September 8, 1980. If the member first became a member of the uniformed service before September 8, 1980, the retired pay base is the monthly basic pay determined at the rates applicable on the date the member completes the qualifying active Reserve service.

3.2.1.2. After September 7, 1980. If the member first became a member of the uniformed service after September 7, 1980, the retired pay base used is the average of the member's high-36 months (whether or not consecutive) out of all the months before the member became entitled to retired pay by reason of election of retired pay under the provisions of this paragraph.

3.2.2. Service on Active Duty. A member entitled to retired or retainer pay, who subsequently serves on active duty, other than for training, is entitled to recomputed retired or retainer pay using a revised retired pay base.

3.2.2.1. Before September 8, 1980. For a member who first became a member of the uniformed service before September 8, 1980, the revised retired or retainer pay base is the monthly basic pay of the grade determined as follows. If the member served:

3.2.2.1.1. Less than 2 continuous years on subsequent active duty, the member's revised retired or retainer pay base is the rate of basic pay under which the member's previous retired or retainer pay was computed upon entrance to subsequent active duty; increased by any applicable cost-of-living adjustment (COLA) issued during that period of active duty; or

3.2.2.1.2. At least 2 or more continuous years on subsequent active duty, the member's revised retired or retainer pay base is the appropriate rate of basic pay of the grade and years of service to which eligible if retired (or transferred to the Fleet Reserve (FR) or Fleet Marine Corps Reserve (FMCR)) upon release from this period of active duty. The revised retired or retainer pay base is computed using the pay tables in effect immediately prior to the tables under which the member was paid during the period of that active duty, increased by any applicable COLA issued during this period of active duty. In the rare case when a member serves for two or more continuous years of subsequent active duty under the same pay table and that table is in effect at the time of the member's release from that period of active duty, use the appropriate basic pay from that table.

3.2.2.2. After September 7, 1980. For a member who first became a member of the uniformed service after September 7, 1980, the revised retired or retainer pay base is the high-36 month average of all service, including subsequent active duty, as though retiring or transferring to the FR or the FMCR for the first time.

3.2.2.3. Optional Pay Base. A retired member entitled to recomputation of retired pay (for other than disability) after subsequent active duty, may elect to substitute the retired pay base in use upon entry to such active duty which is increased by any applicable COLA issued during the period of the subsequent active duty.

3.3 Revised Retired Pay Multiplier

* 3.3.1. The years of service for determining the revised retired or retainer pay multiplier for a member described in paragraph 3.2.1 will be computed in accordance with ***10 U.S.C., Chapter 1223***, pertaining to Reserve (non-regular) retirement.

* 3.3.2. The years of service for determining the revised retired or retainer pay multiplier for a member described in paragraph 3.2.2 are those already credited in computing the original retired or retainer pay, plus all years of active service after having become entitled to retired or retainer pay.

3.3.2.1. Increase the years of service as follows:

	Year	Month	Day
Date released from active duty	2014	05	28
Date recalled to active duty	2011	09	09
Additional time on active duty	02	08	19 + 1
	(1 day added for inclusive dates)		
Service credited upon retirement	22	06	03
Plus additional active duty	02	08	20
Service credited for recomputation	25	02	23

3.3.2.2. After computing, convert to years and fraction of years by crediting each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year and disregard any remaining fractional part of a month.

3.3.3. The percentage to apply to the years of service for determining the revised or retainer pay multiplier is determined by the member's applicable retirement system. For members who first entered service on or before December 31, 2017, and who did not opt to enroll in the Blended Retirement System (BRS), the retired pay multiplier is 2.5 percent for each year of service. However, such a member who accepted the post July 31, 1986, reduced retirement (REDUX) and Career Status Bonus (CSB) remains subject to a 1 percent reduction in the final multiplier for each year less than 30 years of service. This reduction to the final multiplier will be decreased as a result of the additional active service credited. For members who first entered service on or after January 1, 2018, or who opted to enroll in the BRS, the retired pay multiplier is 2.0 percent for each year of service.

3.4 Special Considerations for Recomputation

The following subparagraphs address special considerations for recomputation of retired pay for members who first became a member of the uniformed services before September 8, 1980 (Final Pay Members).

3.4.1. A retiree advanced in grade on the retired list while serving on active duty after retirement may decline advancement to the higher grade upon release from active duty if advancement results in a reduction in retired pay entitlement. The retiree is entitled to recomputation using either:

3.4.1.1. The higher grade based on the basic pay rates applicable at the time of retirement increased by the applicable COLA in that pay (see Chapter 8); or

3.4.1.2. The grade held before advancement based on the basic pay rates replaced by those in effect upon release from active duty if active duty after retirement was for a continuous period of at least 2 years.

3.4.2. It is not mandatory that a retiree be advanced on the retired list. Once advanced, the retiree has retired pay rights determined under the section governing such advancement.

3.4.3. A retired officer recalled to active duty (other than for training) in the grade held on the retired list, under any law that authorized advancement on the retired list based on a special commendation for the performance of duty in actual combat, may have retired pay recomputed upon release from active duty based on that grade as prescribed in Table 7-1, rule 1 and on the basis of the rate:

3.4.3.1. In effect upon release from active duty if the retiree received these rates for a continuous period of at least 3 years; or

3.4.3.2. Replaced by those in effect upon release from active duty if the retiree did not receive the current rates for a continuous period of at least 3 years.

3.4.4. A retiree recalled to active duty after retirement and promoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

3.4.4.1. The higher grade to which promoted in which the retiree served satisfactorily, if the member met service time-in grade requirements; or

3.4.4.2. The lower grade held at initial retirement.

3.4.5. A retiree recalled to active duty after retirement and demoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

3.4.5.1. The grade to which demoted; or

3.4.5.2. The retired pay to which entitled in the grade held at initial retirement, increased by the applicable COLA.

3.5 Special Considerations for Disability Retirees

3.5.1. A member who reverts to retired pay after active duty with a new or aggravated physical disability rated at 30 percent or more may elect to receive:

3.5.1.1. The retired pay to which they became entitled when previously retired, increased by any applicable subsequent COLA; or

3.5.1.2. Retired pay recomputed using a revised pay base and revised retired pay multiplier. The revised pay base for a member under high-36 rules is described in subparagraph 3.2.1. The revised pay base for a member under final pay rules is the highest monthly basic pay received while on active duty after retirement or after the date when placed on the Temporary Disability Retired List (TDRL). The revised retired pay multiplier is as the member elects either 2.5 percent for each year of service creditable for a disability retirement or the highest percentage of disability, not to exceed 75 percent, attained while on active duty after retirement or after the date when placed on the TDRL.

3.5.2. A member who was retired for physical disability or whose name is on the TDRL who reverts to the retired list after subsequent active duty, but who did not incur a new or aggravate any existing physical disability while on the subsequent active duty, may elect to receive either:

3.5.2.1. Retired pay to which they became entitled when previously retired, increased by any applicable COLA; or

3.5.2.2. Retired pay as computed for a non-disability reversion under the provisions of paragraphs 3.2 and 3.3.

* 3.5.3. The retired pay of a member who retired or became eligible to retire due to a physical disability on the Permanent Disability Retired List, or TDRL, on or before January 7, 2011, is limited to 75 percent of the retired pay base upon which the computation is based. A member who first becomes eligible to retire or retires for a physical disability on or after January 8, 2011, is entitled to the more favorable retired pay multiplier computed as either:

3.5.3.1. 2.5 percent of years of creditable service under ***10 U.S.C. § 1208***, or

3.5.3.2. The percentage of disability, not to exceed 75 percent, on date when retired (or placed on the TDRL).

3.5.4. A member placed on the TDRL may not have a retired pay multiplier less than 50 percent.

4.0 COST-OF-LIVING ADJUSTMENT (COLA)

4.1 Application of COLA Increases

Apply the COLA increases to recomputed retired pay in the same manner as for initial retirement. The first COLA after reversion to retired pay following a period of active duty may be a partial COLA depending upon the reversion date. When the recomputed retired pay is based on the original retired pay or the original retired pay base, apply all COLA increases from the date of initial retirement. See Figure 7-1 for application of the COLA increases to recompute retired pay. Chapter 8 contains the annual COLA rates.

4.2 Compare Basic Pay Rates to Tower Amendment Provisions

The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based. See the provisions in Chapter 3, regarding the Tower Amendment to determine if basic pay rates authorized under that provision afford greater retired pay entitlement than those computed under this chapter.

5.0 HEROISM PAY

5.1 Extraordinary Heroism

An enlisted member who has been credited by the Secretary concerned with extraordinary heroism in the line of duty during any period of active service in the armed forces and who is entitled to recomputation of retired pay based on subsequent active duty will have the recomputation of retired pay increased by 10 percent, subject to the limits listed in Chapter 1.

5.2 Extraordinary Heroism and the Retired Pay Multiplier

The addition of heroism pay is limited to certain maximum retired or retainer pay percentages. For details on heroism pay refer to Chapter 1.

6.0 RETIRED PAY AND ACTIVE SERVICE

A retired member who elects to receive compensation for periods of active duty or inactive duty training must waive 1 day of retired pay for each calendar day while serving on active duty, inactive duty training, or in an active Reserve status. See Chapter 12.

Figure 7-1. Recomputation After Recall to Active Duty

Examples of Retired Pay Recomputation After Recall to Active Duty

1. Final Basic Pay Method

E-7 retired 8/1/2006 with exactly 27 years of service

Retired Pay Entitlement	$4,113.60 (E-7 over 26/2006 pay rates) X 67.5% (27 years X 2.5%) = $2,776.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402(a) E-7 with 29 years (Notes 1, 2, and 5)

$4,521.00 (E-7 over 28/2009 pay rates (Note 2))
X 72.5% (29 years X 2.5%) = $3,277.00 (recomputed retired pay)

10 U.S.C. § 1402(e) E-7 with 29 years (Notes 2, 3, and 5)

$4,113.60 (E-7 over 28/2006 pay rates)
X 72.5% (29 years X 2.5%) = $2,982.00)

12/2006 COLA	2.8%	$3,065.00 (2.8% X $2982.00 = $3,065.50) (partial COLA)
12/2007 COLA	2.3%	$3,135.00 (2.3% X $3065.00 = $3,135.50)
12/2008 COLA	5.8%	$3,316.00 (5.8% X $3135.00 = $3,316.83)
12/2009 COLA	0.0%	$3,316.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Saved Pay (Notes 2, 4, and 5)

$2,776.00 (initial retired pay)

12/2006 COLA	2.8%	$2,853.00 (2.8% X $2776.00 = $2,853.73) (partial COLA)
12/2007 COLA	2.3%	$2,918.00 (2.3% X $2853.00 = $2,918.62)
12/2008 COLA	5.8%	$3,087.00 (5.8% X $2918.00 = $3,087.24)
12/2009 COLA	0.0%	$3,087.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The 1402(a) recomputation utilizes a more current active duty pay table and the new total years of service.
2. Use the active duty pay rates in effect on date of release only if the member received pay from that rate table for at least 2 years. If recalled for over 2 years, but did not receive pay from the same table for 2 years, the immediately preceding rates of active duty pay are utilized. If recall is less than 2 years, utilize the pay table in effect upon original retirement.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

Notes (Continued):
3. The 1402(e) recomputation utilizes the pay table in effect at retirement, but uses the new service totals and updated by applicable COLAs. See Chapter 8 for the COLA rates.
4. Saved Pay is the member's original retired pay entitlement, as updated by the COLA.
5. The highest option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

2. High-36 Average Method

E-7 retired 10/1/2006 with exactly 22 years of service

Retired Pay Entitlement	$3,408.08 (high-36 average base) X 55% (22 years X 2.5%) = $1,874.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010 (Note 1)

Pay Recomputation:

10 U.S.C § 1402a(a) E-7 with 24 years (Note 2)
$3,963.75 (new high-36 with recall service)
X 60% (24 years X 2.5%) = $2,378.00

10 U.S.C § 1402a(e) E-7 with 24 years (Note 2)
$3,408.08 (original high-36 pay base)
X 60% (24 years X 2.5%) = $2,044.00

12/2006 COLA	0.0%	$2,044.00 (partial COLA)
12/2007 COLA	2.3%	$2,091.00 (2.3% X $2044.00 = $2,091.01)
12/2008 COLA	5.8%	$2,212.00 (5.8% X $2091.00 = $2,212.28)
12/2009 COLA	0.0%	$2,212.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Note:
1. If the member's post-retirement service is not continuous, the recomputation will be done only after the period during which the member was permitted to serve expires.
2. The higher option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

3. High-36 Average with REDUX/CSB Method

E-7 retired 10/1/2006 with exactly 20 years of service

Pay Entitlement
$3,351.03 (high average base)
X 40% (20 years X 2.5% less 10% (Note 1)) = $1,340.00

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402a(a) E-7 with 22 years (Note 1)
$3,816.61 (recomputed high-36 average base using the 24 months of subsequent service)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,793.00

10 U.S.C. § 1402a(e) E-7 with 22 years (Note 1)
$3,351.03 (original high-36 pay base)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,574.00

12/2006 COLA	0.0%	$1,574.00 (partial COLA)
12/2007 COLA	1.3%	$1,594.00 (1.3% X $1,574.00)
12/2008 COLA	4.8%	$1,670.00 (4.8% X $1,594.00)
12/2009 COLA	0.0%	$1,670.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The higher option is paid.
2. Reduced by 1% for each year less than 30 years.

*Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
1	a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)	the member first became a member before September 8, 1980	monthly basic pay (note 2) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty	2.5 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay or retainer pay; and (2) years of active service after becoming entitled to retired pay or retainer pay (Note 3)		the excess over 75 percent of pay upon which the computation is based, only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.
2	a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)	the member first became a member after September 7, 1980	retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty	the retired pay multiplier or the retainer pay multiplier for a high-36 retiree (with reduction described under paragraph 3.3 for post-August 1, 1986 members who elected the CSB with REDUX retirement) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay		the excess over 75 percent of retired or retainer pay based upon computation only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
3	a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)	member first became a member before September 8, 1980	highest monthly basic pay that member received while on active duty after retirement or after date when member's name was placed on TDRL	as a member elects: (1) 2.5 percent of years of service credited under 10 U.S.C. § 1208 (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member's name was placed on TDRL	the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.	
4	a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)	member first became a member after September 7, 1980	the retired pay base	as a member elects: (1) 2.5 percent for pre-BRS or 2 percent for BRS times years of service credited under 10 U.S.C. § 1208 (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member's name was placed on TDRL	the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.	
5	a member previously retired for disability, reverts to retired status without incurring any additional or aggravating disability that would qualify for disability retirement (Note 6)		either the highest monthly pay they received on active duty or the retired pay base as appropriate under rule 3 or 4	2.5 percent for pre-BRS or 2 percent for BRS times years of service credited under 10 U.S.C. § 1208 (Note 3).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

RULE	If	and	take	multiply by	add	subtract (Notes 4 & 5)
6	a member entitled to or receiving regular retired pay based on years of service that has attained Reserve Retired pay eligibility and age and has performed at least 20 years of service qualifying for a Reserve retirement	served in an active status as a member of an Reserve Component on or after October 28, 2009, completing 2 or more years of satisfactory service after becoming eligible for regular retired pay based on years of service without regard to whether the member actually retired or received retired or retainer pay for regular service (Notes 7 & 8)	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the new retirement date	2.5 percent for pre-BRS or 2 percent for BRS times the years of service credited for percentage purposes (Note 9).		
7	a member of Retired Reserve serves in active status in Selected Reserve on or after October 28, 2009	serves for not less than 2 years in such active status	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the date of release from duty	2.5 percent for pre-BRS or 2 percent for BRS times the years of service credited for percentage purposes (Note 9).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

Notes:
1. Alternatively, members eligible under rules 1 or 2 may elect to substitute the rate of basic or monthly retired pay base (high-36 average) under which the original retired pay was computed at the time of entering on this period of active duty (increased by any applicable adjustments in the COLA) for the amount in column C of the table.
2. For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon release from active duty, compute under those rates. For a member who has been entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence**,** compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member**,** compute under the rates of basic pay under which the member's retired pay or retainer pay was computed when member entered on that active duty.
3. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.
4. The amount computed, if not a multiple of $1, is rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. The rounded amount becomes the member's entitlement and any future adjustments is based on this rounded entitlement.
5. The reduction only applies to a member who retired before January 1, 2007, with more than 30 years of creditable service who is recalled to active duty and serves on active duty for a continuous period of less than 2 years that ends after January 1, 2007, per DoD Memorandum dated December 22, 2006.
6. Alternatively, members eligible under rules 3, 4, or 5 may elect to substitute the retired pay to which entitled when originally retired increased by any applicable adjustments in the COLA.
7. A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory, is not subject to the 2-year requirement.
8. The 2-year service requirement may be reduced by the Secretary concerned if an officer of the National Guard completes at least 1 year of service in a position of adjutant general or assistant adjutant general and fails to complete the minimum years of service solely because the appointment to such position is terminated or vacated under applicable State or territorial law.
9. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, then round to two decimal places. Example: 4,735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the 10 U.S.C. § 12731 retiree only) to be multiplied by 2.5 percent for pre-BRS or 2 percent for BRS.

*REFERENCES

CHAPTER 07 — ACTIVE/RESERVE DUTY AFTER RETIREMENT

2.0 – ENTITLEMENT AND ELIGIBILITY

2.1	10 U.S.C. § 1402
	10 U.S.C. § 1402a
2.2	10 U.S.C. § 12731(a)
	10 U.S.C. § 12741(a)
	10 U.S.C. § 10145(d)
2.2.1	10 U.S.C. § 12731(a)(1)
	10 U.S.C. § 12731(f)
2.2.2	10 U.S.C. § 12731(a)(2)
2.2.3	10 U.S.C. § 12741
2.3.1	10 U.S.C. § 12739(e)(1)
2.3.2	10 U.S.C. § 12771(b)
	10 U.S.C. § 10145(d)
2.4.1	10 U.S.C. § 12739(e)(2)
	10 U.S.C. § 12771(b)(2)
2.4.2	32 U.S.C. § 324(b)

3.0 – RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

3.2.1	10 U.S.C. §12741
	10 U.S.C. § 1406
	10 U.S.C. § 1407
3.2.2	10 U.S.C. § 1402
	10 U.S.C. § 1402a
	10 U.S.C. § 1407(b)
	10 U.S.C., Chapter 1223
3.2.2.1	10 U.S.C. § 1402
3.2.2.1.1	Comptroller General (Comp Gen), B-234888, July 16, 1990
3.2.2.1.2	69 Comp Gen 141, B-236552, December 18, 1989
3.2.2.2	10 U.S.C. § 1402a
	10 U.S.C. § 1407
3.2.2.3	10 U.S.C. § 1402(e)
	10 U.S.C. § 1402a(e)
3.3	10 U.S.C. § 1402(a)
	10 U.S.C. § 1402a(a)
3.3.3	10 U.S.C. § 1409
3.4.1.2	51 Comp Gen 137, B-173293, August 31, 1971
3.4.2	44 Comp Gen 510, B-155940, February 23, 1965
3.4.3	10 U.S.C. § 1402(a)

REFERENCES (Continued)

3.4.4	47 Comp Gen 289, B-162676, November 22, 1967 10 U.S.C. § 1402(e)
3.4.5.2	10 U.S.C. § 1402(e)
3.5.1	10 U.S.C. § 1402(b)-(d) 10 U.S.C. § 1402a(b)-(d)
3.5.1.1	10 U.S.C. § 1402(d)(1) 10 U.S.C. § 1402a(d)(1)
3.5.1.2	10 U.S.C. § 1402(d)(2) 10 U.S.C. § 1402a(d)(2)
3.5.2	Comp Gen 178, B-204055, May 17, 1982
3.5.3	Public Law 111-383, Section 631, January 7, 2011 10 U.S.C. § 1208 10 U.S.C. § 1401(a)
3.5.4	10 U.S.C. 1402(d) 10 U.S.C. § 1402a(d)

5.0 – HEROISM PAY

5.1	10 U.S.C. § 1402(f), 1402a(f), 7361(a)(2), 8330(c)(3), 9361(a)(2), and 12739(b)

6.0 – RETIRED PAY AND ACTIVE SERVICE

Comp Gen B-179882, December 4, 1974

VOLUME 7B, CHAPTER 8: "BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and revised the chapter to comply with current administrative instructions.	Revision
5.16	Added COLA rates for retired pay, effective December 1, 2023.	Addition
5.16	Added Executive Order 14113, which provides monthly basic pay increase for members of the uniformed services, effective January 1, 2024.	Addition
5.17	Added COLA rates for retired pay, effective December 1, 2024.	Addition
5.17	Added Executive Order 14132, which provides monthly basic pay increase for members of the uniformed services, effective January 1, 2025.	Addition
Table 8-1	Updated Table 8-1, Full COLA Percentage Table.	Revision
References	Updated references.	Revision

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CHAPTER 8

BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

1.0 GENERAL

1.1 Overview

Historical information on legislative actions for, the application of special provision in determining the accuracy of retired pay from October 1949 to Fiscal Year (FY) 2009, is located in the archived Chapter 8, dated July 2013, to include COLA rates for the period. Additionally, beginning with FY 1998, the COLA Memorandums are located at ***https://militarypay.defense.gov/Pay/Retirement/Cola.aspx***.

1.2 Purpose

This chapter provides information on legislative actions for the application of special provisions in determining the accuracy of retired pay. Pursuant to Title 10, United States Code (U.S.C.), ***section 1401a(b)***, COLA rates are listed in this chapter for the periods from FY 2010 to the present.

1.2.1. Accuracy of Retired Pay

The member's retired pay is determined through a history of basic pay rates, retired pay increases, and the application of special provisions. Retired pay for members who have entered a uniformed service after September 7, 1980, is computed using a retired or retainer pay base. See Chapter 3 for gross pay computation. This chapter explains the effect of legislation and COLA on retired pay that has been computed using a retired or retainer pay base.

1.2.2. The Use and Effect of Active Duty Pay Rate Increases on Retired Pay

Before June 1, 1958, all members (except the pre-October 1, 1949, "saved pay" accounts) received a direct percentage of the active duty basic pay rates in effect October 1, 1949 through May 31, 1958. With the enactment of Public Law 85-422, effective June 1, 1958, it became increasingly more difficult to prepare and maintain tables reflecting the pay of members on the retired rolls and, eventually, preparing such tables was no longer feasible. Public Law 85-422 prohibited the recomputation of retired pay based on changes in the active duty basic pay rates after retirement. The date of retirement was a factor in computing retired pay because the retired member's pay was fixed to the basic pay rate in effect on the date of retirement. The exceptions permitting members to use another basic pay rate under certain conditions and circumstances are outlined in later paragraphs. The applicable active duty pay tables now serve as the basis for determining the rate of retired pay.

1.2.3. Service After September 7, 1980

For members who have entered a uniformed service after September 7, 1980:

1.2.3.1. The amount of retired pay is individualized. Members who retire with the same grade and years of service for percentage and basic pay purposes may not receive the same amount of retired pay; and

1.2.3.2. The member's current retired pay can be verified from the retired or retainer pay base, years of service for percentage purposes or percentage of disability, retired pay increases, and the application of any special provisions in retired pay identified in this chapter.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with, the U.S.C., including Titles 5 and 10. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Base Index

The base index is the price index for the base quarter for the most recent adjustment under 10 U.S.C. § 1401a(b).

2.2 Base Quarter

Base Quarter is the calendar quarter ending on September 30 of each year.

2.3 Burchinal Decision

The Burchinal Decision is a Comptroller General (Comp. Gen.) decision ***53 Comp. Gen. 698 (1974)*** that retired pay is computed only under the current pay rates or the pay rates in effect immediately before the current rate pursuant to 10 U.S.C. § 1401a(e). Public Law 90-207, effective October 1, 1967, added subsection (e) under 10 U.S.C. § 1401a as a method to prevent pay inversion. See also paragraph 3.4. On October 7, 1975, ***Public Law 94-106*** added subsection (f) under 10 U.S.C. § 1401a, which superseded 10 U.S.C. § 1401a(e).

2.4 COLA

Percentage change increases are applied to retired pay based on laws using the Consumer Price Index (CPI), Urban Wage Earners and Clerical Workers-U.S. City Average (commonly referred to as CPI-W), as published by the Bureau of Labor Statistics, to determine the amount of the increase. Full COLA percentages appear in Table 8-1.

2.4.1. Full COLA. Members on the retired rolls receive the full COLA if their retired pay is computed using the basic pay rates which were effective before the previous COLA.

2.4.2. Partial COLA. Members whose retired pay is computed using the basic pay rates that become effective at the same time or after the previous COLA receive a partial COLA. This increase is effective from the later of the date of the full COLA or the date of retirement.

2.5 Legislative Increase

A legislative increase refers to any adjustment in retired pay authorized by legislation that identifies a percentage increase rather than based on the CPI.

2.6 Otherwise Qualified

This term refers to members, retired under a particular law, who are eligible for retirement under another law that may provide greater benefits. It pertains primarily to disability retirees when members have enough service to be retired for nondisability.

2.7 Pay Table Code

Pay table code refers to the designation by number (or other means) used by the Defense Finance and Accounting Service to identify active duty pay rates in effect during various periods.

2.8 Price Index

Price index refers to the CPI (all items, U.S. city average) published by the Bureau of Labor Statistics.

2.9 Price Index for a Quarter

For purposes of this chapter, the price index for a calendar quarter is the arithmetical mean (average) of the price index for the three months comprising that quarter.

2.10 Recomputation

Recomputation is the provision for recomputing retired pay using a pay table other than that used in the first computation of retired pay.

2.11 Retired Pay

The term "retired pay" includes retainer pay.

2.12 Retired Pay Base

The retired pay base is an average of the highest monthly basic pay rates applicable to a member, determined by the length of time the member was a member of a uniformed service (less than or at least 36 months) and/or the type of retirement (e.g., disability or voluntary). The retired pay base or retainer pay base applies to members who entered a uniformed service after September 7, 1980. It replaced the monthly basic pay rate formerly used to compute retired or retainer pay. See Chapter 3 for pre-September 8, 1980, members.

2.13 Uniform Retirement Date Act (URDA)

Pursuant to ***5 U.S.C. § 8301***, the URDA provides, under certain retirement laws, that members cannot be retired before the first day of the month after the date of first eligibility; and determines the pay table used in computing retired pay. This provision is especially significant when the retirement date coincides with the effective date of an active duty basic pay rate increase. There is an additional requirement to compute pay on the rates in effect by the date retirement would have occurred except for this restriction.

2.14 Years of Service for Basic Pay

Computation of service years creditable in determining the basic pay rate upon which retired pay is based may vary depending upon retirement law. See Volume 7A, Chapter 1.

2.15 Years of Service for Percentage Multiplier

The years of service for percentage multiplier refers to service years creditable in determining the percentage multiplier factor (applicable percentage rate described in Chapter 3, subparagraph 2.1.2 times years of creditable service) in retired pay computation. Computation of years of service may vary depending upon retirement law. For reserve retirements under ***10 U.S.C., Chapter 1223***, reserve service points are converted to years of service (i.e., total points divided by 360 equal years of service). See Chapter 1.

3.0 MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

3.1 Retired Pay Based on the Consumer Price Index (CPI)

Effective October 1, 1963, 10 U.S.C. § 1401a, as added by Public Law 88-132, stipulated that future adjustments to retired pay would be based on the CPI. Each January, the Secretary of Defense was to review the CPI from the previous calendar year and, if it had increased 3 percent or more, then would affect a percentage increase in retired pay by April 1 using the percentages of increase in the CPI.

3.2 Effects of Public Law 90-207 on Retired Pay Computation

Public Law 90-207, effective October 1, 1967, added subsections (c) through (e) under 10 U.S.C. § 1401a. Subsections (c) and (d) stipulated that retired pay, when computed from the current basic pay rates, would increase at the later of the next COLA or retirement date by a partial adjustment. The partial adjustment represented the percent by which the new base index exceeded the index in effect on the day before the basic pay increase. Subsection (e), a saved pay provision, permitted computation of retired pay on the basic pay rates in effect immediately preceding those in effect on the retirement date if they were more favorable because of a COLA. Public Law 98-94, section 921, effective September 24, 1983, repealed the 1-year look-back provision that was under 10 U.S.C. § 1401a(e).

NOTE: For additional information on the repealed section, see paragraph 080213 in archived Chapter 8. Section 8(a) of Public Law 90-207 provided that, effective January 1, 1968, whenever the General Schedule of Compensation for Federal classified employees increased, an adjustment in the monthly basic pay to authorized members of the uniformed services immediately would become effective.

3.3 One Percent Increase to COLA

Public Law 91-179, effective October 31, 1969, stipulated that 1 percent would be added to the percentage increase each time there was a general COLA to retired pay. Partial COLA increases did not include the 1 percent. The add-on was provided to make up for the 3-month time lag between the rise in the CPI and the actual increase in retired pay. ***Public Law 94-440***, effective October 1, 1976, eliminated the 1 percent increase.

3.4 Pay Inversion

Public Law 85-422, effective June 1, 1958, prohibited recomputation of retired pay each time active duty pay was increased. Therefore, it was assumed that members of the same pay grade and years of service who retired under later active duty pay increases would receive greater retired pay. Beginning in 1971, there were instances where the cumulative COLA applied to retired pay was greater than the increases in the active duty pay rates, which was known as “pay inversion.” Pay inversion created some retention problems because, through early retirement, members could increase their retired pay rather than remaining on active duty. Under 53 Comp. Gen. 698 (1974), known as the “Burchinal Decision,” members were restricted to the greater amount of pay, based on two computations of retired pay, computed on the active duty pay rates in effect:

3.4.1. At the time of retirement using the pay grade and years of service for both basic pay and percentage multiplier at the time of retirement; or

3.4.2. Immediately before the active duty basic pay rates in effect on the date of retirement, plus the COLA in retired pay applicable to those basic pay rates. For this computation, the same pay grade and years of service for both basic pay and multiplier at the time of retirement were used even though the computation used the earlier basic pay rates.

3.5 Tower Amendment

3.5.1. Public Law 94-106, dated October 7, 1975, added subparagraph (f) to 10 U.S.C. § 1401a. The new provision stipulated another method to offset, in part, the effect of "pay inversion." This method involved computing pay based on any previous basic pay rates, on or after January 1, 1971, plus COLA, if the member was eligible for retirement at the time those rates were in effect. The computation was restricted to the pay grade and years of service at that earlier time (for retirements on October 5, 1994, or later, the computation may not be based on a grade higher than that held at the time of retirement). The statute applies to all members retired on or after January 1, 1971. There were no retroactive pay adjustments for the period before October 7, 1975.

3.5.2. Pursuant to ***Public Law 113-66***, dated December 26, 2013, for a retired member who first became a member of a uniformed service on or after September 8, 1980, and whose retired pay is computed using the high-three method, the Tower Amendment applies only at the time of retirement and not when the first COLA is announced. A member recalled to active duty after retirement is not entitled to recomputation of retired pay under the Tower Amendment upon release from that active duty. Pay recomputation upon that release is restricted to the methods prescribed in ***10 U.S.C. § 1402*** and covered in Chapter 7. The Tower Amendment did not repeal or modify those provisions.

3.6 Basic Pay Average

Public Law 96-342, dated September 8, 1980, as codified at ***10 U.S.C. § 1407***, established a retired pay base for use in computing retired or retainer pay. Title 10, U.S.C. § 1407 applies to members who have entered a uniformed service after September 7, 1980. The percentage of cost-of-living increases is determined by the most recent basic pay rate used in the computation of the retired or retainer pay base.

3.7 Modification of COLAs Applicable to Military Retired and Retainer Pay

Public Law 98-270, dated April 18, 1984, amended ***5 U.S.C. § 8340(a) and (b)*** to modify COLAs that also applied to military retired and retainer pay under 10 U.S.C. § 1401a(b). The effective date for COLAs was changed from March 1 to December 1. The COLA equaled the percentage change in the price index for the base quarter of the year over the price index for the base quarter of the preceding year. The price index is defined in paragraph 2.8. The partial COLA equaled the percentage increase of the average CPI for July, August, and September over the CPI for the preceding December.

3.8 The Military Retirement Reform Act of 1986

The Military Retirement Reform Act of 1986, Public Law 99-348:

3.8.1. Reduced the retired pay multiplier for any member who first became a member of a uniformed service after July 31, 1986, and who retired before age 62 with less than 30 years of creditable service (excluding retirements under ***10 U.S.C., Chapters 61*** and 1223). The multiplier was reduced by:

3.8.1.1. One percentage point for each full year that the member's years of creditable service were less than 30; and

3.8.1.2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) was less than a full year.

3.8.2. Stipulated cost-of-living increases for any member who first became a member of a uniformed service on or after August 1, 1986, when the increase in the CPI exceeded 1 percent. The cost-of-living increase was 1 percentage point less than the increase in CPI.

3.8.3. Restored the reduction in retired pay multiplier under subparagraph 3.8.1 at age 62 and provided a one-time restoral at age 62 for the reduction in cost-of-living increase under subparagraph 3.8.2.

4.0 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS BETWEEN DECEMBER 1, 1949 AND DECEMBER 1, 2005

For historical information on legislative actions affecting retired pay from October 1949 to December 2005, see archived Chapter 8, dated July 2013 and July 2018.

5.0 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

For historical information on legislative actions affecting retired pay from December 2005 to December 2008, see archived Chapter 8, dated July 2018.

5.1 COLA and Basic Pay Rates FY 2010

5.1.1. A COLA, effective December 1, 2009, provided:

5.1.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – December 31, 2009	0.0 percent	1401a(c) & 1401a(f)

5.1.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – March 31, 2009	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2009	0.0 percent	1401a(d) & 1401a(f)

5.1.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and who elected to receive a Career Status Bonus (CSB) under the provisions of ***37 U.S.C. § 322*** (as in effect before January 28, 2008) or ***37 U.S.C. § 354***, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(e)
January 1 – March 31, 2009	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(e) & 1401a(f)
October 1– December 31, 2009	0.0 percent	1401a(e) & 1401a(f)

5.1.2. For basic pay rates effective January 1, 2010, ***Public Law 111-84*** and ***Executive Order 13525*** provided for:

5.1.2.1. Increased basic pay rates;

5.1.2.2. No increase for members retired before January 1, 2010; and

5.1.2.3. No entitlement to pay computed on the January 1, 2010 basic pay rates for members who retired on January 1, 2010, and who were:

5.1.3.1. Warrant officers;

5.1.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2009 transfers); or

5.1.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.2 COLA and Basic Pay Rates FY 2011

5.2.1. A COLA, effective December 1, 2010, provided:

5.2.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – December 31, 2010	0.0 percent	1401a(c) & 1401a(f)

5.2.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – March 31, 2010	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(d) & 1401a(f)

5.2.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(e)
January 1 – March 31, 2010	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(e) & 1401a(f)

5.2.2. For basic pay rates effective January 1, 2011, ***Executive Order 13561*** provided for:

5.2.2.1. Increased basic pay rates;

5.2.2.2. No increase for members retired before January 1, 2011; and

5.2.2.3. No entitlement to pay computed on the January 1, 2011 basic pay rates for members who retired on January 1, 2011, and who were:

5.2.2.3.1. Warrant officers;

5.2.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2010 transfers); or

5.2.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.3 Removal of the 75 Percent Cap Subject to Provision

A member who retired, or became entitled to retired pay, due to physical disability on or before January 7, 2011, may not have a retired pay multiplier more than 75 percent. Under Public Law 111-383, a member with more than 30 years of creditable service who first becomes entitled to retired pay due to physical disability, on or after January 8, 2011, will not have their multiplier reduced if it is more than 75 percent.

5.4 COLA and Basic Pay Rates FY 2012

5.4.1. A COLA, effective December 1, 2011, provided:

5.4.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – December 31, 2011	3.6 percent	1401a(c)

5.4.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – March 31, 2011	3.6 percent	1401a(d)
April 1 – June 30, 2011	2.4 percent	1401a(d)
July 1 – September 30, 2011	0.4 percent	1401a(d)
October 1 – December 31, 2011	0.0 percent	1401a(d)

5.4.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	2.6 percent	1401a(e)
January 1 – March 31, 2011	2.6 percent	1401a(e)
April 1 – June 30, 2011	1.9 percent	1401a(e)
July 1 – September 30, 2011	0.1 percent	1401a(e)
October 1 – December 31, 2011	0.0 percent	1401a(e)

5.4.2. For basic pay rates effective January 1, 2012, ***Executive Order 13594*** provided for:

5.4.2.1. Increased basic pay rates;

5.4.2.2. No increase for members retired before January 1, 2012; and

5.4.2.3. No entitlement to pay computed on the January 1, 2012 basic pay rates for members who retired on January 1, 2012, and who were:

5.4.2.3.1. Warrant officers;

5.4.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2011 transfers); or

5.4.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

NOTE: Members retiring in 2012 may be entitled to more retired pay using the 2011 pay rates increased by a partial COLA, instead of using the increased pay rates with more service credit. Under 10 U.S.C. § 1401a(f)(1), inversions to retired pay entitlements are prevented by allowing computation of retired pay based on retirement at an earlier date. In such computations, the grade and service credit must be those applicable on the earlier date being used. Also, the retiree must meet the retirement eligibility requirements by the earlier date.

5.5 COLA and Basic Pay Rates FY 2013

5.5.1. A COLA, effective December 1, 2012, provided:

5.5.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – December 31, 2012	1.7 percent	1401a(c)

5.5.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – March 31, 2012	1.7 percent	1401a(d)
April 1 – June 30, 2012	1.0 percent	1401a(d)
July 1 – September 30, 2012	0.2 percent	1401a(d)
October 1 – December 31, 2012	0.0 percent	1401a(d)

5.5.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	0.7 percent	1401a(e)
January 1 – March 31, 2012	0.7 percent	1401a(e)
April 1 – June 30, 2012	0.5 percent	1401a(e)
July 1 – September 30, 2012	0.0 percent	1401a(e)
October 1 – December 31, 2012	0.0 percent	1401a(e)

5.5.2. For basic pay rates effective January 1, 2013, ***Executive Order 13641*** provided for:

5.5.2.1. Increased basic pay rates;

5.5.2.2. No increase for members retired before January 1, 2013; and

5.5.2.3. No entitlement to pay computed on the January 1, 2013 basic pay rates for members who retired on January 1, 2013, and who were:

5.5.2.3.1. Warrant officers;

5.5.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2012 transfers); or

5.5.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.6 COLA and Basic Pay Rates FY 2014

5.6.1. A COLA, effective December 1, 2013, provided:

5.6.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – December 31, 2013	1.5 percent	1401a(c)

5.6.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – March 31, 2013	1.5 percent	1401a(d)
April 1 – June 30, 2013	0.9 percent	1401a(d)
July 1 – September 30, 2013	0.4 percent	1401a(d)
October 1 – December 31, 2013	0.0 percent	1401a(d)

5.6.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	0.5 percent	1401a(e)
January 1 – March 31, 2013	0.5 percent	1401a(e)
April 1 – June 30, 2013	0.4 percent	1401a(e)
July 1 – September 30, 2013	0.0 percent	1401a(e)
October 1 – December 31, 2013	0.0 percent	1401a(e)

5.6.2. For basic pay rates effective January 1, 2014, ***Executive Order 13655*** provided for:

5.6.2.1. Increased basic pay rates;

5.6.2.2. No increase for members retired before January 1, 2014; and

5.6.2.3. No entitlement to pay computed on the January 1, 2014 basic pay rates for members who retired on January 1, 2014, and who were:

5.6.2.3.1. Warrant officers;

5.6.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2013 transfers); or

5.6.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.7 COLA and Basic Pay Rates FY 2015

5.7.1. A COLA, effective December 1, 2014, provided:

5.7.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – December 31, 2014	1.7 percent	1401a(c)

5.7.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – March 31, 2014	1.7 percent	1401a(d)
April 1 – June 30, 2014	1.3 percent	1401a(d)
July 1 – September 30, 2014	0.1 percent	1401a(d)
October 1 – December 31, 2014	0.0 percent	1401a(d)

5.7.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	0.7 percent	1401a(e)
January 1 – March 31, 2014	0.7 percent	1401a(e)
April 1 – June 30, 2014	0.7 percent	1401a(e)
July 1 – September 30, 2014	0.0 percent	1401a(e)
October 1 – December 31, 2014	0.0 percent	1401a(e)

5.7.2. For basic pay rates effective January 1, 2015, ***Executive Order 13686*** provided for:

5.7.2.1. Increased basic pay rates;

5.7.2.2. No increase for members retired before January 1, 2015; and

5.7.2.3. No entitlement to pay computed on the January 1, 2015 basic pay rates for members who retired on January 1, 2015, and who were:

5.7.2.3.1. Warrant officers;

5.7.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2014 transfers); or

5.7.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.8 COLA and Basic Pay Rates FY 2016

5.8.1. A COLA, effective December 1, 2015, provided:

5.8.1.1. Retired pay COLA for those who first became members of a uniformed service before September 8, 1980, is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – December 31, 2015	0.0 percent	1401a(c) & 1401a(f)

5.8.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is set out according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – March 31, 2015	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(d) & 1401a(f)

5.8.1.3. The retired pay COLA for those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354 is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(e)
January 1 – March 31, 2015	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(e) & 1401a(f)

5.8.2. For basic pay rates effective January 1, 2016, ***Executive Order 13715*** provided for:

5.8.2.1. Increased basic pay rates;

5.8.2.2. No increase for members retired before January 1, 2016; and

5.8.2.3. No entitlement to pay computed on the January 1, 2016 basic pay rates for members who retired on January 1, 2016, and who were:

5.8.2.3.1. Warrant officers;

5.8.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2015 transfers); or

5.8.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.9 COLA and Basic Pay Rates FY 2017

5.9.1. A COLA, effective December 1, 2016, provided:

5.9.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – December 31, 2016	0.3 percent	1401a(c)

5.9.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – March 31, 2016	0.3 percent	1401a(d)
April 1 – June 30, 2016	0.3 percent	1401a(d)
July 1 – September 30, 2016	0.3 percent	1401a(d)
October 1 – December 31, 2016	0.0 percent	1401a(d)

5.9.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(e)
January 1 – March 31, 2016	0.3 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2016	0.3 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2016	0.0 percent	1401a(e)
October 1 – December 31, 2016	0.0 percent	1401a(e)

5.9.2. For basic pay rates effective January 1, 2017, ***Executive Order 13756*** provided for:

5.9.2.1. Increased basic pay rates;

5.9.2.2. No increase for members retired before January 1, 2017; and

5.9.2.3. No entitlement to pay computed on the January 1, 2017 basic pay rates for members who retired on January 1, 2017, and who were:

5.9.2.3.1. Warrant officers;

5.9.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2016 transfers); or

5.9.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.10 COLA and Basic Pay Rates FY 2018

5.10.1. A COLA, effective December 1, 2017, provided:

5.10.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	2.0 percent	1401a(b)(2)
January 1 – December 31, 2017	1.8 percent	1401a(c)

5.10.1.2. For those who first became members of a uniformed service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	2.0 percent	1401a(b)(2)
January 1 – March 31, 2017	1.8 percent	1401a(d)
April 1 – June 30, 2017	1.0 percent	1401a(d)
July 1 – September 30, 2017	0.4 percent	1401a(d)
October 1 – December 31, 2017	0.0 percent	1401a(d)

5.10.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2017	1.0 percent	1401a(e)
January 1 – March 31, 2017	1.0 percent	1401a(e)
April 1 – June 30, 2017	0.5 percent	1401a(e)
July 1 – September 30, 2017	0.2 percent	1401a(e)
October 1 – December 31, 2017	0.0 percent	1401a(e)

5.10.2. For basic pay rates effective January 1, 2018, ***Executive Order 13819*** provided for:

5.10.2.1. Increased basic pay rates;

5.10.2.2. No increase for members retired before January 1, 2018; and

5.10.2.3. No entitlement to pay computed on the January 1, 2018 basic pay rates for members who retired on January 1, 2018, and who were:

5.10.2.3.1. Warrant officers;

5.10.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2017 transfers); or

5.10.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.11 COLA and Basic Pay Rates FY 2019

5.11.1. A COLA, effective December 1, 2018, provided:

5.11.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	2.8 percent	1401a(b)(2)
January 1 – December 31, 2018	2.4 percent	1401a(c)

5.11.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	2.8 percent	1401a(b)(2)
January 1 – March 31, 2018	2.4 percent	1401a(d)
April 1 – June 30, 2018	1.5 percent	1401a(d)
July 1 – September 30, 2018	0.3 percent	1401a(d)
October 1 – December 31, 2018	0.0 percent	1401a(d)

5.11.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2018	1.8 percent	1401a(e)
January 1 – March 31, 2018	1.6 percent	1401a(e)
April 1 – June 30, 2018	1.0 percent	1401a(e)
July 1 – September 30, 2018	0.1 percent	1401a(e)
October 1 – December 31, 2018	0.0 percent	1401a(e)

5.11.2. For basic pay rates effective January 1, 2019, ***Executive Order 13856*** provided for:

5.11.2.1. Increased basic pay rates;

5.11.2.2. No increase for members retired before January 1, 2019; and

5.11.2.3. No entitlement to pay computed on the January 1, 2019 basic pay rates for members who retired on January 1, 2019, and who were:

5.11.2.3.1. Warrant officers;

5.11.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2018 transfers); or

5.11.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.12 COLA and Basic Pay Rates FY 2020

5.12.1. A COLA, effective December 1, 2019, provided:

5.12.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	1.6 percent	1401a(b)(2)
January 1 – December 31, 2019	1.6 percent	1401a(c)

5.12.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	1.6 percent	1401a(b)(2)
January 1 – March 31, 2019	1.6 percent	1401a(d)
April 1 – June 30, 2019	1.6 percent	1401a(d)
July 1 – September 30, 2019	0.2 percent	1401a(d)
October 1 – December 31, 2019	0.0 percent	1401a(d)

5.12.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2019	0.6 percent	1401a(e)
January 1 – March 31, 2019	0.6 percent	1401a(e)
April 1 – June 30, 2019	0.6 percent	1401a(e)
July 1 – September 30, 2019	0.0 percent	1401a(e)
October 1 – December 31, 2019	0.0 percent	1401a(e)

5.12.2. For basic pay rates effective January 1, 2020, ***Executive Order 13901*** provided for:

5.12.2.1. Increased basic pay rates;

5.12.2.2. No increase for members retired before January 1, 2020; and

5.12.2.3. No entitlement to pay computed on the January 1, 2020 basic pay rates for members who retired on January 1, 2020, and who were:

5.12.2.3.1. Warrant officers;

5.12.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2019 transfers); or

5.12.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.13 COLA and Basic Pay Rates FY 2021

5.13.1. A COLA, effective December 1, 2020, provided:

5.13.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	1.3 percent	1401a(b)(2)
January 1 – December 31, 2020	1.1 percent	1401a(c)

5.13.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	1.3 percent	1401a(b)(2)
January 1 – March 31, 2020	1.1 percent	1401a(d)
April 1 – June 30, 2020	0.7 percent	1401a(d)
July 1 – September 30, 2020	1.3 percent	1401a(d)
October 1 – December 31, 2020	0.0 percent	1401a(d)

5.13.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2020	0.3 percent	1401a(e)
January 1 – March 31, 2020	0.3 percent	1401a(e)
April 1 – June 30, 2020	0.2 percent	1401a(e)
July 1 – September 30, 2020	0.3 percent	1401a(e)
October 1 – December 31, 2020	0.0 percent	1401a(e)

5.13.2. For basic pay rates effective January 1, 2021, ***Executive Order 13970*** provided for:

5.13.2.1. Increased basic pay rates;

5.13.2.2. No increase for members retired before January 1, 2021; and

5.13.2.3. No entitlement to pay computed on the January 1, 2021 basic pay rates for members who retired on January 1, 2021, and who were:

5.13.2.3.1. Warrant officers;

5.13.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2020 transfers); or

5.13.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.14 COLA and Basic Pay Rates FY 2022

5.14.1. A COLA, effective December 1, 2021, provided:

5.14.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	5.9 percent	1401a(b)(2)
January 1 – December 31, 2021	5.7 percent	1401a(c)

5.14.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	5.9 percent	1401a(b)(2)
January 1 – March 31, 2021	5.7 percent	1401a(d)
April 1 – June 30, 2021	4.4 percent	1401a(d)
July 1 – September 30, 2021	1.8 percent	1401a(d)
October 1 – December 31, 2021	0.0 percent	1401a(d)

5.14.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2021	4.9 percent	1401a(e)
January 1 – March 31, 2021	4.9 percent	1401a(e)
April 1 – June 30, 2021	3.9 percent	1401a(e)
July 1 – September 30, 2021	1.5 percent	1401a(e)
October 1 – December 31, 2021	0.0 percent	1401a(e)

5.14.2. For basic pay rates effective January 1, 2022, ***Executive Order 14061*** provided for:

5.14.2.1. Increased basic pay rates;

5.14.2.2. No increase for members retired before January 1, 2022; and

5.14.2.3. No entitlement to pay computed on the January 1, 2022 basic pay rates for members who retired on January 1, 2022, and who were:

5.14.2.3.1. Warrant officers;

5.14.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2021 transfers); or

5.14.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

5.15 COLA and Basic Pay Rates FY 2023

5.15.1. A COLA, effective December 1, 2022, provided:

5.15.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	8.7 percent	1401a(b)(2)
January 1 – December 31, 2022	7.0 percent	1401a(c)

5.15.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	8.7 percent	1401a(b)(2)
January 1 – March 31, 2022	7.0 percent	1401a(d)
April 1 – June 30, 2022	4.4 percent	1401a(d)
July 1 – September 30, 2022	1.2 percent	1401a(d)
October 1 – December 31, 2022	0.0 percent	1401a(d)

5.15.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2022	7.7 percent	1401a(e)
January 1 – March 31, 2022	6.2 percent	1401a(e)
April 1 – June 30, 2022	3.9 percent	1401a(e)
July 1 – September 30, 2022	1.0 percent	1401a(e)
October 1 – December 31, 2022	0.0 percent	1401a(e)

5.15.2. For basic pay rates effective January 1, 2023, ***Executive Order 14090*** provided for:

5.15.2.1. Increased basic pay rates;

5.15.2.2. No increase for members retired before January 1, 2023; and

5.15.2.3. No entitlement to pay computed on the January 1, 2023 basic pay rates for members who retired on January 1, 2023, and who were:

5.15.2.3.1. Warrant officers;

5.15.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2022 transfers); or

5.15.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*5.16 COLA and Basic Pay Rates FY 2024

5.16.1. A COLA, effective December 1, 2023, provided:

5.16.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	3.2 percent	1401a(b)(2)
January 1 – December 31, 2023	3.1 percent	1401a(c)

5.16.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	3.2 percent	1401a(b)(2)
January 1 – March 31, 2023	3.1 percent	1401a(d)
April 1 – June 30, 2023	2.2 percent	1401a(d)
July 1 – September 30, 2023	0.9 percent	1401a(d)
October 1 – December 31, 2023	0.0 percent	1401a(d)

5.16.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2023	2.2 percent	1401a(e)
January 1 – March 31, 2023	2.2 percent	1401a(e)
April 1 – June 30, 2023	1.7 percent	1401a(e)
July 1 – September 30, 2023	0.7 percent	1401a(e)
October 1 – December 31, 2023	0.0 percent	1401a(e)

5.16.2. For basic pay rates effective January 1, 2024, ***Executive Order 14113*** provided for:

5.16.2.1. Increased basic pay rates;

5.16.2.2. No increase for members retired before January 1, 2024; and

5.16.2.3. No entitlement to pay computed on the January 1, 2024 basic pay rates for members who retired on January 1, 2024, and who were:

5.16.2.3.1. Warrant officers;

5.16.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2023 transfers); or

5.16.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*5.17 COLA and Basic Pay Rates FY 2025

5.17.1. A COLA, effective December 1, 2024, provided:

5.17.1.1. For those who first became members of a uniformed service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	2.5 percent	1401a(b)(2)
January 1 – December 31, 2024	2.5 percent	1401a(c)

5.17.1.2. For those who first became members of a uniformed service on or after September 8, 1980, including those members covered by the High-3 or Blended Retirement System, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	2.5 percent	1401a(b)(2)
January 1 – March 31, 2024	2.5 percent	1401a(c)
April 1 – June 30, 2024	1.4 percent	1401a(d)
July 1 – September 30, 2024	0.2 percent	1401a(d)
October 1 – December 31, 2024	0.0 percent	1401a(d)

5.17.1.3. For those who first became members of the uniformed service on or after August 1, 1986, and also elected to receive a CSB under the provisions of 37 U.S.C. § 322 (as in effect before January 28, 2008) or 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2024	1.5 percent	1401a(e)
January 1 – March 31, 2024	1.5 percent	1401a(e)
April 1 – June 30, 2024	0.9 percent	1401a(e)
July 1 – September 30, 2024	0.0 percent	1401a(e)
October 1 – December 31, 2024	0.0 percent	1401a(e)

5.17.2. For basic pay rates effective January 1, 2025, ***Executive Order 14132*** provided for:

5.17.2.1. Increased basic pay rates;

5.17.2.2. No increase for members retired before January 1, 2025; and

5.17.2.3. No entitlement to pay computed on the January 1, 2025 basic pay rates for members who retired on January 1, 2025, and who were:

5.17.2.3.1. Warrant officers;

5.17.2.3.2. Fleet Reservists or Fleet Marine Corps Reservists (December 31, 2024 transfers); or

5.17.2.3.3. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 2.13.

*Table 8-1. Full COLA Percentage Table

No.	Date of COLA	Percent
1	Sep 1, 1965	4.4
2	Dec 1, 1966	3.7
3	Apr 1, 1968	3.9
4	Feb 1, 1969	4.0
5	Nov 1, 1969	4.3
6	Aug 1, 1970	5.6
7	Jun 1, 1971	4.5
8	Jul 1, 1972	4.8
9	Jul 1, 1973	6.1
10	Jan 1, 1974	5.5
11	Jul 1, 1974	6.3
12	Jan 1, 1975	7.3
13	Aug 1, 1975	5.1
14	Mar 1, 1976	5.4
15	Mar 1, 1977	4.8
16	Sep 1, 1977	4.3
17	Mar 1, 1978	2.4
18	Sep 1, 1978	4.9
19	Mar 1, 1979	3.9
20	Sep 1, 1979	6.9
21	Mar 1, 1980	6.0
22	Sep 1, 1980	7.7
23	Mar 1, 1981	4.4
24	Mar 1, 1982	8.7
25	Apr 1, 1983 (note 1)	3.3
		3.9
26	Dec 1, 1984	3.5
27	Dec 1, 1986	1.3
28	Dec 1, 1987	4.2 Pre-Aug 86 Member 3.2 Post-Aug 86 Member
29	Dec 1, 1988	4.0 Pre-Aug 86 Member 3.0 Post-Aug 86 Member
30	Dec 1, 1989	4.7 Pre-Aug 86 Member 3.7 Post-Aug 86 Member

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
31	Dec 1, 1990	5.4 Pre-Aug 86 Member 4.4 Post-Aug 86 Member
32	Dec 1, 1991	3.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member
33	Dec 1, 1992	3.0 Pre-Aug 86 Member 2.0 Post-Aug 86 Member
34	Dec 1, 1993 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
35	Dec 1, 1994 (note 2)	2.8 Pre-Aug 86 Member 1.8 Post-Aug 86 Member
36	Dec 1, 1995 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
37	Dec 1, 1996	2.9 Pre-Aug 86 Member 1.9 Post-Aug 86 Member
38	Dec 1, 1997	2.1 Pre-Aug 86 Member 1.1 Post-Aug 86 Member
39	Dec 1, 1998	1.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member
40	Dec 1, 1999 (note 3)	2.4 Pre-Aug 86 Member 2.4 Post-Aug 86 Member w/o CSB 1.4 Post-Aug 86 Member w/CSB
41	Dec 1, 2000 (note 3)	3.5 Pre-Aug 86 Member 3.5 Post-Aug 86 Member w/o CSB 2.5 Post-Aug 86 Member w/CSB
42	Dec 1, 2001 (note 3)	2.6 Pre-Aug 86 Member 2.6 Post-Aug 86 Member w/o CSB 1.6 Post-Aug 86 Member w/CSB
43	Dec 1, 2002 (note 3)	1.4 Pre-Aug 86 Member 1.4 Post-Aug 86 Member w/o CSB 0.4 Post-Aug 86 Member w/CSB
44	Dec 1, 2003 (note 3)	2.1 Pre-Aug 86 Member 2.1 Post-Aug 86 Member w/o CSB 1.1 Post-Aug 86 Member w/CSB
45	Dec 1, 2004 (note 3)	2.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member w/o CSB 1.7 Post-Aug 86 Member w/CSB

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
46	Dec 1, 2005 (note 3)	4.1 Pre-Aug 86 Member 4.1 Post-Aug 86 Member w/o CSB 3.1 Post-Aug 86 Member w/CSB
47	Dec 1, 2006 (note 3)	3.3 Pre-Aug 86 Member 3.3 Post-Aug 86 Member w/o CSB 2.3 Post-Aug 86 Member w/CSB
48	Dec 1, 2007 (note 3)	2.3 Pre-Aug 86 Member 2.3 Post-Aug 86 Member w/o CSB 1.3 Post-Aug 86 Member w/CSB
49	Dec 1, 2008 (note 3)	5.8 Pre-Aug 86 Member 5.8 Post-Aug 86 Member w/o CSB 4.8 Post-Aug 86 Member w/CSB
50	Dec 1, 2009 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
51	Dec 1, 2010 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
52	Dec. 1, 2011 (note 3)	3.6 Pre-Aug 86 Member 3.6 Post-Aug 86 Member w/o CSB 2.6 Post-Aug 86 Member w/CSB
53	Dec. 1, 2012 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
54	Dec. 1, 2013 (note 3)	1.5 Pre-Aug 86 Member 1.5 Post-Aug 86 Member w/o CSB 0.5 Post-Aug 86 Member w/CSB
55	Dec. 1, 2014 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
56	Dec. 1, 2015 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
57	Dec. 1, 2016 (note 3)	0.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member w/o CSB 0.3 Post-Aug 86 Member w/CSB
58	Dec. 1, 2017 (note 3)	2.0 Pre-Aug 86 Member 2.0 Post-Aug 86 Member w/o CSB 1.0 Post-Aug 86 Member w/CSB

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
59	Dec 1, 2018 (note 3)	2.8 Pre-Aug 86 Member 2.8 Post-Aug 86 Member w/o CSB 1.8 Post-Aug 86 Member w/CSB
60	Dec 1, 2019 (note 3)	1.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member w/o CSB 0.6 Post-Aug 86 Member w/CSB
61	Dec 1, 2020 (note 3)	1.3 Pre-Aug 86 Member 1.3 Post-Aug 86 Member w/o CSB 0.3 Post-Aug 86 Member w/CSB
62	Dec 1, 2021 (note 3)	5.9 Pre-Aug 86 Member 5.9 Post-Aug 86 Member w/o CSB 4.9 Post-Aug 86 Member w/CSB
63	Dec 1, 2022 (note 3)	8.7 Pre-Aug 86 Member 8.7 Post-Aug 86 Member w/o CSB 7.7 Post-Aug 86 Member w/CSB
***64**	Dec 1, 2023 (note 3)	3.2 Pre-Aug 86 Member 3.2 Post-Aug 86 Member w/o CSB 2.2 Post-Aug 86 Member w/CSB
***65**	Dec 1, 2024 (note 3)	2.5 Pre-Aug 86 Member 2.5 Post-Aug 86 Member w/o CSB 1.5 Post-Aug 86 Member w/CSB

NOTES:

1. Effective April 1, 1983, COLA provided a 3.3 percent or 3.9 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1982. Members under age 62 on March 1, 1983, were entitled to a 3.3 percent increase. Members who are age 62 or older on March 1, 1983, or who retired by reason of physical disability under ***10 U.S.C., Chapter 61***, were entitled to a 3.9 percent increase. There is no entitlement to a partial COLA on April 1, 1983, for members whose pay was computed on the basic pay rates effective October 1, 1982. (The CPI declined from 292.8 in September 1982 to 290.0 in December 1982.)

2. See the associated COLA paragraph in section 4.0 to determine whether member's COLA is delayed.

3. Separate retired pay COLA is applicable for those who first became members of a uniformed service on or after August 1, 1986, who elected to receive a CSB. See Volume 7A, Chapter 66 for information on CSB.

*REFERENCES

CHAPTER 8 - BASIC PAY RATES, LEGISLATIVE CHANGES, AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

1.0 – GENERAL

1.2	10 U.S.C. § 1401a(b) Public Law 85-422, June 1, 1958

2.0 – DEFINITIONS

2.1	10 U.S.C. § 1401a(b)
2.3	53 Comp. Gen. 698 Public Law 94-106, October 7, 1975
2.10	10 U.S.C. § 1401a(h)
2.13	5 U.S.C. § 8301
2.15	10 U.S.C., Chapter 1223

3.0 - MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

3.1	10 U.S.C. § 1401a Public Law 88-132, October 2, 1963
3.2	10 U.S.C. § 1401a 10 U.S.C. § 1401a(c) through (e) Public Law 90-207, October 1, 1967 10 U.S.C. § 1401a(e) Public Law 98-94, section 921, September 24, 1983
3.3	10 U.S.C. § 1401a Public Law 91-179, October 31, 1969 Public Law 94-440, October 1, 1976
3.4	Public Law 85-422, June 1, 1958 53 Comp. Gen. 698
3.5	10 U.S.C. § 1401a(f) Public Law 94-106, October 7, 1975 10 U.S.C. § 1402 Public Law 113-66, section 631, December 26, 2013
3.6	10 U.S.C. § 1407 Public Law 96-342, September 8, 1980
3.7	5 U.S.C. § 8301(a) and (b) Public Law 98-270, April 18, 1984
3.8	10 U.S.C., Chapters 61 and 1223

REFERENCES (Continued)

5.0 – PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

5.1.1	OUSD (P&R) Memo, November 17, 2009
5.1.2	Public Law 111-84, October 28, 2009 Executive Order 13525, December 23, 2009
5.2.1	OUSD (P&R) Memo, November 12, 2010
5.2.2	Executive Order 13561, December 22, 2010
5.3	Public Law 111-383, section 631, January 7, 2011
5.4.1	OUSD (P&R) Memo, November 22, 2011
5.4.2	Executive Order 13594, December 19, 2011
5.5.1	Office of the Assistant Secretary of Defense (OASD) (Manpower and Reserve Affairs (M&RA)) Memo, November 08, 2012
5.5.2	Executive Order 13641, April 5, 2013
5.6.1	OASD (M&RA) Memo, November 14, 2013
5.6.2	Executive Order 13655, December 23, 2013
5.7.1	OASD (M&RA) Memo, November 13, 2014
5.7.2	Executive Order 13686, December 19, 2014
5.8.1	OASD (M&RA) Memo, November 5, 2015
5.8.2	Executive Order 13715, December 18, 2015
5.9.1	OASD (M&RA) Memo, November 21, 2016
5.9.2	Executive Order 13756, December 27, 2016
5.10.1	OASD (M&RA) Memo, November 27, 2017
5.10.2	Executive Order 13819, December 22, 2017
5.11.1	OASD (M&RA) Memo, November 1, 2018
5.11.2	Executive Order 13856, December 28, 2018
5.12.1	OASD (M&RA) Memo, October 30, 2019
5.12.2	Executive Order 13901, December 26, 2019
5.13.1	OASD (M&RA) Memo, November 4, 2020
5.13.2	Executive Order 13970, December 31, 2020
5.14.1	OASD (M&RA) Memo, November 18, 2021
5.14.2	Executive Order 14061, December 22, 2021
5.15.1	OASD (M&RA) Memo, November 14, 2022
5.15.2	Executive Order 14090, December 23, 2022
5.16.1	OASD (M&RA) Memo, November 9, 2023
5.16.2	Executive Order 14113, December 26, 2023
5.17.1	OASD (M&RA) Memo, November 13, 2024
5.17.2	Executive Order 14132, December 23, 2024

REFERENCES (Continued)

Table 8-1

OSD (FMP) (Comp) Memo, December 10, 1999
OSD (FMP) (MPP) (Comp) Memo, November 9, 2000
OSD (FMP) (MPP) (Comp) Memo, December 20, 2001
OSD (FMP) (MPP) (Comp) Memo, March 24, 2003
OSD (FMP) (MPP) (Comp) Memo, December 8, 2003
OSD (FMP) (MPP) (Comp) Memo, December 2, 2004
OUSD (P&R) Memo, November 28, 2005
OUSD (P&R) Memo, November 8, 2006
OUSD (P&R) Memo, November 9, 2007
OUSD (P&R) Memo, October 29, 2008
OUSD (P&R) Memo, November 17, 2009
OUSD (P&R) Memo, November 12, 2010
OUSD (P&R) Memo, November 22, 2011
OASD (M&RA) Memo, November 8, 2012
OASD (M&RA) Memo, November 14, 2013
OASD (M&RA) Memo, November 13, 2014
OASD (M&RA) Memo, November 5, 2016
OASD (M&RA) Memo, November 21, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017
OASD (M&RA) Memo, November 1, 2018
OASD (M&RA) Memo, October 30, 2019
OASD (M&RA) Memo, November 4, 2020
OASD (M&RA) Memo, November 18, 2021
OASD (M&RA) Memo, November 14, 2022
OASD (M&RA) Memo, November 9, 2023
OASD (M&RA) Memo, November 13, 2024

VOLUME 7B, CHAPTER 9: "ADVANCEMENTS ON RETIRED LIST"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted chapter to comply with current administrative instructions.	Revision

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CHAPTER 9

ADVANCEMENTS ON RETIRED LIST

1.0 GENERAL

1.1 Overview

Enlisted Service members and warrant officers who held a higher grade than their retired grade can be advanced on the retired list. Title 10, United States Code (U.S.C.), sections 7344, 8334, and 9344 (***10 U.S.C. § 7344***, ***10 U.S.C. § 8334***, and ***10 U.S.C. § 9344***) entitle certain retired members who retired with less than 30 years of active service to be advanced to the highest grade satisfactorily held when their active service plus service on the retired list totals 30 years. The Secretary of the Military Department concerned (or designee) from which the member retired is responsible for determining whether to advance a member on the retired list. Chapter 1 covers grade at placement on the retired list.

1.2 Purpose

This chapter provides an overview of the requirements for advancements on the retired list of:

1.2.1. Retired members;

1.2.2. Fleet Reservists, and Fleet Marine Corps Reservists, who are retired and whose active service, inactive service (Navy or Marine Corps members only), and service on the retired list or in the Fleet Reserve or Fleet Marine Corps Reserve totals 30 years; and

1.2.3. Members who are found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve.

1.3 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADVANCEMENTS

2.1 Air Force

A member of the Air Force who retires with less than 30 years of active service is entitled, when his active service plus his service on the retired list totals 30 years, to be advanced on the retired list to the highest grade in which the member served on active duty satisfactorily (or in the

case of the National Guard, in which he served on full-time duty satisfactorily), as determined by the Secretary of the Air Force. This applies to:

2.1.1. Warrant officers of the Air Force;

2.1.2. Enlisted members of the Air Force; and

2.1.3. Reserve enlisted members of the Air Force who, at the time of retirement, are serving on active duty (or, in the case of members of the National Guard, on full-time duty).

2.2 Army

2.2.1. A member of the Army who retires with less than 30 years of service is entitled, when his active service plus service on the retired list totals 30 years, to be advanced on the retired list to the highest grade served on active duty satisfactorily, as determined by the Secretary of the Army.

2.2.2. The Army Grade Determination Review Board (AGDRB) reviews each case individually to determine the highest grade served during active service satisfactorily. This is not an automatic advancement on the retired list and applies to warrant officers of the Army; enlisted members of the Regular Army; and Reserve enlisted members of the Army who, at the time of retirement, were serving on active duty.

2.2.3. Members who retired prior to July 12, 2002, without a grade determination review by the AGDRB, must apply to the AGDRB to initiate the grade determination process. Advancements will not occur until the member reaches the 30-year mark, in accordance with ***Army Regulation 15-80***. If an application is submitted after the 30-year mark, then the effective date of advancement and pay is retroactive to the date of the application to the AGDRB. This applies to:

2.2.3.1. Warrant officers of the Army;

2.2.3.2. Enlisted members of the Regular Army; and

2.2.3.3. Reserve enlisted members of the Army, who at the time of retirement, were serving on active duty (or, in the case of members of the National Guard, on full-time duty).

2.3 Navy and Marine Corps

2.3.1. A member of the naval service who retires with less than 30 years of active service, or who is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, is entitled to be advanced on the retired list to the highest grade in which he served on active duty satisfactorily as determined by the Secretary of the Navy when:

2.3.1.1. The member's active service plus their service on the retired list; or

2.3.1.2. The member's service in the Fleet Reserve or the Fleet Marine Corps Reserve totals 30 years as determined by the Secretary of the Navy.

2.3.2. This applies to:

2.3.2.1. Warrant officers of the naval service;

2.3.2.2. Enlisted members of the Regular Navy and Regular Marine Corps; and

2.3.2.3. Reserve enlisted members of the Navy and Marine Corps who, at the time of retirement or transfer to Fleet Reserve or Fleet Marine Corps Reserve, are serving on active duty.

2.3.3. When a member of the Fleet Reserve or Fleet Marine Corps Reserve has completed 30 years of service, or when the member is found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve, as a result of the required quadrennial (every 4 years) physical examination under 10 U.S.C. § 8385, the member may be transferred to:

2.3.3.1. The retired list of the Regular Navy or Regular Marine Corps, if the member was a member of the Regular Navy or Regular Marine Corps at the time of the member's transfer to the Fleet Reserve or Fleet Marine Corps Reserve; or

2.3.3.2. The appropriate Retired Reserve, if the member was a member of the Navy Reserve or Marine Corps Reserve at the time of the member's transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

3.0 EFFECTS ON PAY

3.1 Reduction in Pay Due to Advancement

There is no absolute requirement that a member of the armed forces be advanced on the retired list. If advancement and recomputation results in a reduction of retired pay for the member and is based solely on administrative determination, then, prior to the advancement, the member should be consulted by the military service and advised that the member's retired pay would be reduced if advanced.

3.1.1. If an enlisted member is advanced on the retired list, the retired pay must be recomputed even though a reduction of retired pay would result.

3.1.2. Warrant officers advanced on the retired list are entitled to use only years of active service in determining the percentage multiplier used in computing retired pay for the advanced grade.

3.2 Computation of Retired Pay

Retired pay may be computed at the higher grade in which a member had served satisfactorily without regard to whether the higher grade was temporary or permanent or if the Military Service in which the member held the higher grade is not the Military Service from which the member retired. Where required by statute, the Secretary of the Military Department (or designee) in which the member performed service at the higher grade must provide an administrative approval confirming the member's satisfactory performance at the higher grade.

3.3 Extraordinary Heroism

An enlisted member who was awarded a 10 percent increase in retired pay because of extraordinary heroism performed in the line of duty, is no longer eligible to continue receiving the additional 10 percent upon advancement to officer rank.

3.4 Recomputation of Retired Pay

A member of the armed forces advanced on the retired list is entitled to a recomputation of retired pay by:

3.4.1. Using the rate of monthly basic pay for the grade on the initial date of retirement or transfer if the member first entered a Uniformed Service prior to September 8, 1980, or using the high 36 months retired pay base if the member entered a Uniformed Service after September 7, 1980;

3.4.2. Multiplying the appropriate percentage under ***10 U.S.C. § 1409*** by the total number of years of active service using whole months actually served, in excess of whole years, as 1/12 of a year;

3.4.3. Reducing the percentage determined under subparagraph 3.4.2, in the case of a member who first entered a uniformed service after July 31, 1986, has elected to receive a bonus under ***37 U.S.C. § 354***, has less than 30 years of creditable service, and is under the age of 62 at the time of retirement by:

3.4.3.1. One percentage point for each full year that the member's years of creditable service are less than 30; and

3.4.3.2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) are less than a full year; and

3.4.4. Applying all applicable cost-of-living adjustments from the date of initial retirement or transfer

4.0 RESTORATION OF FORMER GRADE

Each retired warrant officer, enlisted member of the Regular Army or Air Force, or enlisted member retired from the Fleet Reserve or Fleet Marine Corps Reserve who has been advanced on

the retired list to a higher commissioned grade, within 3 months after advancement, may apply to the Secretary of the Military Department concerned (or designee) for restoration to the former warrant officer or enlisted grade. If the Secretary of the Military Department concerned (or designee) approves the request, then the member may be restored to the former warrant officer or enlisted grade. A member so restored thereafter is considered for all purposes to be a warrant officer or an enlisted member, as applicable.

REFERENCES

CHAPTER 9 – ADVANCEMENTS ON RETIRED LIST

1.0 – GENERAL

10 U.S.C. § 7344
10 U.S.C. § 8334
10 U.S.C. § 9344

2.0 – ADVANCEMENTS

2.1	10 U.S.C. §§ 7344 and 9344
2.2	10 U.S.C. § 7344 Army Regulation 15-80
2.3	10 U.S.C. § 8331 10 U.S.C. § 8334 10 U.S.C. § 8262(a)

3.0 – EFFECTS ON PAY

3.1	Comp Gen B-155940, February 23, 1965 Comp Gen B-156576, July 22, 1965
3.2	Comp Gen B-164281, March 23, 1970
3.3	10 U.S.C. § 12739 10 U.S.C. § 9361
3.4	10 U.S.C. § 9362 10 U.S.C. § 7362 10 U.S.C. § 8262
3.4.1	Public Law 96-342, section 813, September 8, 1980 10 U.S.C. § 1402a
3.4.2	10 U.S.C. § 1409
3.4.2.3	10 U.S.C. § 1409 10 U.S.C. § 1401a(f)

4.0 – RESTORATION OF FORMER GRADE

10 U.S.C. § 7345
10 U.S.C. § 9345
10 U.S.C. § 8262

VOLUME 7B, CHAPTER 10: "CORRECTION OF RECORDS"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.2.1	Rephrased subparagraph for clarity.	Revision

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CHAPTER 10

CORRECTION OF RECORDS

1.0 GENERAL

1.1 Purpose

This chapter provides guidance on the payment of claims resulting from the correction of military records. The Boards for Correction of Military Records are the highest level of administrative review within the DoD with the mission to correct errors or remove injustices from military records.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 BACKGROUND

The Secretary of a Military Department concerned may correct any military record of the Secretary's department when the Secretary considers it necessary to correct an error or remove an injustice. The Secretary will establish procedures for the correction of a military record as approved by the Secretary of Defense. The Secretary of a Military Department, acting through a panel comprised of civilians (Board) of the executive part of that Military Department, will make such corrections. The responsibilities for the Correction of Records can be found under the ***DoD Directive (DoDD) 1332.41***, "Boards for Correction of Military Records (BCMRs) and Discharge Review Boards (DRBs)."

2.1 Final and Conclusive

Corrections of military records are final and conclusive on all officers of the United States except when such corrections were obtained through fraud.

2.2 Reaffirmation of Existing Facts

A reaffirmation of existing facts already in the original record does not constitute a proper correction of that record. A proper correction and a right to the payment of money must be a result of a change of facts from those already in the original record, or an addition or deletion of a fact. A recounting of existing facts does not avoid the application of the statute of limitations.

2.3 Statute of Limitations

If a payment is due as a result of a correction of record, the claim for such payment accrues on the date of the correction. A claimant has 6 years from the date of the correction of record to claim the payment owed as a result of the correction of record.

Example: A member of the Navy is transferred to the Fleet Reserve or the Fleet Marine Corps Reserve on May 1, 1999, with 21 years and 3 months of service. On January 2, 2008, his or her record is corrected to show that at the time of transfer the member had 22 years and 3 months of service. Upon correction, the member is entitled to additional retainer pay from the date of transfer in accordance with his or her grade and corrected number of years of creditable service. The claim for the additional payment begins accruing on the date of the Board's decision (January 2, 2008), not on May 1, 1999. The statute of limitation period starts from the date of the record correction rather than from the date of transfer.

3.0 PAY COMPUTATION

3.1 Amounts

Payments based on a correction of military records must be made in the amounts determined to be due by applying pertinent laws and regulations to all the material facts shown in the corrected record. Generally, the payments resulting from the correction of military records are based on the:

3.1.1. Pay entitlement the member had before the correction;

3.1.2. Actual payments made for these entitlements; or

3.1.3. New pay entitlements that accrue as a result of the correction. For specific computation, see Chapter 3 concerning the entitlement to and computation of retired or retainer pay, Chapter 37 for participation in and payment of survivor annuities under the Retired Serviceman's Family Protection Plan (RSFPP), and/or Chapter 46 for the Survivor Benefit Plan (SBP).

3.2 Settlement

The settlement of retired pay, retainer pay, or survivor annuities due as a result of the correction of a military record must be reduced, as applicable, by:

* 3.2.1. Pay and allowances previously received by a member for active duty military duty or reserve duty involving the same period of time for which the member is now entitled to retired or retainer pay given the record correction;

3.2.2. Prior payments of separation pay, readjustment pay, or disability severance pay;

3.2.3. Prior payments of disability compensation, pensions, or Dependency and Indemnity Compensation made by the Department of Veterans Affairs (DVA);

3.2.4. Federal income tax;

3.2.5. Cost of participation in the RSFPP and/or SBP;

3.2.6. Dual compensation, if a retired Regular officer was employed by the United States Government prior to October 1, 1999; or

3.2.7. Prior payments of the mother's benefit received from Social Security and the amount of the spouse's Social Security entitlement, if any, resulting from the retiree's active military service.

3.3 Deductions From Pay and Allowance

Earnings received from civilian employment, self-employment, or any income protection plan (including unemployment insurance) for such employment during any period for which active duty pay and allowances are payable will be deducted from the settlement. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

3.4 Demand for Payment

When payment cannot be made to the member because of member's death, payment may be made to member's legal representative. In the absence of a demand for payment by the legal representative, payments are made:

3.4.1. To the surviving spouse, heir, or beneficiaries, in the order prescribed by the law applicable to that kind of payment; or

3.4.2. In the order of precedence in Chapter 30, subparagraph 2.4.1.

3.5 Claimants Acceptance

A claimant's acceptance of settlement fully satisfies the claim concerned. Settlement of this claim does not preclude payment of a separate and distinct claim and acceptance of settlement does not preclude computation and adjustment when there is a mutual mistake. Payments are not authorized for any claim compensated by private law before October 25, 1951.

4.0 TAX ADJUSTMENT

See Chapter 24, section 10.0.

5.0 APPROPRIATION CHARGES

Any amounts of retired pay, retainer pay, combat related special compensation, concurrent military retirement pay and DVA disability compensation, and SBP annuities that are due in the future as a result of the correction are charged to the DoD Military Retirement Fund. Any other amounts due and payable for past periods as a result of the correction (for a time period before the date of approval by the Secretary of the Military Department) are paid utilizing an applicable appropriation.

6.0 RESTRICTIONS

No payment resulting from a correction of records may be made for a benefit to which the claimant might later become entitled under the laws and regulations administered by the Secretary of Veterans Affairs.

REFERENCES

CHAPTER 10 – CORRECTION OF RECORDS

2.0 – BACKGROUND	
	10 U.S.C. § 1552(a)(2)
	DoDD 1332.41, February 2, 2022
2.1	10 U.S.C. § 1552(a)(4)
2.2	B-179467, May 2, 1974
	39 Comptroller General 178 (1959)
	Defense Office of Hearing and Appeals Claims Case Number 04090713, (December 8, 2004)
2.3	10 U.S.C. § 1552(a) and (b)
	31 U.S.C. § 3702
3.0 – PAY COMPUTATION	
3.4	10 U.S.C. § 1552(c)(2)
	10 U.S.C. § 2771
3.5	10 U.S.C. § 1552(c)(3)
5.0 – APPROPRIATION CHARGES	
	10 U.S.C. § 1552(c)(1)
6.0 – RESTRICTIONS	
	10 U.S.C. § 1552(e)

VOLUME 7B, CHAPTER 11: "REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.2, 5.3, and 5.4	Renumbered and rephrased paragraphs with reference to 10 U.S.C. § 1201, 10 U.S.C. § 1204, and 10 U.S.C. § 1210 for clarity.	Revision
6.5	Updated with clarification on the recoupment or collection as a debt for Disability Severance Pay subsequent to the entitlement of military retirement pay.	Revision
References	Updated references.	Revision

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CHAPTER 11

REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information and guidance for the Secretary concerned and members who are on the TDRL or become eligible for placement on the TDRL because of physical disability in accordance with Title 10, United States Code (U.S.C.), Chapter 61. A Service member may be placed on the TDRL when the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. A disability must be determined to be stable when the preponderance of medical evidence indicates the severity of the condition will probably not change. A determination on whether a disability is stable must occur within 5 years of the member being placed on the TDRL prior to January 1, 2017, or within 3 years for members placed on the TDRL on or after January 1, 2017. TDRL must be managed to meet the requirements under 10 U.S.C., Chapter 61 for periodic physical examination, suspension of retired pay, and prompt removal from the TDRL.

1.2 Authoritative Guidance

The pay policies and requirements established by Department of Defense (DoD) in this chapter are derived primarily from, and prepared in accordance with Title 10 of the U.S.C. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 TDRL

2.1 Placement on the TDRL

If the Secretary concerned determines that a member is unfit to perform the duties of his or her office, grade, rank, or rating because of physical disability that would qualify for disability retirement, except that the member’s disability is not determined to be stable, the member may be placed on the TDRL. For retired pay computations, see Chapter 3.

2.2 Members Eligible to be Placed on the TDRL

The following members are eligible upon determination by the Secretary concerned for placement on the TDRL:

2.2.1. A member of a regular component of the Armed Forces entitled to basic pay;

2.2.2. Any other member of the Armed Forces entitled to basic pay who has been called or ordered to active duty (other than for training under ***10 U.S.C., section 10148(a)***) for a period of more than 30 days; or

2.2.3. Any other member of the Armed Forces who is on active duty but is not entitled to basic pay by reason of ***37 U.S.C. § 502(b)*** due to authorized absence to participate in an educational program, or for an emergency purpose, as determined by the Secretary concerned.

2.3 Requirements While on the TDRL

A member may be placed on the TDRL upon a determination by the Secretary concerned that the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. The following requirements under ***10 U.S.C. § 1210*** must be met by the member and/or the Secretary of the Military Department concerned (or designee), as applicable, in maintaining the TDRL.

2.3.1. A member on the TDRL must be given a physical examination at least once every 18 months to determine whether there has been a change in the disability, for which the member was temporarily retired.

2.3.2. The maximum period a member may be carried on the TDRL is:

2.3.2.1. Five years after the date the member's name was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017; or

2.3.2.2. Three years after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

2.3.3. The Secretary of the Military Department concerned (or designee) may make a final determination as to the member's disability after a periodic physical examination and will make a final determination no later than the expiration date of the member's eligibility to be on the TDRL. If, at the time of that determination, the physical disability for which the member's name was carried on the TDRL still exists, it is considered to be of a permanent nature and stable.

3.0 TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

3.1 Final Determination by the Secretary of the Military Department Concerned

The Secretary concerned makes a final determination that a member on the TDRL is either fit for duty or unfit for duty. A qualified member found fit for duty may be returned to active duty, appointed, reappointed, enlisted or reenlisted in a reserve component, transferred to the inactive reserve, or transferred to the Fleet Reserve or the Fleet Marine Corps Reserve. If the member declines these options and is otherwise eligible, he or she may be retired or discharged without

disability. A qualified member found unfit for duty will be separated with either a disability severance or transferred to the Permanent Disability Retired List (PDRL).

3.2 Termination of Disability Retired Pay

Unless immediately transferred to the PDRL, the disability retired pay of a member terminates on the earlier of the following:

3.2.1. The date of recall to active duty;

3.2.2. The date of resumption of status in Fleet Reserve or Fleet Marine Corps Reserve;

3.2.3. The date of appointment, reappointment, enlistment, or reenlistment in the reserve forces, including the inactive reserve;

3.2.4. The date of discharge, if a qualified member declines any offer in subparagraphs 3.2.1 through 3.2.3;

3.2.5. The date a member's disability is determined to be less than 30 percent, if the member will be separated for physical disability;

3.2.6. Any date specified by the Secretary concerned in the event the member fails to report for a periodic physical examination; or

3.2.7. If a member is not otherwise removed from the TDRL for any of the reasons stated in subparagraphs 3.2.1 through 3.2.6, the member's disability retired pay will terminate upon expiration of:

3.2.7.1. The 5-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017, or

3.2.7.2. The 3-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

3.3 Notification to Department of Veterans Affairs (VA)

If a total or partial VA waiver of retired pay is in effect on the date of the retiree's discharge from the TDRL, Defense Finance and Accounting Service, Cleveland (DFAS-CL) must notify the appropriate VA office of the effective date of discharge. The notification, if applicable, should include the amount of Disability Severance Pay (DSP) entitlement, and whether the disability resulting in that pay incurred in the line of duty in a combat zone or from performance of duty in combat-related operations. When available, DFAS-CL will also provide the VA with the DoD assigned disability codes for which the DSP was paid.

4.0 FOUND FIT FOR DUTY

4.1 Determined to be Physically Fit for Duty

If, as a result of the physical examination or determination by the Secretary of the Military Department concerned (or designee), as referenced in section 2.0, it is determined that the member is physically fit to perform the duties of the office, grade, rank, or rating, the member will be removed from the TDRL. See Table 11-1.

4.2 Available Options for Member Found Fit for Duty

Any member removed from the TDRL may, with his or her consent, be recalled to active duty, appointed, reappointed, enlisted, or reenlisted; resume status in the Fleet Reserve or Fleet Marine Corps Reserve; or be placed on the non-disability retired list, if eligible. A member found fit for duty, who does not consent to recall, appointment, reappointment, enlistment, reenlistment, resumption of status, or placement on a retired list, must be discharged without disability as soon as practicable.

5.0 FOUND UNFIT FOR DUTY

5.1 Determined to be Physically Unfit for Duty

If it is established by the physical examination or determination by the Secretary of the Military Department concerned that the member is physically unfit to perform the duties of the office, grade, rank, or rating, and that the disability is of a permanent nature, the member will be removed from the TDRL (referenced in section 3.0). Except for members approved for permanent limited duty, a member who is found to be unfit will be retired, if eligible for retirement, or if not eligible for retirement, separated. DSP is described in Volume 7A, Chapter 35. See Table 11-1.

*5.2 Physical Disability of at Least 30 Percent

If the member's physical disability is determined to be at least 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, the member may be removed from the TDRL and will be retired by reason of permanent physical disability, pursuant to ***10 U.S.C. § 1201*** or ***10 U.S.C. § 1204*** with retired pay computed under ***10 U.S.C. § 1401***. See Table 11-1, Rule 3.

*5.3 Physical Disability Less Than 30 Percent and at Least 20 Years of Service

If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has at least 20 years of service, the member may be removed from the TDRL and will be retired by reason of permanent physical disability, pursuant to 10 U.S.C. § 1201 or 10 U.S.C. § 1204, with retired pay computed under 10 U.S.C. § 1401. See Table 11-1, Rule 2.

*5.4 Physical Disability Less Than 30 Percent and Less Than 20 Years of Service

If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has less than 20 years of service, the member may be separated by reason of permanent physical disability with DSP. See Table 11-1, Rule 1.

6.0 DISABILITY SEVERANCE PAY (DSP)

6.1 DSP

A member removed from the TDRL under subparagraph 5.4 may be separated with DSP as described in Volume 7A, Chapter 35.

6.2 Service Requirement for DSP

There is no minimum amount of service time required to be eligible for DSP. The maximum number of years of service for computing the DSP will be 19 years. The minimum number of years for computation purposes will be:

6.2.1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a combat zone (as designated by the Secretary of Defense) or incurred during the performance of duty in combat-related operations as designated by the Secretary of Defense; or

6.2.2. Three years in the case of any other member.

6.3 Tax Requirement

To determine the taxability of the DSP, see Volume 7A, Chapter 35.

6.4 DSP and VA Disability Compensation

The amount of DSP received under ***10 U.S.C. § 1212*** may be subject to recoupment by the VA. The member should contact the applicable VA office for more information. Effective January 28, 2008 and later, no deduction is made in the case of DSP received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense. No deduction is made from any death compensation to which the former member's dependents become entitled after the member's death.

*6.5 Subsequent Entitlement to Retired Pay

DSP will be recouped or collected as a debt subsequent to the entitlement of military retired pay as follows:

6.5.1. In the event a member is separated due to physical disability and is paid DSP, and then subsequently becomes entitled to military retired or retainer pay under Chapters 71, 741, 841, 941, 1223 of Title 10 or any other provision of law, each payment of retired or retainer pay is subject to recoupment until the total amount recouped is equal to the total amount of DSP. See Chapter 4, Paragraph 6.2.

6.5.2. In the event a member is separated due to physical disability and is paid DSP, and then subsequently becomes entitled to military retired or retainer pay due to a change to his military record to show that he was retired rather than separated, the payment of DSP becomes erroneous and subject to collection as a debt. The full amount of the member's debt will be deducted from any retroactive retired pay entitlements that become due as a result of the retirement. The debt is subject to consideration for waiver under ***10 U.S.C. § 2774***. See Chapter 4, Paragraph 6.3.

Table 11-1. Removal From the TDRL

RULE	If the member's disability	the member may be	and is entitled to
1	is less than 30 percent and member has less than 20 years of service as determined by *10 U.S.C. § 1208*	discharged under *10 U.S.C § 1203* or *10 U.S.C. § 1206*	disability severance pay computed under 10 U.S.C. § 1212 and Volume 7A, Chapter 35.
2	is less than 30 percent and member has at least 20 years of service	removed from the TDRL and retired under 10 U.S.C. § 1201 or 10 U.S.C. § 1204	retired pay computed under 10 U.S.C. § 1401 and Chapter 3. The TDRL entitlement terminates on date of removal and transfer to PDRL (Notes 1 and 2).
3	is 30 percent or more	removed from the TDRL and retired under 10 U.S.C. § 1201 or 10 U.S.C. § 1204	retired pay computed under 10 U.S.C. § 1401 and Chapter 3. The TDRL entitlement terminates on date of removal and transfer to PDRL (Notes 1 and 2).
4	no longer exists and member is found fit for duty and is a member of the Army or Air Force (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted	termination of disability retired pay, computed under 10 U.S.C § 1401 and Volume 7A, Chapter 35, on the date of appointment, reappointment, enlistment, reenlistment, or resumption of duties or status (Notes 1 and 2).
5	no longer exists and member is found fit for duty and is a member of the Navy, Marine Corps, or Coast Guard (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve	termination of disability retired pay, computed under 10 U.S.C § 1401 and Volume 7A, Chapter 35, on the date of appointment, reappointment, enlistment, reenlistment, or resumption of duties or status (Notes 1 and 2).
6	no longer exists and member is found fit for duty (Note 3)	discharged without disability severance pay if member does not consent to be recalled, appointed, reappointed, enlisted, or reenlisted	no retired pay after effective date of separation under 10 U.S.C. § 1203 or 10 U.S.C. § 1206 (Note 3).

Notes:
1. The date the member completes 5 years on the TDRL supersedes this effective date. See subparagraph 2.3.2.1.
2. Effective January 1, 2017, this is the date the member completes 3 years if placed on the TDRL. See subparagraph 2.3.2.2.
3. If the member is fit, there is no disability percentage. See 10 U.S.C. § 1210(f).

*REFERENCES

CHAPTER 11 – REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1.0 – GENERAL	10 U.S.C., Chapter 61 DoD Instruction (DoDI) 1332.18, August 5, 2014 (Incorporating Change 1, May 17, 2018)

2.0 – TEMPORARY DISABILITY RETIREMENT LIST (TDRL)

2.1	10 U.S.C. § 1202 10 U.S.C. § 1205
2.2	10 U.S.C. § 1201(c)
2.3.1	10 U.S.C. § 1210(a)
2.3.2.2	10 U.S.C. § 1210(h)
2.3.3	10 U.S.C. § 1210(b) National Defense Authorization Act (NDAA) for FY 2017, section 525

3.0 – TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

3.2	10 U.S.C. § 1210(c) and (d)
3.2.1	10 U.S.C. § 1211(d)(1)
3.2.2	10 U.S.C. § 1211(d)(2)
3.2.3	10 U.S.C. § 1211(d)(3)
3.2.4	10 U.S.C. § 1211(c)
3.2.5	10 U.S.C. § 1210(e)
3.2.6	10 U.S.C. § 1210(a)
3.2.7	10 U.S.C. § 1210(h) NDAA for FY 2017, section 525

4.0 – FOUND FIT FOR DUTY

4.1	10 U.S.C. § 1210(f)
4.2	10 U.S.C. § 1211(c)

5.0 – FOUND UNFIT FOR DUTY

5.1	10 U.S.C. § 1210(c), (d) and (e)
5.2	10 U.S.C. § 1201(b)(3)(B) 10 U.S.C. § 1204(4)(B) 10 U.S.C. § 1210(c) 10 U.S.C. § 1210(f)

REFERENCES (Continued)

5.3	10 U.S.C. § 1201(b)(3)(A) 10 U.S.C. § 1204(4)(A) 10 U.S.C. § 1210(d)
5.4	10 U.S.C. § 1210(e)

6.0 – DISABILITY SEVERANCE PAY

6.2	10 U.S.C. § 1212(c)
6.3	10 U.S.C. § 1212(d)
6.5	Comptroller General B-270349, Dec. 17, 1996 10 U.S.C. 1174(h)

VOLUME 7B, CHAPTER 12: "WAIVER OF RETIRED PAY"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter with hyperlinks and formatting to comply with current administrative instructions.	Revision
2.6	Language previously used to eliminate stigmatizing language replaced by the Office of the General Counsel with the word "incapacitated."	Revision

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CHAPTER 12

WAIVER OF RETIRED PAY

1.0 GENERAL

1.1 Purpose

This chapter provides guidance for the waiver of retired pay. It includes the member's rights to retired pay, explains the exception provisions as authorized by law to waive retired pay and the impact of Veterans benefits on retired pay.

1.1.1. Retired pay is a statutory right and, as such, cannot be waived except as authorized by law. The following statutes and regulations authorize a member to waive entitlement to retired pay:

1.1.1.1. Title 38, United States Code, section 5305 (***38 U.S.C. § 5305***) permits a member to waive military retired pay in order to receive compensation or pension from the Department of Veterans Affairs (VA).

1.1.1.2. ***Title 5, Code of Federal Regulations (CFR), section 831.301***, ***5 U.S.C. § 8332(c)***, *and* ***5 U.S.C. § 8411***, permit a member to include creditable military service in computing a civil service retirement annuity.

1.1.2. Generally, a member may not waive his or her right to retired pay. See subparagraphs 1.1.1.1 and 1.1.1.2 for exceptions. Even if retired pay is not being sent to a member on a monthly basis (for example, the member's whereabouts are unknown), the retired pay continues to accrue. Since, for income tax purposes, such retired pay is deemed to have been constructively received by the member once it is made available and can be drawn upon, it is subject to the tax withholding and reporting requirements of ordinary wages.

1.1.3. VA benefits are nontaxable income for federal, state, and local income taxation. See Chapter 24 for computation of taxable pay and Chapter 25 for federal income tax withholding.

1.1.4. VA benefits may exceed the retired pay entitlement.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 5, 10, 22, 31, 37, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

2.1 Dual Benefits

In general, a retiree receiving retired pay who is also eligible to receive disability compensation/pension from the VA is barred from receiving concurrent payments of both retired pay and the VA benefit, unless the member elects to waive the portion of retired pay that is equal to the amount of the VA benefit awarded. However, effective January 1, 2004, pursuant to Public Law 108-136, section 641 (e), November 24, 2003, codified at ***10 U.S.C. § 1414***, certain retirees may receive both retired pay and the VA disability compensation concurrently. See Chapter 64 for additional information on concurrent receipt of both retired pay and VA disability compensation.

2.2 Improved VA Pension

A retiree receiving retired pay who also is eligible to receive an improved VA pension from the VA is not required to waive any retired pay, effective October 1, 1980.

2.3 Initial Award of VA Disability Compensation

2.3.1. The time frame for processing the initial waiver of military retired pay in favor of an initial award of VA disability compensation is in accordance with agreements set forth in the "Memorandum of Understanding (MOU) between the Department of Veterans Affairs (VA) and the Defense Finance and Accounting Service (DFAS) – Cleveland" for Retired Pay and Survivor Annuities, hereinafter referred to as "MOU".

2.3.2. Responsibility between the DFAS and the VA for recouping overpayments is in accordance with the MOU.

2.3.3. The Dual Compensation Act, ***5 U.S.C. § 5532***, which required a reduction in retired pay for military retirees employed in civil service positions, was repealed effective October 1, 1999. Prior to the repeal, when a regular retired officer employed by the Federal Government or instrumentality thereof waived his or her retired pay in lieu of VA benefits during the period of a retroactive initial award of VA benefits, all amounts classified as retired pay were subject to reduction under the dual compensation formula. Disability compensation payable by the VA is not retired pay. Payments equal to the VA compensation entitlement, and received after the effective date of the waiver, are classified as disability compensation and have never been subject to reduction under the Dual Compensation Act. If a member executes a retroactive waiver of retired pay for a period prior to October 1, 1999, then the DFAS Cleveland site must recompute any dual compensation reduction as of the retroactive effective date of the waiver. The member must authorize the VA in writing to pay any additional compensation due after deducting any retired pay overpayment. The VA will forward new pay data to the DFAS Cleveland site in accordance with the MOU.

2.4 Change in VA Disability Compensation Awards

2.4.1. For increased or reduced awards, or a statutory increase, see the MOU.

2.4.2. If a retiree is receiving Federal Employee Compensation Act benefits and is receiving VA benefits, the member will continue to receive both benefits unless the benefits are payable for the same injury.

2.5 Withdrawal of Waiver

A retiree who has waived retired pay in favor of VA benefits may withdraw the waiver and elect to receive retired pay at any time. The retiree must submit a notification of the withdrawal of the previous waiver of retired pay to the VA on VA Form 21-526, Veteran's Application for Compensation and/or Pension. The retiree will check the box on VA Form 21-526, Part V, Item 25, under the statement, "NO, I DO NOT WANT VA COMPENSATION IN LIEU OF MILITARY PAY." This renouncement of VA benefits does not preclude the retiree from filing a new waiver of retired pay at a later date, enabling the retiree to receive VA benefits again. The effective date or reinstatement of retired pay is determined by the VA procedures outlined in subparagraphs 2.5.1 and 2.5.2.

2.5.1. When the VA is the initial recipient of the request or withdrawal, the VA will notify the DFAS retired pay activity of the effective date of termination of VA benefits. The effective date is the first of the month after the month of the request for withdrawal or termination of VA benefits, whichever is later. See the MOU.

2.5.2. When the DFAS retired pay activity is the first recipient of the request for withdrawal, it will send the request to the appropriate VA office with a cover letter indicating the monthly gross retired pay. Upon receipt, the VA follows the procedure in subparagraph 2.5.1.

*2.6 Withdrawal When the Retiree is Ruled Incapacitated

The trustee or guardian may request withdrawal of a previously executed waiver of retired pay of a retired member who has been determined to be incapacitated. The VA will terminate VA benefits and the DFAS will restore retired pay. The effective date for the restoration of retired pay will be the first day of the month following the month of the termination of VA benefits. See the MOU.

2.7 Survivor Benefit Plan (SBP)

Any retiree participating in SBP who waives retired pay in favor of VA benefits may:

2.7.1. Authorize the VA to withhold the cost of the SBP from the benefits awarded and remit that amount to the cognizant retired pay activity (see Chapters 45 and 54);

2.7.2. Be subject to involuntary collection action by DFAS. Such collection action is subject to the provisions of ***31 U.S.C. § 3701(a)(1)*** and ***31 U.S.C. § 3716***; or

2.7.3. Directly remit the cost of the SBP to the cognizant retired pay activity.

3.0 CIVIL SERVICE RETIREMENT AND FEDERAL EMPLOYMENT RETIREMENT SYSTEM

3.1 Credit of Military Service for Computing Civil Service Annuity

A retiree receiving retired pay, pursuant to any provision of law authorizing such payments, who applies for a retirement annuity under the laws administered by the Office of Personnel Management (OPM), or the Foreign Service, may elect to waive their retired pay in order to obtain credit for their military service for the purpose of increasing their civil service annuity. To avoid a delay in adjudicating a civil service retirement claim, the member should execute a waiver and send it to the DFAS at least 60 days before the anticipated starting date of the annuity.

3.2 Creditable Service

If a member waives retired pay, then all periods of military service before the date of separation on which entitlement to military retired pay is based are creditable.

3.2.1. A member will receive credit for military service without waiver of retired pay, if the member was awarded retired pay:

3.2.1.1. On account of a service connected disability:

3.2.1.1.1. Incurred in combat with an enemy of the United States; or

3.2.1.1.2. Caused by an instrumentality of war and incurred in the line of duty during a period of war as defined by ***38 U.S.C. § 1101***. The term "period of war" includes, in the case of any veteran, any period of continuous service performed after December 31, 1946 and before July 26, 1947, if such period began before January 1, 1947.

3.2.1.2. For non-regular (reserve) service under ***10 U.S.C., Chapter 1223***.

3.2.2. A member who was awarded retired pay because of military service other than service described in subparagraph 3.2.1 will be required to waive retired pay in order to receive credit for military service for Civil Service Retirement.

3.3 Initial Waiver

A retiree may request waiver of retired pay so that military service may be used in establishing eligibility for and/or computation of civil service retirement annuity. The request for waiver of retired pay must contain the retiree's signature and the effective date of the waiver of retired pay. Certain civil service annuities, starting on or after October 1, 1982, commence the first day of the month after separation from civil service or when pay ceases and the service and age requirements for entitlement to annuity are met. Individuals retiring during the first 3 days of a month are excluded; their annuities begin the following day. Also excluded are survivor

annuities, disability annuities, or discontinued service annuities based on involuntary separation, death, or last day of pay. The member should also authorize the OPM to withhold amounts necessary from the civil service retirement annuity to repay amounts of retired pay paid beyond the effective date of the waiver. The retired pay activity notifies the OPM of the date retired pay is waived. The OPM, in turn, advises the retired pay activity of the actual date a member's civil service retirement annuity started, enabling the retired pay activity to make any final settlement that might be due the retired member.

3.4 Dual Waivers

3.4.1. Federal law prohibits the credit of military service for civil service retirement annuity purposes if the retiree is receiving retired pay based on any period of military service, except retired pay awarded in accordance with subparagraph 3.2.1.

3.4.2. A retiree who is in receipt of retired pay which bars credit for military service may elect to waive the retired pay and have the military service added to civilian service for civil service annuity computation purposes subject to deposit requirements established by civil service law.

3.4.3. Individuals whose civilian retirement is not based on disability need not renounce VA benefits to receive credit for military service if they waive their military retired pay for civil service annuity computation purposes.

3.5 Withdrawal of Waiver

The waiver of military retired pay to receive an increased civil service retirement annuity may be withdrawn and military retired pay reinstated under these conditions:

3.5.1. The waiver of military retired pay may be withdrawn when the member becomes a reemployed annuitant and the civil service annuity terminates.

3.5.2. A civil service retirement retiree, who becomes eligible for Social Security benefits based on the member's wages and/or self-employment income, must exclude their military service performed after 1956 from the computation of their civil service annuity. The waiver may be withdrawn, and retired pay must be reinstated, but only if the military service was not used to establish eligibility for a civil service retirement annuity.

3.5.3. A member may revoke a waiver of military retired pay at any time providing this will not produce dual retirement benefits based on the same period of service.

3.6 Relationship of Civil Service Survivor Annuity to Military SBP

When a retiree, who is participating in the survivor annuity program, elects to waive retired pay in favor of civil service retirement, the retiree is required to pay the SBP cost during the period the waiver is in effect unless the OPM notifies the DFAS that the member elected to provide spouse coverage under the civil service annuity program.

3.7 Address

The correspondence address for the OPM and the Foreign Service are:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

Office of Retirement
Department of State, SA-1, H-620
2401 E. Street NW
Washington, DC 20522

4.0 WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

4.1 Definitions

4.1.1. Retired member, as used in this section refers to a member of the Army, Navy, Air Force, Space Force, Marine Corps or Coast Guard who because of earlier military service is entitled to pension, retired or retainer pay, or disability compensation.

4.1.2. Active duty, as used in this section, does not include extended active duty (more than 30 days) where strength accountability passes from the Reserve Components to the active military establishment.

4.2 Reserve Training Category

Each Armed Forces Reserve Component is divided into three categories: Ready (active status), Standby (inactive status), and Retired (retired status).

4.2.1. Ready Reserve

4.2.1.1. A member of the Ready Reserve may, without consent, be ordered to active duty by the Secretary of the Military Department concerned (or designee) during a period of war or national emergency, or when otherwise authorized by law.

4.2.1.2. Retired personnel having Ready Reserve status may participate in active duty for training or inactive duty training required by virtue of their assignment in a Reserve Component. Each period of training must be at least 2 hours with a maximum of two training periods in 1 calendar day. Compensation for each regular period of instruction or period of appropriate duty is at the rate of 1/30 of the member's authorized monthly pay and allowance, including that performed on a Sunday or holiday. Where the duty performed is for a continuous period of less than 1 month, compensation for each day of the period is at the rate of 1/30 of the monthly pay and allowances. The 31st day may not be excluded from the computation. A member may perform inactive duty training without pay.

4.2.1.2.1. Active Duty for Training. This duty may include full-time training, annual training tours, or attendance at a school designated as a Military Service school by the Secretary of the Military Department concerned.

4.2.1.2.2. Inactive Duty Training. This training may include assemblies, additional flying training periods, and other additional duties as authorized by the Secretary of the Military Department concerned.

4.2.2. Standby Reserve. A member of the Standby Reserve may be called to active duty only in time of war or national emergency declared by the Congress or when otherwise authorized by law. This member does not participate in the duty referred to in subparagraphs 4.2.1.2.1 or 4.2.1.2.2.

4.2.3. Retired Reserve. A member of the Retired Reserve who is entitled to retired pay may not be placed in the Ready Reserve unless the Secretary of the Military Department concerned (or designee) makes a special finding that the member's services in the Ready Reserve are indispensable. The Secretary or designee may not delegate authority in this instance.

4.3 Entitlement Prior to June 30, 2021

Prior to June 30, 2021, a Reservist entitled to retired pay who performed Reserve training for compensation, except during a period of war or national emergency, may have elected to receive for that duty:

4.3.1. The retired pay to which the member was entitled because of earlier military service; or

4.3.2. The pay and allowances authorized for the duty being performed, if the member specifically waives retired pay. For periods of war or national emergency, see 10 U.S.C. § 12316.

4.4 Effect on Pay Prior to June 30, 2021

Prior to June 30, 2021, a retired member who elected to receive compensation for periods of active duty for training or inactive duty training was required to waive 1 day of retired pay for each calendar day on which the Reserve training was performed. Performance of more than one drill in one calendar day required the withholding of only 1 day of retired pay for that calendar day.

4.4.1. Waiver of Pay. The member must prepare in advance a waiver of retired pay for the entire or remainder of the fiscal year in which the training is to be performed. The waiver form should show, by month, the number of training periods for inactive duty and the inclusive dates of each anticipated active duty tour. Timely preparation of the waiver helped to prevent a possible overpayment of pay.

4.4.2. Supplemental Certificate of Waiver. The certificate is required when a member performed active or inactive duty not covered by the first declaration. This certificate showed the additional days of duty performed by month and was added to the first declaration.

4.4.3. Certificate of Recoupment. The certificate recovered previously waived benefits that exceed active or inactive duty training performed. This request for recoupment must have been signed by the unit commander and could not be submitted earlier than the last day of the fiscal year involved. The schedule for both the active and inactive duty for training could be shown on the same waiver form or certificate.

4.4.4. Adjustment of Pay. Pay is adjusted on an individual basis. Procedures for liquidating an outstanding debt or for collecting cash payment for SBP coverage are the same as for all other retired members.

5.0 PAYMENT OF CERTAIN RESERVES WHILE ON ACTIVE DUTY, PURSUANT TO PUBLIC LAW 116-283, SECTION 621, EFFECTIVE JUNE 30, 2021

5.1 Entitled to Retired or Retainer Pay

Except as provided by paragraph 5.3, a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard who because the Reserve member's earlier military service is entitled to a retired or retainer pay and who performs duty for which the Reserve member is entitled to compensation, may elect to receive for that duty either:

5.1.1. The pay and allowances authorized by law for the duty that the Reserve member is performing; or

5.1.2. If the Reserve member specifically waives those payments, the retired or retainer pay to which the Reserve member is entitled because of the Reserve member's earlier military service.

5.2 Entitled to a Pension or Disability Compensation

Except as provided by paragraph 5.3, a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard who because of the Reserve member's earlier military service is entitled to a pension or disability compensation, and who performs duty for which the Reserve member is entitled to compensation, may elect to receive for that duty either:

5.2.1. The pension or disability compensation to which the Reserve member is entitled because of the Reserve member's earlier military service; or

5.2.2. If the Reserve member specifically waives those payments, the pay and allowances authorized by law for the duty that the Reserve member is performing.

Note: Under 38 U.S.C. § 5304(c), a member is prohibited from receiving VA disability compensation for any period for which he receives active service pay.

5.3 Not Entitled to Retired or Retainer Pay When Ordered to Active Duty for More Than 30 Days in Time of War or National Emergency

A Reserve member ordered to active duty for a period of more than 30 days in time of war or national emergency and found physically qualified to perform that duty is not entitled to retired or retainer payments until the period of active duty ends, unless the retired or retainer payments are greater than the compensation prescribed by subparagraphs 5.1.1 or 5.2.2. Other rights and benefits of the Reserve member or the Reserve member's dependents are unaffected by this paragraph.

5.4 Regulations

The Secretary of Defense shall prescribe regulations under which a Reserve member of the Army, Navy, Air Force, Space Force, Marine Corps, or Coast Guard may waive the pay and allowances authorized by law for the duty the Reserve member is performing under subparagraphs 5.1.2 or 5.2.2.

REFERENCES

CHAPTER 12 – WAIVER OF RETIRED PAY

1.0 – GENERAL

1.1.1	38 U.S.C. § 5305 5 U.S.C. § 8332(c) 5 U.S.C. § 8411 5 CFR 831.301
1.1.2	26 U.S.C. § 3402

2.0 – DEPARTMENT OF VETERANS AFFAIRS (VA) BENEFITS

2.1	38 U.S.C. § 5304 38 U.S.C. § 5305 10 U.S.C. § 1414 Public Law 108-136, section 641(e) November 24, 2003
2.2	MOU between VA/DFAS, February 16, 2017 Public Law 96-385, section 503, October 7, 1980 38 U.S.C. § 5304 38 CFR 3.750
2.3	MOU between VA/DFAS, February 16, 2017
2.3.1	MOU between VA/DFAS, February 16, 2017
2.3.2	MOU between VA/DFAS, February 16, 2017
2.3.3	MOU between VA/DFAS, February 16, 2017 5 U.S.C. § 5532 55 Comptroller General (Comp Gen) 1402
2.4	5 U.S.C § 8116 Public Law 93-416, September 7, 1974 Manuscript (MS) Comp Gen B-222852, April 28, 1987 39 Comp Gen 321
2.5	MOU between VA/DFAS, February 16, 2017

REFERENCES (continued)

2.6	MOU between VA/DFAS, February 16, 2017 50 Comp Gen 80 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
2.7	MOU between VA/DFAS, February 16, 2017 MS Comp Gen B-188932, December 23, 1977 31 U.S.C. § 3701(a)(1) 31 U.S.C. § 3716

3.0 – CIVIL SERVICE RETIREMENT & FEDERAL EMPLOYMENT RETIREMENT SYSTEM

3.1	5 U.S.C., Chapter 83, 84 22 U.S.C., Chapter 14 25 Comp Gen 631 28 Comp Gen 367 43 Comp Gen 551 46 Comp Gen 404
3.2	5 U.S.C. § 8332 (CSRS) 5 U.S.C. § 8411 (FERS) 10 U.S.C., Chapter 1223 38 U.S.C. § 1101
3.3	Public Law 97-253, section 303 September 8, 1982 5 U.S.C. § 8334 and note 5 U.S.C. § 8342 and note 5 U.S.C. § 8348 Public Law 97-377, section 768 December 21, 1982 10 U.S.C. § 1210(c) and (d) 10 U.S.C., Chapter 61
3.4	5 U.S.C. § 8332(c) 5 U.S.C. § 8334 5 U.S.C. § 8411(c) 5 CFR 831.301 55 Comp Gen 684
3.5.1	49 Comp Gen 581

REFERENCES (continued)

3.5.2	5 U.S.C. § 8332(j) 49 Comp Gen 581 41 Comp Gen 460 52 Comp Gen 429 50 Comp Gen 80
3.5.3	41 Comp Gen 460

4.0 – WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

4.1.1	10 U.S.C. § 12316(a)
4.2	10 U.S.C. § 10141(a) and (b) 32 CFR 64.4 32 CFR 101.5
4.2.1.2	10 U.S.C. § 12301 Volume 7A, Chapter 57 37 U.S.C. §§ 206, 1002, and 1004
4.2.2	10 U.S.C. § 12301 10 U.S.C. §§ 10145, 10146, and 12301 10 U.S.C. § 12316(a)
4.4	MS Comp Gen, B-179882, December 4, 1974 MS Comp Gen, B-207370, March 22, 1983

5.0 – PAYMENT OF CERTAIN RESERVES WHILE ON DUTY, PURSUANT TO PUBLIC LAW 116-283, SECTION 621, EFFECTIVE JUNE 30, 2021

	Public Law 116-283, enacted January 1, 2021, section 621, effective June 30, 2021 10 U.S.C. § 12316

VOLUME 7B, CHAPTER 13: "SUSPENSION OF PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
4.2	Added the annual requirement for retirees having a foreign address to return a completed form for Foreign Address Update for Mailed Check.	Addition
References	Updated references.	Revision

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CHAPTER 13

SUSPENSION OF PAY

1.0 GENERAL

1.1 Purpose

The pay account of a retiree may be placed in a suspended (nonpayment) status for a definite or indefinite period of time. The pay may be suspended to comply with statutory or regulatory requirements or Defense Finance and Accounting Service (DFAS) retired pay procedures. Such suspension may not necessarily affect continued or future entitlement when the requirements or procedures that were the basis for the suspension no longer apply. When a retired member is missing and there is no information concerning his or her whereabouts, the member's retired pay must be suspended from the date that he or she was last known to be alive.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 37 and 38. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 STATUTORY REQUIREMENTS

2.1 Failure to Comply With Statutes

As specified herein, applicable statutes may prohibit the retiree's receipt of concurrent payments, payments after a specific period of time, or payments if a member fails to comply with statutory requirements.

2.2 Retired Pay Suspended

A retiree's pay is suspended (see Table 13-1) if he or she:

2.2.1. Is recalled to active duty, or is otherwise in receipt of active duty pay;

2.2.2. Requests waiver of retired pay because of:

2.2.2.1. An award of Department of Veterans Affairs disability compensation or pension payments, or

2.2.2.2. Military service being used for purposes of qualifying for a U.S. civil service retirement annuity;

2.2.3. Completes 5 years on the Temporary Disability Retired List (TDRL), subject to placement on the Permanent Disability Retired List, if placed on the TDRL prior to January 1, 2017;

2.2.4. Completes 3 years on the TDRL, subject to placement on the Permanent Disability Retired List, if placed on the TDRL on or after January 1, 2017;

2.2.5. Fails to report for a required physical examination while on the TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve;

2.2.6. Is employed by a foreign government (to include local government units within a foreign country, as well as the national government itself) without applicable congressional or secretarial approvals but only after an appropriate determination by the Secretary of the Service concerned; or

2.2.7. Is found to be mentally incapable of managing his or her affairs, and no guardian, trustee, or other legal representative has been appointed. See Chapter 16 for further information.

2.2.8. Is convicted of certain offenses as provided in ***5 U.S.C. § 8312***.

2.3 Retired Pay Suspended by Secretary of the Military Department Concerned

2.3.1. The Secretary of the Military Department concerned may order a retiree's pay suspended after determining that:

2.3.1.1. A felony warrant has been issued against the absent member by the United States:

2.3.1.1.1. Under the authority of ***18 U.S.C. § 1073***, "Flight to avoid prosecution or giving testimony," and the Department of Justice has sought extradition; or

2.3.1.1.2. For violation of the International Parental Kidnapping Act, ***18 U.S.C. § 1204***, or for a crime stated in 5 U.S.C. § 8312; and

2.3.1.2. The member is outside the United States and has willfully remained outside the United States to avoid criminal prosecution for 30 or more consecutive days subsequent to the date of issue of the felony warrant.

2.3.2. Upon receipt of an order issued by the Secretary of the Military Department concerned (or designee) that a retiree's pay be suspended:

2.3.2.1. The DFAS Cleveland site must immediately suspend retired pay. Payment of any amounts subject to involuntary withholding or paid as insurance premiums by previously established allotments must not be suspended, but must continue to be paid from the member's pay unless otherwise directed by the Secretary of the Military Department concerned (or designee).

2.3.2.2. Suspension continues until DFAS Cleveland site receives orders from the Secretary of the Military Department concerned (or designee) to resume monthly payments and to pay the balance of suspended payments. No interest may be paid on any suspended amounts.

3.0 REGULATORY REQUIREMENTS

Retired pay may be suspended if certain situations exist where regulations prohibit making payments. For example, retired pay is suspended if the retiree requests that their check be mailed to addresses outside the United States listed in ***Title 31, Code of Federal Regulations (CFR), part 211.1***. Retiree requests for international Electronic Fund Transfer (EFT) receive specialized processing. The DFAS Cleveland site will send an inquiry to the Federal Reserve Bank to ascertain if the EFT is permitted to the foreign country. The retiree will be advised if the EFT is not permitted.

4.0 ADMINISTRATIVE REQUIREMENTS

4.1 Failure to Provide Timely Administrative Actions and Declines Further Payments

In accordance with the requirements of the DoD Financial Management Regulation and DFAS Cleveland site, Office of Retired Pay procedures, the head of the retired pay activity may suspend retired pay if the retiree fails to take necessary administrative actions on time, or if the retiree declines further payments.

*4.2 Failure to Provide Proof of Existence and Address

Retired pay may be suspended if the retiree:

4.2.1. Fails to furnish the required proof of existence and address. Retiree's having a foreign address and receiving retired pay in the form of a mailed (paper) check will be required to return a Foreign Address Update for Mailed Check (***FAUMC***), to the Retired Pay Department, DFAS Cleveland on an annual basis. Failure to submit an annual receipt of FAUMC to the Retired Pay Department, DFAS Cleveland is a condition for suspension of payment. See also Chapter 15 for further information;

4.2.2. Fails to notify DFAS Cleveland site, Office of Retired Pay, of an address change and the retiree's current address is unknown; or

4.2.3. Refuses to accept further payments.

5.0 EFFECT OF SUSPENSION ON TAXABLE INCOME, FEDERAL INCOME TAX WITHHELD, AND OTHER ACTIONS

5.1 Taxable Income and Federal Income Tax Withheld

The suspension of a retiree's pay account for any reason cited in sections 2.0 through 4.0 may result in the suspension of reporting of taxable income and income taxes withheld as related to retired pay. See Chapter 24 regarding taxable income, tax withheld, and issuance of Internal Revenue Service Form 1099R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc." The reporting of taxable income and taxes withheld resumes upon removal of the suspension of pay.

5.2 Allotment Deductions

Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. General provisions governing allotments of retired pay and administrative procedures are located in Chapter 19.

5.3 Survivor Annuity Deductions

Generally, the retiree's cost for participation in the Retired Serviceman's Protection Plan and/or the Survivor Benefit Plan (SBP), while the retired pay is suspended, will be deducted from the accumulated retired pay or Combat Related Special Compensation (CRSC) (when deductions from the member's retired pay are insufficient to pay the full amount of the SBP premium) upon reinstatement of retired pay or CRSC, pursuant to ***10 U.S.C. § 1452(d)(2)***. See Chapter 63, paragraph 8.3. For special rules regarding SBP, also refer to Chapter 45, Table 45-4.

Table 13-1. Suspension of Retired Pay Statutory Requirements

SUSPENSION OF RETIRED PAY — STATUTORY REQUIREMENTS			
RULE	**If a member of the**	**has pay suspended for**	**then authority is**
1	Army	recall to active duty under ***10 U.S.C. § 688*** or ***10 U.S.C. § 688a***, or for otherwise being in receipt of active duty pay	***38 U.S.C. § 5304(c)*** and ***37 U.S.C. § 903***.
2	Air Force	recall to active duty under 10 U.S.C. § 688 or 10 U.S.C. § 688a, or for otherwise being in receipt of active duty pay	38 U.S.C. § 5304(c) and 37 U.S.C. § 903.
3	Navy or Marine Corps	recall to active duty under 10 U.S.C. § 688 or ***10 U.S.C. § 8385***, or for otherwise being in receipt of active duty pay	38 U.S.C. § 5304(c) and 37 U.S.C. § 903.
4	Armed Forces	waiver of retired pay in favor of Veterans Administration compensation or pension	***38 U.S.C. § 5305***.
5	Armed Forces	waiver of retired pay in favor of civil service annuity	***5 U.S.C. § 8332***.
6	Armed Forces	completion of 5 years on TDRL, if prior to January 1, 2017	***10 U.S.C. § 1210(b) and (h)***.
7	Armed Forces	completion of 3 years on TDRL, if on or after January 1, 2017	10 U.S.C. § 1210(b) and (h)
8	Armed Forces	failure to report for periodic physical for TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve	10 U.S.C. § 1210(a).
9	Armed Forces	employment by a foreign government without congressional or secretarial approvals	Article 1, section 9, clause 8, United States Constitution, ***37 U.S.C. § 908***.
10	Armed Forces	being mentally incapable of managing own affairs	***37 U.S.C., Chapter 11***.
11	Armed Forces	conviction of certain offenses as stated in 5 U.S.C. § 8312	5 U.S.C. § 8312.
12	Armed Forces	being absent from the United States to avoid prosecution for specified crimes.	***Public Law 104-201***, section 633, September 23, 1996; 18 U.S.C. § 1073; 18 U.S.C. § 1204; and 5 U.S.C. § 8312.

*REFERENCES

CHAPTER 13 – SUSPENSION OF PAY

1.0 – GENERAL

1.1	62 Comptroller General (Comp Gen) 211 (1983) 71 Comp Gen 107 (1991)

2.0 - STATUTORY REQUIREMENTS

2.2.1	10 U.S.C. § 688 10 U.S.C. § 688a 10 U.S.C. § 8385
2.2.2.1	38 U.S.C. § 5305
2.2.2.2	5 U.S.C. § 8332
2.2.3	10 U.S.C. § 1210(b) and (h)
2.2.4	10 U.S.C. § 1210(a)
2.2.5	10 U.S.C. § 908 Article 1, Section 9, Clause 8, United States Constitution Comp Gen Decision B-251084, October 12, 1993
2.2.6	37 U.S.C., Chapter 11
2.3	Office of the Under Secretary of Defense, Personnel and Readiness, Directive-Type Memorandum, issued May 29, 1997 Public Law (PL) 104-201, section 633, September 23, 1996
2.3.1	18 U.S.C. § 1073 5 U.S.C. § 8312 18 U.S.C. § 1204

3.0 - REGULATORY REQUIREMENTS

	31 CFR 211

REFERENCES (Continued)

4.0 – ADMINISTRATIVE REQUIREMENTS

4.2	PL 117-81, section 605, December 27, 2021

VOLUME 7B, CHAPTER 14: "PAYMENT RESTRICTIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision

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CHAPTER 14

PAYMENT RESTRICTIONS

1.0 GENERAL

1.1 Purpose

This chapter provides information for certain payment restrictions to military retirement pay. Amounts of retired pay and retainer pay due to a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues.

1.1.1. Payment Date Falls on Saturday, Sunday, or Legal Holiday

When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of Defense Finance and Accounting Service (DFAS) may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before last day of the pay period.

1.1.2. Payrolls Paid on October 1

For payrolls otherwise payable on October 1, the DoD Comptroller will determine if the payroll may be dated in September.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 10, 31, and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 CHECKS

2.1 Mailing of Checks to Foreign Countries

The Secretary of the Treasury has determined that the mailing of checks is prohibited to the countries listed in ***Title 31, Code of Federal Regulations (CFR), section 211.1*** because postal, transportation, and banking facilities in general, or local conditions, are such that there is not a reasonable assurance that a retiree or annuitant in the listed countries will actually receive checks drawn against funds of the United States, or be able to negotiate checks for full value. Powers of attorney for receipt or collection of checks, or for the proceeds of checks included within the determination of the Secretary of the Treasury, will not be recognized.

2.2 Claims

Claims for the release of checks withheld from delivery, or for proceeds thereof, are filed with the DFAS site that originally authorized issuance.

3.0 ELECTRONIC FUNDS TRANSFER (EFT)

The prescribed method of payment within the DoD is EFT. See Volume 7A, Appendix C, for implementing DoD policy on EFT procedures for retirees and annuitants.

4.0 LOSS OF ENTITLEMENT TO RETIRED PAY

4.1 Conditions

Each of the following may result in a loss of entitlement to retired pay. See appropriate corresponding chapter for additional information.

4.1.1. Expiration of Allowable Duration on the Temporary Disability Retired List

See Chapter 11.

4.1.2. Loss of United States Citizenship

See Chapter 6.

4.1.3. Employment by Foreign Government

See Chapter 5.

4.1.4. Conflict of Interest

See Chapter 5.

4.1.5. National Security Violations

See ***5 U.S.C. §§ 8311-8322***.

NOTE: The Hiss Act, codified as 5 U.S.C. §§ 8311-8322 as amended, prohibited the payment of retired pay to military personnel who were convicted of any criminal offense enumerated in the statute. The Act did not prohibit the payment of retired pay if both the criminal offense and the award of retired pay occurred before September 1, 1954. Retired pay awarded on or after September 1, 1954, however, could not be paid regardless of the date on which the offense or conviction occurred. If the individual involved received a presidential pardon or later was cleared by decision of a higher court, the right to retired pay was restored. ***Public Law 87-299***, September 26, 1961, amended the Hiss Act and limited provisions to cases involving national security. Members convicted by court-martial or by Federal civil court of felony offenses or the equivalent of felonies but not involving national security, were no longer subject to the provisions of the Hiss Act.

4.1.6. Denial Upon Certain Punitive Discharges or Dismissals

The non-Regular service retired pay entitlement of a member is denied when his or her court-martial sentence includes death or separation by dishonorable discharge, bad conduct discharge, or dismissal effective with court-martial sentences adjudged after February 10, 1996.

4.2 Recall to Active Duty

A retiree who receives orders, issued by proper authority, for recall to active duty for an indefinite or definite period is not entitled to retired pay for the period of active duty. Members on active duty for training are covered in Chapter 12, section 4.0.

4.3 Prohibition Against Duplication of Benefits

A retired member who serves on active duty is not entitled to receive both active pay and retired pay simultaneously.

REFERENCES

CHAPTER 14 – PAYMENT RESTRICTIONS

1.0 – GENERAL

Public Law 111-383, section 632, January 7, 2011
10 U.S.C. § 1412
37 U.S.C. § 1006(h)
59 Comptroller General 219, B-193772, January 22, 1980
DoD Directive 5118.05, April 20, 2012

2.0 – CHECKS

2.1	31 U.S.C. § 3329 31 CFR 211.1
2.2	31 U.S.C. § 3329 31 CFR 211.2

3.0 – ELECTRONIC FUNDS TRANSFER (EFT)

31 U.S.C. § 3332

4.0 –LOSS OF ENTITLEMENT TO RETIRED PAY

4.1.1	10 U.S.C. § 1210(b), (h) and note Public Law 114-328, section 525, December 23, 2016
4.1.2	10 U.S.C. § 12731
4.1.5	Public Law 103-337, section 639, October 5, 1994 Public Law 87-299, September 26, 1961 5 U.S.C. §§ 8311-8322
4.1.6	Public Law 104-106, section 632, February 10, 1996 10 U.S.C. § 12740

VOLUME 7B, CHAPTER 15: "PROOF OF EXISTENCE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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The previous version dated October 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Replaced all references to Report of Existence and associated instructions with Foreign Address Update for Mailed Checks per section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Revision
3.0	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, " dated November 7, 2022.	Revision
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision

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CHAPTER 15

PROOF OF EXISTENCE

1.0 GENERAL

1.1 Purpose

For the protection of the U.S. Government, certain safeguards are required for retired military paychecks mailed through the international postal system. The proof of existence protects the U.S. Government from continuing to issue payments to deceased retirees. Military retired pay and Combat-Related Special Compensation payment instruments may not be negotiated after the retiree's death.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 31 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in reference section at the end of the chapter.

2.0 COMPETENT RETIREE

2.1 Annual Submission of Foreign Address Update for Mailed Check (FAUMC)

In order to receive a paper military paycheck in a foreign country, through the international postal system, a retiree must submit an annual ***FAUMC*** to the Defense Finance and Accounting Service (DFAS) Indianapolis site. The FAUMC may be submitted either electronically or by mail.

Note: FAUMCs are not required for military retirees who reside in the United States or whose military pay is directly deposited by electronic funds transfer.

2.1.1. Electronic Submission. To submit the FAUMC electronically, the retiree may upload the completed and signed form online using the ***askDFAS online upload tool***.

2.1.2. Mail Submission. The fully executed paper FAUMC should be mailed to the following address:

DFAS
U. S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

2.2 FAUMC Not Required

An FAUMC is not required when:

2.2.1. A retiree resides in the United States and their retired military paycheck is mailed to an address other than that of a financial institution;

2.2.2. The retiree's military paycheck is mailed to an Army/Air Post Office, Fleet Post Office, or a finance or disbursing officer at an overseas address; or

2.2.3. The retiree's military paycheck is mailed to a financial institution in the United States. The financial institution's endorsement constitutes proof of existence for the retiree.

2.3 Exceptions

The Director, DFAS, or designee may suspend FAUMC requirements when a Federal or State disaster, a pandemic, or any other natural emergency is declared. The Director, DFAS, or designee may also determine the amount of time of the suspension, not to exceed 90 days. Upon expiration of the 90-day term, the suspension may be reviewed for further extension, but in no instance may the suspension exceed one year. The action to suspend the FAUMC requirement should take into consideration audit and risk management protocols including the ability to validate the identity of the annuitant from other government sources.

2.4 Restriction

Retired military paychecks must not be addressed to a U.S. Consulate, Embassy, or Military Attaché unless the retiree is employed by that particular agency.

*3.0 RETIREES DETERMINED TO LACK DECISION MAKING CAPACITY DUE TO PHYSICAL OR MENTAL ILLNESS OR DISABILITY

3.1 Checks to retirees determined to lack decision making capacity due to physical or mental illness or disability.

In the case of a retiree who has been found to be incapable of managing their affairs due to a mental incapacity, the retiree may not receive the check. Instead, checks may be made payable to a legal guardian, trustee, or other legal representative after receipt of proper documentation verifying the authority of the guardian, trustee, or other legal representative to receive such payments. See Chapter 16 for appointment or designation of legal representatives.

3.2 Legal Representative Requirement

The retired military paycheck may be mailed to the legal representative or to a financial institution established by the legal representative for the retiree (ward).

3.3 Department of Veterans Affairs (VA) Hospital Authority

In the absence of the appointment of a guardian, trustee, or other legal representative for a retiree determined to lack decision making capacity due to physical or mental illness or disability who is a patient of a VA hospital, payment may be made to the Administrator of the VA hospital to provide the retiree with health and comfort items. See Chapter 16.

4.0 MAILING OF RETIRED MILITARY PAYCHECKS

Retired military paper paychecks are normally mailed at the end of each month, provided a signed FAUMC, when required, has been received and certifies the retiree's continued existence. Failure to return the required FAUMC will result in suspension of retired pay.

*REFERENCES

CHAPTER 15 – PROOF OF EXISTENCE

1.0 – GENERAL

Comptroller General (Comp Gen) B-206129, June 28, 1982
Title 31, Code Federal Regulations (CFR), section 240.15

2.0 –COMPETENT RETIREE

2.1 Comp Gen B-206129, June 28, 1982

3.0 – RETIREES DETERMINED TO LACK DECISION MAKING CAPACITY DUE TO PHYSICAL OR MENTAL ILLNESS OR DISABILITY

3.1 31 CFR 240.14
31 CFR 240.15
44 Comp Gen 208, October 12, 1964
3.2 37 U.S.C. § 602

4.0 – MAILING OF RETIRED MILITARY PAYCHECKS

44 Comp Gen 208, October 12, 1964
Comp Gen B-206129, June 28, 1982
37 U.S.C. § 602 Comp Gen A-3551 Decisions, April 6, 1931; June 23, 1931; October 24, 1946; March 9, 1951; and February 3, 1964

VOLUME 7B, CHAPTER 16: "PHYSICAL OR MENTAL INCAPACITATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6.1 and 6.1.7	Added the annual requirement for an agent or trustee to return a completed form for Foreign Address Update for Mailed Check to replace the former requirement of a bi-annual Report of Existence for incapacitated retirees having a foreign address, pursuant to section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Addition
3.2.2	Revised subparagraph to include a Doctor of Osteopathic Medicine as a qualified medical officer or physician, pursuant to Title 37, United States Code, section 602.	Revision
Table of Contents and 1.1, 2.6, 3.5.2.1, 3.5.2.2, 3.6, 3.7, 3.8, 4.2, 4.2.2, 6.1, 6.1.1, 6.1.3, 6.1.5, 6.1.6, 6.3, 7.1	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022.	Revision
References	Updated references.	Revision

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CHAPTER 16

PHYSICAL OR MENTAL INCAPACITATION

1.0 GENERAL

*1.1 Purpose

This chapter provides information and guidance on the duties and responsibilities performed on behalf of a retiree determined to be mentally and/or physically incapable of managing their affairs. This chapter applies to members of a uniformed service who are on a retired list of that Service and members of the Fleet Reserve or Fleet Marine Corps Reserve. Federal law provides legal authority for the payment of amounts due incapacitated retirees of the uniformed services to designated persons for their use and benefit, and for the use and benefit of their dependents where the state court has not appointed a committee, guardian, or legal representative.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 37. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Physically or Mentally Incapacitated Retiree

A physically or mentally incapacitated retiree is an individual who is impaired by physical disability, mental illness, mental deficiency, advanced age, chronic use of drugs or alcohol, or other causes that prevent sufficient understanding or capacity to manage their own affairs competently.

2.2 Committee

A committee is a person, assembly, or board of persons to whom (or which) the consideration or management of any matter is committed or referred by a court as a person or persons having guardianship of the person and property of an insane person.

2.3 Competency Board

The competency board consists of at least three qualified medical officers or physicians, one of whom is specially qualified in the treatment of mental disorders. The Secretary of the Department having jurisdiction of the member appoints the board.

2.4 Conservator

A conservator is a guardian, protector, or preserver; a maintainer.

2.5 Court of Competent Jurisdiction

A court of competent jurisdiction has the power and authority of law at the time of acting to do the particular act; has jurisdiction both of the person and of the subject matter; is provided for in the Constitution of the United States; or created by the legislature and has jurisdiction of the subject matter and of the person.

*2.6 Guardian

A guardian is a person who legally has the care of the person or property (or both) of another person who has been determined by a court of competent jurisdiction to be incapacitated to act for themself.

2.7 Trustee

A trustee, as used in the legal sense, is:

2.7.1. A person who takes and holds the legal title to the trust property for the benefit of another,

2.7.2. One to whom another's property is legally committed in trust, or

2.7.3. A person holding the legal title to property under an expressed or implied agreement to apply it and the income arising from it, for the use and benefit of another person.

Note: As referenced in this chapter, a trustee is a person appointed by the Defense Finance and Accounting Service (DFAS) Cleveland (DFAS-CL) to receive payment of retired or retainer pay on behalf of a retiree determined to be mentally incapable of managing their affairs. The term "trustee" does not include an agent holding a valid and legally executed durable power of attorney pursuant to Title ***37 U.S.C. § 602(a)(2)***.

2.8 Durable Power of Attorney

The term "Durable Power of Attorney" means a writing or other record that grants authority to an agent to act in the place of the principal, where the authority of the agent is not terminated by the principal's incapacity. A durable power of attorney is distinctive from a regular power of attorney and allows the agent to act on the principal's behalf beyond the incapacity of the principal. There are two types of durable powers of attorney which are immediate and springing.

2.8.1. Immediate. The immediate power of attorney starts immediately after the durable power of attorney has been executed.

2.8.2. Springing. The springing power of attorney goes into effect after a specific event occurs (for example, when the person granting the power of attorney becomes mentally incapable of managing their affairs).

Note: DFAS-CL will accept either the immediate or a springing durable power of attorney, but will only honor either upon a showing of mental incompetency.

2.9 Principal

A principal is an individual who grants authority to an agent in a power of attorney.

2.10 Agent

An agent is a person granted authority to act for a principal under a power of attorney.

3.0 MENTAL INCAPACITY

3.1 Legally Appointed Representative

3.1.1. Legally Appointed Representative. When a court of competent jurisdiction appoints a legal committee, guardian, or other representative for the retiree, DFAS will normally accept such appointment and will not appoint a trustee or recognize an agent holding a durable power of attorney. For more information regarding court appointments see section 5.0.

3.1.2. Agent Holding a Valid and Legally Executed Durable Power of Attorney. Amounts due a retiree for retired or retainer pay, who is mentally incapable of managing their own affairs, may be paid for that retiree's use or benefit to an agent who presents a valid and legally executed durable power of attorney and also presents evidence showing that the retiree (principal) is incapable of managing their affairs in accordance with the process provided in paragraph 3.2.

3.1.3. No Legally Appointed Representative or Agent Holding a Valid and Legally Executed Durable Power of Attorney. When there is no legally appointed representative and no agent holding a durable power of attorney, amounts due a retiree for retired or retainer pay who, according to a board of medical officers or physicians, is mentally incapable of managing their own affairs, may be paid for that retiree's use or benefit to any person designated by the Director, DFAS-CL under paragraph 3.5 without the appointment in judicial proceedings of a committee, guardian, or other legal representative.

3.2 Effectiveness of a Durable Power of Attorney

In order for an agent holding a durable power of attorney to receive amounts due a retiree (principal) who is mentally and/or physically incapable of managing their own affairs, evidence of the retiree's (principal's) incapacity must be provided. Pursuant to Public Law 114-328, section 645, the evidence DFAS will accept to show that a member is incapable of managing their affairs must reflect the following:

3.2.1. A durable power of attorney, either immediate or springing; and

* 3.2.2. A medical statement with a current evaluation (within the past 4 months) prepared and signed by a Doctor of Medicine, Doctor of Osteopathic Medicine, or Psychiatrist, i.e., not a Psychologist, Nurse, Physician Assistant, Registered Nurse, or Clinical Social Worker. The statement must include:

3.2.2.1. A statement that the retiree is (at the time of evaluation) medically incapable of managing their affairs;

3.2.2.2. A description of the condition afflicting the retiree which led to this diagnosis;

3.2.2.3. A statement regarding the retiree's prognosis for possible improvement; and

3.2.2.4. A statement that the determination of incapacity was made based on both a physical examination and mental evaluation of the retiree.

Note: Upon presentation of the evidence as described in subparagraphs 3.2.1 and 3.2.2, the amounts due to the retiree may be paid to the agent. Amounts due may only be used for the use and benefit of the retiree. Neither accounting reports nor a surety bond will be required unless, in the discretion of the Director, DFAS-CL, special circumstances warrant. DFAS will not normally allow an agent holding a durable power of attorney to receive amounts due an incompetent retiree in a case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

3.3 Authorized Mental Health Determination (in cases where there is no agent holding a durable power of attorney)

Federal agencies authorized to make determinations of the mental competency of a retired service member hospitalized in a facility under its jurisdiction are the:

3.3.1. Department of the Army,

3.3.2. Department of the Navy,

3.3.3. Department of the Air Force,

3.3.4. Department of Health and Human Services, and

3.3.5. Department of Veterans Affairs (VA).

3.4 Competency Board Determination

When there is no agent qualifying under paragraph 3.2, upon receipt of information that a retiree may be mentally incapacitated, a board of no fewer than three medical officers or physicians (including one specially trained in the treatment of mental disorders) is convened to determine whether the retiree is competent. The board also convenes when requested to do so by proper authority.

3.4.1. The convening authority ensures that three members of the board certify the board's findings.

3.4.2. The convening authority of the appropriate Military Service must send one copy of the board's findings, as applicable, to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

3.5 Appointment of Trustee (in cases where there is no agent holding a durable power of attorney)

3.5.1. Appointed Trustee Authority. The authority of the Secretaries of the Military Departments to appoint trustees under 37 U.S.C. § 602 has been delegated to the Director, DFAS-CL.

3.5.2. Persons Eligible for Appointment as Designated Trustee

* 3.5.2.1. If a competency board finds a retiree mentally incapacitated and the retiree has no court appointed legal committee, guardian, or other representative, when there is no agent qualifying under paragraph 3.2, the Director, DFAS-CL, may appoint a trustee to act on the retiree's behalf. The Director, DFAS-CL, may designate one of the following persons as trustee for all incompetent military retirees if the trustee is 21 years of age or over:

3.5.2.1.1. Lawful spouse (not subject to the age requirement);

3.5.2.1.2. Legitimate son or daughter or legally adopted son or daughter;

3.5.2.1.3. Parents;

3.5.2.1.4. Head of an institution, if the retiree is a patient; or

3.5.2.1.5. Any other person or persons if in the best interest of the retiree.

* 3.5.2.2. While next of kin or other relatives of the retiree ordinarily are preferred for designation as trustee, DFAS may designate any other person, willing and suitable to act, as a temporary or permanent trustee unless a court of competent jurisdiction appoints a committee, guardian, or other legal representative. If more than one qualified person applies to be trustee for a mentally incapacitated retiree, then the Director, DFAS-CL, will determine which applicant is the more appropriate trustee.

3.5.3. Submitting Application and Documentation for Appointment of Trustee

Submit all applications to appoint a trustee and related documentation to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

*3.6 Bond Requirement for Appointed Trustee

The trustee, designated to receive monies on behalf of the incapacitated retiree, must furnish a suitable bond in all cases when the amounts may exceed $25,000. The bond so required and furnished must have, as the surety, a company approved by the U. S. Government and must be in such amount as required by the Retired Pay Department, DFAS-CL. The person designated as trustee acts in this capacity without remuneration; however, if a bond is required, the trustee may pay the premium fee charged by the bonding company from the funds received on behalf of the mentally incompetent retiree. The trustee may not pay any other expenses incurred in securing the bond from the amount payable to the incompetent retiree.

*3.7 DFAS-Cleveland Appointed Trustee Authority

The trustee appointed by the Retired Pay Department, DFAS-CL, has the authority only to receive, expend, and account for monies received from the military. The appointment does not convey authority to act as a trustee in a civilian capacity without prior authority from a court of competent jurisdiction. The trustee must use the monies received for the benefit of the retiree who is mentally incapable of managing their affairs. Payment made to a person so designated under 37 U.S.C. § 602 discharges the obligation of the United States as to the amount paid. The Government may not appoint a trustee in any case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

*3.8 Required Reports and Documents

The designated trustee submits accounting reports annually or at such times as directed by the Retired Pay Department, DFAS-CL. The reports must show all funds received, all expenditures made on behalf of the retiree who is mentally incapable of managing their affairs, and a statement of the condition of the trustee account. The trustee also may be required to provide

all receipts, canceled checks, voucher accounts, savings account passbooks or statements, and/or other records concerning the trustee account. If the trustee fails to report promptly at the end of the accounting period, then the appointing authority may either temporarily suspend or terminate further payments to the trustee and may designate a successor trustee.

4.0 PHYSICAL INCAPACITY

4.1 Physical Infirmity

4.1.1. Physical infirmity alone does not warrant the appointment of a guardian for the estate of a person. In some cases, incompetence to manage an estate or property has been found primarily from evidence of advanced age and physical infirmity, and a guardian or conservator has been appointed. In some jurisdictions, there are statutes, held to be constitutional, which authorize the appointment of guardians of the estates of those who, because of old age or physical incapacity, are incapable of managing their property.

4.1.2. In the case of a retiree suffering from a physical condition/infirmity that renders him or her mentally incapable of managing their affairs, see section 3.0 for guidance regarding the use of a durable power of attorney to receive amounts due the retiree, guidance in preparing and submitting the application for trustee in the absence of a durable power of attorney, and the DFAS-CL requirements in establishing and appointing a trustee.

*4.2 Conservator or Guardian

In several states, statutes authorize persons who, although of sound mind, believe themselves incapable of managing their own estates or of caring for their own property, to apply for, request, or consent to the appointment of a conservator or guardian of the estate or of their persons, or both. The conservator or guardian, when appointed, possesses over the estate substantially the same power and is subject to substantially the same duties as a guardian of a person who is incapable of managing their property. The following are examples for determining whether the appointment of a conservator may be necessary for a physically incapacitated retiree:

4.2.1. A person who is bedfast and physically incapacitated as the result of two strokes is not necessarily incompetent to require the appointment of a guardian.

* 4.2.2. A 77-year-old woman suffering from complete paralysis of the left side was unable to speak except for an occasional word, could not swallow, and could write only with difficulty and very briefly, but could hear, read, watch television, walk with assistance, and could be out of bed and sit up for short periods of time. According to medical testimony, she was mentally competent, but the evidence was sufficient to support a finding that she was incapable of managing her property as a result of her physical disability.

4.2.3. When an adult person has sufficient mental capacity to understand the nature and consequences of the application for a conservator, that person's wishes, if conducive to welfare and contentment of mind may properly be given great weight in determining whether a conservator (rather than a guardian) should be appointed.

4.2.4. The physical condition of the person for whom a conservator is required can be considered only insofar as it may affect the person's mental condition.

4.3 Court Orders

Because of the variety of county and state statutes regarding the appointment of legal representatives for physically incapacitated retirees, DFAS-CL accepts and processes court orders appointing such representatives. It is not the responsibility of DFAS-CL to authenticate each order.

5.0 COURT APPOINTMENT OF GUARDIAN OR OTHER LEGAL REPRESENTATIVE FOR PHYSICALLY OR MENTALLY INCAPACITATED RETIREE

5.1 Request for Incapacity Determination

The incapacitated retiree or any person interested in the welfare of the retiree may petition a court of competent jurisdiction for a finding of incapacity and appointment of a guardian or other legal representative.

5.2 Certification of Court Appointment

A copy of the appropriate court order certifying the appointment of the guardian, committee, or conservator is required before DFAS may make payments to the appointee.

5.3 No Requirement for Accounting Reports

Accounting reports, similar to those identified in paragraph 3.7, are not required. Such reports, if required by the court, are matters of concern between the court-appointed guardian or legal representative and the court.

6.0 TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

*6.1 Conditions for Termination of Payments

DFAS will terminate payments that are due a retiree who has been determined incapable of managing their affairs and paid to a trustee appointed under paragraph 3.4 or an agent recognized under paragraph 3.2 upon notification receipt of the conditions listed in subparagraphs 6.1.1 through 6.1.6 or non-receipt of the annual requirement for the completed form, ***Foreign Address Update for Mailed Check (FAUMC)*** as defined in subparagraph 6.1.7.

* 6.1.1. Death of a retiree who has been determined incapable of managing their affairs;

6.1.2. Death or disability of the trustee or agent;

* 6.1.3. Appointment of a committee, guardian, or other legal representative for the retiree determined by a court of competent jurisdiction to lack decision-making capacity;

6.1.4. Failure of a trustee (or agent if required) to render required accounting reports;

* 6.1.5. Reasonable cause to believe that there is improper use of monies received on behalf of the retiree who has been determined incapable of managing their affairs;

* 6.1.6. Findings from a board of medical officers or other appropriate medical authorities indicating that the retiree is capable of managing their own affairs. The appointing authority may accept, at their discretion, the findings of a VA or Public Health Service medical facility, or the findings of other public or private medical facilities that a person formerly found incapable of managing their affairs is now found capable of managing their affairs; or

* 6.1.7. Agents for incapacitated retirees having a foreign address and receiving retired pay in the form of a mailed (paper) check will be required to return a FAUMC to the Retired Pay Department, DFAS-CL on an annual basis. Failure of an annual receipt of FAUMC in the Retired Pay Department, DFAS-CL is a condition for termination of payment. See Volume 7B, Chapter 15.

6.2 Discharge of Trustee Duties

6.2.1. When payments to the trustee terminate as described in paragraph 6.1, the trustee files a final accounting report with the Retired Pay Department, DFAS-CL. Upon approval of the final accounting report, the trustee is discharged and the surety is released of its bond.

6.2.2. If payment terminates for reasons described under subparagraphs 6.1.2, 6.1.4, or 6.1.5, then the Retired Pay Department, DFAS-CL, may appoint a successor trustee. Upon death or disability of a trustee, the trustee's legal representative makes the final accounting report.

*6.3 Death of Incapacitated Retiree

Upon the death of the incompetent retiree, any funds remaining in the fiduciary account, maintained on behalf of the incapacitated retiree by the trustee or agent, must be made payable to the deceased retiree's estate. A notification of death from any source is sufficient to suspend payments of retired pay to the trustee or agent. To settle (pay) the arrears of the member's retired pay, the following documentation must be on file:

6.3.1. A copy of the death certificate;

6.3.2. Completed ***Standard Form 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary; and

6.3.3. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS-CL before a settlement of arrears of military retired pay may be made.

7.0 COMFORT ITEMS DURING HOSPITAL STAY

*7.1 Hospital Stay of Incapacitated Retiree

The commanding officer of any military hospital or the director of a VA hospital may designate an officer under the command to receive and receipt for a sum of money from the accrued pay of a retiree who, as a patient at the hospital, is found physically or mentally incapacitated in a report of medical officers.

7.2 Money Received for Comfort Items

During the retiree's hospital stay, the designated officer may use the sum of money received from the accrued pay of a retiree only for the purchase of comfort items for the use and benefit of that retiree when all of the following conditions exist:

7.2.1. DFAS did not designate a trustee and a court of competent jurisdiction did not appoint a guardian or other legal representative;

7.2.2. There are no other funds available for use on behalf of the retiree; and

7.2.3. Competent medical authority agrees that the purchase of items will serve the comfort of the retiree.

*REFERENCES

CHAPTER 16 – PHYSICAL OR MENTAL INCAPACITATION

1.0 – GENERAL

1.1	37 U.S.C. § 601 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

2.0 – DEFINITIONS

	37 U.S.C. § 602 15A Corpus Juris Secundum (C.J.S.) Committee 15A C.J.S. Conservator 21 C.J.S. Courts 22 39 C.J.S. Guard and W2 89 C.J.S. Trusts 3
2.6	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

3.0 – MENTAL INCAPACITY

3.1	37 U.S.C. § 602
3.2	Public Law (PL) 114-328, section 645, December 23, 2016 37 U.S.C. § 602
3.3 – 3.4	37 U.S.C., Chapter 11 37 U.S.C. §§ 601-604
3.5	37 U.S.C. § 602
3.5.2.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
3.5.2.2	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

REFERENCES (Continued)

3.6 – 3.8	37 U.S.C. § 602(c) and (e) Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

4.0 – PHYSICAL INCAPACITY

4.2	39 American Jurisprudence (Am Jur) 2d, Guardian and Ward, 21 and 22 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
4.2.1	In re (Latin for "In the matter of") Cass/Guardianship 155 Neb 792, 54 NW 2d 68, 1952
4.2.2	Loss vs. Loss, 251 12d 515, 185 NE 2d 228, 1962 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
4.2.3	Hogan's Appeal, 135, Me 249, 194A 854, 113 American Law Review 350, 1937
4.2.4	Shapter vs. Pillar, 28 Col 209, 63P 302, 1900
4.3	39 Am Jur 2d, Guardian and Ward, 21 and 22

6.0 – TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

6.1	37 U.S.C. § 602(e) PL 117-81, section 605, December 27, 2021 Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.3	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

REFERENCES (Continued)

6.1.5	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.6	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022
6.1.7	PL 117-81, section 605, December 27, 2021
6.2	37 U.S.C. § 602(e)
6.3	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

7.0 – COMFORT ITEMS DURING HOSPITAL STAY

7.1	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health, dated November 7, 2022

VOLUME 7B, CHAPTER 17: "BANKRUPTCIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1.2	Clarified coordination with Defense Finance and Accounting Service, Office of the General Counsel, Garnishment Law Directorate upon notification of bankruptcy.	Revision

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CHAPTER 17

BANKRUPTCIES

1.0 GENERAL

1.1 Purpose

This chapter applies to military retirees who have filed a bankruptcy petition under ***Title 11, United States Code (U.S.C.), Chapter 7*** or ***11 U.S.C., Chapter 13*** of the Bankruptcy Code. (Note: When hyperlinks to 11 U.S.C., Chapters 7 or 13 are opened, scroll down to access more information on bankruptcy). The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

1.1.1. Voluntary Bankruptcy. Military retirees may seek protection of voluntary bankruptcy as "debtors."

* 1.1.2. Automatic Stay Provisions. Continued deduction from the retiree's pay of most types of debts, including debts owed to the United States, after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Any debt amounts withheld after the date the bankruptcy petition is filed must be refunded to the retiree's pay account. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay unless the bankruptcy court orders otherwise. Coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate when notified of a bankruptcy filing and prior to making a determination as to the collection of a debt, as there may be exceptions that affect the collection of a debt or refund due a debtor.

1.1.3. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the retiree has listed the U.S. Government as a creditor, DFAS-Cleveland, Retired and Annuitant Pay Operations will file ***Official Form 410***, Proof of Claim, with the bankruptcy court concerned.

1.1.4. Post-Petition Debt. A new item of indebtedness incurred after the filing of the bankruptcy petition is known as a post-petition debt. Post-petition debt collection should be coordinated with the DFAS Office of the General Counsel, Garnishment Law Directorate prior to taking any action.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 11 and 31. Due to

the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, TITLE 11, UNITED STATES CODE (U.S.C.), CHAPTER 13 (THE PLAN)

2.1 Repayment Plan

A retiree may file a petition with the court to enter a Chapter 13 plan under the Bankruptcy Code (11 U.S.C., Chapter 13), henceforth called "the plan." Under 11 U.S.C., Chapter 13, a retiree must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income, as is necessary to pay claims according to the plan, is under the control of the bankruptcy trustee. The plan will provide for the submission of such earnings or wages to the supervision and control of the court for the purpose of enforcing the plan.

2.2 Provisions

Generally, when the plan is confirmed by the court, its provisions are binding upon the debtor and all creditors of the debtor, whether they are affected by the plan, whether they have accepted it and have filed their claims, or whether their claims have been scheduled or allowed, or are allowable. Coordinate with the DFAS Office of General Counsel, Garnishment Law Directorate as there may be exceptions that do not bind creditors against the plan and/or discharge depending on the characterization of the indebtedness, the date the indebtedness was incurred, and/or the effectiveness of service of the bankruptcy notice to the creditor.

2.3 Authority

The court has authority to issue orders needed to implement the provisions of the plan including orders directed to an employer of the debtor.

2.4 Retired Pay

The retired pay of a retiree may be used to pay the plan and is payable to the trustee appointed by the court. The payment by DFAS of part of the retiree's pay in response to a court order issued in the plan does not conflict with ***31 U.S.C. § 3713*** (Priority of Government Claims). Compliance with such a court order gives the government a valid acquittance against the retiree since the court order is binding on the retiree.

Note: See ***11 U.S.C. § 101(10A)(B)(ii)(IV)***, for the definition of current monthly income which excludes any monthly compensation, pension, pay, annuity, or allowance paid under Titles 10, 37, or 38 in connection with a disability, combat-related injury or disability, or death of a member of the uniformed services. However, any retired pay excluded shall include retired pay paid under chapter 61 of Title 10 only to the extent that such retired pay exceeds the amount of retired pay to which the debtor would otherwise be entitled if retired under any provisions of Title 10 other than chapter 61 of that title. Additionally, the current monthly income in the definition section affects

the income that is used for determining the amount of payment for the plan. Once DFAS receives the court order issued in the plan, DFAS will withhold from all available sources to satisfy the court order obligation as the retiree voluntarily entered the plan.

2.5 Judicial Determination

If the U.S. Government is a creditor when the retiree files the plan, then Government's priority under 31 U.S.C. § 3713 may be asserted in the absence of a judicial determination to the contrary.

2.6 Delinquent Taxes

A retiree who is participating in the plan must pay the delinquent taxes which he or she owes that had not been assessed before the date of confirmation of the plan. The retiree is also responsible for all taxes that may become due. The United States may accept the provisions of any plan that includes the assumption, settlement, or payment of any such delinquent taxes.

2.6.1. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends the entire amount of the retiree's pay to the court-appointed trustee, the Internal Revenue Service (IRS) Notice of Levy should be forwarded to the court-appointed trustee for disposition.

2.6.2. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends part of the pay due the retiree to the court-appointed trustee, the IRS Notice of Levy should be processed in the normal manner against the amount due the retiree. The court-appointed trustee is provided a copy of the IRS Notice of Levy and notified of the action taken in establishing the liquidation procedures on a continuing Notice of Levy.

3.0 PROCEDURES

3.1 Bankruptcy Notices and Withholding Orders

3.1.1. All bankruptcy notices and withholding orders should be submitted or faxed to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002

Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

3.1.2. DFAS Office of General Counsel, Garnishment Law Directorate is the designated agent for service of process for all military retiree bankruptcy notices and withholding orders.

3.1.3. The following information should be included with the withholding order:

3.1.3.1. Full name and

3.1.3.2. Full social security number.

3.1.4. The notice is effective when it is received in the office of the designated official.

3.1.5. When the notice does not sufficiently identify the retiree, it will be returned directly to the person who submitted the order with an explanation of the deficiency.

3.2 Case Review and Execution of Bankruptcy Withholding Order

Upon receipt of notice of a bankruptcy, together with all the required information, the office of the designated official will review the case to determine if there are any garnishments or debt collections that must be terminated as a result of the automatic stay (child support, alimony, child support arrears, alimony arrears, and division of property awards are not terminated unless the bankruptcy order requires it). If a bankruptcy withholding order is submitted, the office of the designated official will establish the withholding against the retiree's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is modified or terminated, or the bankruptcy case is dismissed or discharged.

3.2.1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the retiree.

3.2.2. The letter will inform the retiree the date that the bankruptcy withholding is scheduled to begin and the amount or percentage that will be deducted.

3.2.3. When the retiree identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily or otherwise unavailable, the authorized person must be told why and for how long any money is unavailable, if known.

REFERENCES

CHAPTER 17 – BANKRUPTCIES

1.0 – GENERAL

1.1.1	11 U.S.C. § 109
1.1.2	11 U.S.C. § 362
1.1.3	11 U.S.C. § 501
1.1.4	11 U.S.C. § 1305

2.0 – ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, CHAPTER 13 (THE PLAN)

2.1	11 U.S.C. §§ 1301-1330
2.2	11 U.S.C. § 1327
2.3	11 U.S.C. § 105
2.4	11 U.S.C. § 101(10A)(B)(ii)(IV) 11 U.S.C. § 1326 31 U.S.C. § 3713
2.5	31 U.S.C. § 3713 47 Comptroller General (Comp Gen) 522, United States vs. Shannon, 342 US 288, 1951
2.6	31 U.S.C. § 3713 47 Comp Gen 522

VOLUME 7B, CHAPTER 18: "RELEASE OF INFORMATION"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4.2 4.3	Combined paragraphs to streamline the Air Force and Space Force administration and the Navy and Marine Corps administration.	Revision

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CHAPTER 18

RELEASE OF INFORMATION

1.0 GENERAL

1.1 Purpose

This chapter provides regulatory policy on the Freedom of Information and Privacy Acts. Guidance references are from United States Code (U.S.C.), Public Law (PL), DoD and agency regulations.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 5. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 FREEDOM OF INFORMATION ACT

PL 89-554, enacted September 6, 1966, commonly known as the Freedom of Information Act (FOIA) and codified in ***Title 5, U.S.C., section 552***, as amended, provides for openness in government and making information available to the public. ***DoD Directive (DoDD) 5400.07***, DoD Freedom of Information Act Program, provides guidance on 5 U.S.C. § 552, as amended, and prescribes uniform policies and procedures for the DoD implementation of the FOIA.

3.0 PRIVACY ACT

PL 93-579, enacted December 31, 1974, commonly known as the Privacy Act of 1974 and codified in 5 U.S.C. § 552a, as amended, safeguards individual privacy by governing the collection, safeguarding, maintenance, public notice, use, access, amendment, and dissemination of personal information. ***DoD Instruction (DoDI) 5400.11***, DoD Privacy and Civil Liberties Programs, provides guidance on 5 U.S.C. § 552a, as amended, and prescribes uniform procedures for implementation of the DoD Privacy Program.

4.0 ADMINISTRATION

Administration of the FOIA and the Privacy Act must be in accordance with the respective Component regulations and instructions.

4.1 Army

Army administration of the FOIA and the Privacy Act must be in accordance with ***Title 32, Code of Federal Regulations (CFR), part 286***, Army Regulations (AR) ***AR 25-55***, and ***AR 25-22***,

*4.2 Air Force and Space Force

Air Force and Space Force administration of the FOIA and the Privacy Act must be in accordance with ***DoDM 5400.07_Air Force Manual (AFMAN) 33-302*** and ***Air Force Instruction 33-332***.

*4.3 Navy and Marine Corps

Navy and Marine Corps administration of the FOIA and the Privacy Act must be in accordance with ***Secretary of the Navy Instructions (SECNAVINST) 5720.42G*** and ***SECNAVINST 5211.5F***.

4.4 Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) FOIA and Privacy Act Office manages FOIA and Privacy Act requests received by DFAS to ensure compliance with the FOIA and Privacy Act of 1974.

REFERENCES

CHAPTER 18 – RELEASE OF INFORMATION

2.0 – FREEDOM OF INFORMATION ACT

PL 89-554, September 6, 1966
PL 90-23, June 5, 1967
PL 93-502, November 21, 1974
PL 94-409, September 13, 1976
PL 95-454, October 13, 1978
PL 98-620, November 8, 1984
5 U.S.C. § 552, as enacted by PL 89-554, thereafter, amended by PL 90-23, PL 93-502, PL 94-409, PL 95-454, and PL 98-620
DoDD 5400.07, January 2, 2008

3.0 – PRIVACY ACT

PL 93-579, December 31, 1974
5 U.S.C. § 552a, as amended
DoDI 5400.11, December 8, 2020

4.0 – ADMINISTRATION

AR 25-55
AR 25-22
32 CFR, part 286
DoDM 5400.07_AFMAN 33-302
Air Force Instruction 33-332
SECNAVINST 5720.42G
SECNAVINST 5211.5F

VOLUME 7B, CHAPTER 19: "GENERAL PROVISION GOVERNING ALLOTMENTS OF RETIRED PAY"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
Table 19-4	Added Space Force within the 5th column of the header.	Addition

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CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

1.1 Purpose

1.1.1. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. The retired pay activity acts solely as an agent of the retiree in the payment of the allotments and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

1.1.2. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include a maximum of six discretionary allotments, as outlined in paragraph 2.1 and Volume 7A.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with, the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DISCRETIONARY ALLOTMENTS

2.1. Discretionary Allotments

Retirees are authorized no more than six discretionary allotments. A retiree may start a new allotment as long as the total number of discretionary allotments does not exceed six. Discretionary allotments are identified as “class D” allotments. The retiree must certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted). Discretionary allotments include, but are not restricted to, the allotments described in this section. A retired member may terminate a discretionary allotment upon request using the procedures set out in paragraph 4.3.

2.2 Allotments for Insurance Premiums

Allotments are authorized for paying various types of commercial insurance premiums. This includes payment for life, dental, health, and vehicle insurance. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments to an insurer are made via Electronic Funds Transfer (EFT). The insurer is responsible for

establishing an account for these payments. The start, change and stop dates for the insurance allotments are set out in Tables 19-1, 19-2, and 19-3.

2.2.1. Cash Deposit for Insurance. If a retiree's retired pay account is in a nonpay status due to full waiver of pay, failure to report for periodic physical examination, or the expiration of 3 years after the date the member's name was placed on the Temporary Disability Retired List, the member may request the Department of Veterans Affairs (VA) pay VA insurance premiums by deduction from disability compensation benefits, or the member may pay premiums by sending remittances directly to:

Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

2.2.2. Eligible Allottees. Eligible allottees include:

2.2.2.1. U.S. Government Life Insurance/National Service Life Insurance (USGLI/NSLI);

2.2.2.2. Navy Mutual Aid Association;

2.2.2.3. American Armed Forces Mutual Aid Association (AAFMAA);

2.2.2.4. Dental and Health Insurers;

2.2.2.5. Vehicle Insurers; and

2.2.2.6. Commercial Insurers.

2.3 Allotments to Dependents or Relatives

Voluntary payment may be made by allotment to a spouse, other dependent(s), or to a relative(s) not legally designated as a dependent(s). Allotments must be made payable to the allottee through a financial institution for credit to the account of the allottee. An allottee can be a state agency, court trustee, welfare agency, former spouse, or a child's guardian or custodian. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT payment before starting the allotment.

2.4 Allotment Deposits to Financial Organizations

Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

2.4.1. A financial organization for credit to a savings, checking, or trust account of the allotter; or

2.4.2. A mutual fund or other company or investment firm.

2.5 Allotments for Payment of Mortgage or Rent

Retirees may authorize allotments for mortgage or rent payment to a financial institution, mortgage company, realtor, or landlord.

2.6 Other Allotments

Retirees may authorize an allotment for payment of personal loans; however, the restrictions in paragraph 4.8 apply. Personal loans may include, but are not limited to the following:

2.6.1. Payment of a car loan; and

2.6.2. Payment of a loan to repay consumer credit, such as to a finance company.

2.7 Air Force Retired Members Only

Only retired Air Force members may authorize allotment payments to the Air Force Enlisted Members Widow's Home.

3.0 NONDISCRETIONARY ALLOTMENTS

3.1 Nondiscretionary Allotments

Nondiscretionary allotments of retired and retainer pay are limited to those described in this section.

3.2 Voluntary Liquidation of Indebtedness

An allotment for repayment of indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments for payment of:

3.2.1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the VA;

3.2.2. Any other indebtedness to any department or agency of the U.S. Government (except DoD) debts, to include those assigned to a collection agency;

3.2.3. Delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an ***IRS Form 2159***, Payroll Deduction Agreement;

3.2.4. Delinquent state or local income or employment taxes; and

3.2.5. Loan debt to Navy-Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, or American Red Cross.

3.3 Charitable Contributions

Retirees are authorized to establish an allotment for making charitable contributions to any of the Service Relief Organizations including the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund. Payment of pledges for these specified charities is authorized. These payments are for a definite period. Individual organizations are responsible for identifying an account for receipt of payment.

3.4 Savings Bonds Allotments

3.4.1. Purchasing and Establishment of Savings Bonds by Nondiscretionary Allotment. As of October 1, 2010, the U.S. Treasury no longer issues paper savings bonds to federal employees (military, retired, and civilian personnel members) through payroll deduction. Retired members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury through TreasuryDirect. This account can be used to purchase multiple bonds. Members are authorized one nondiscretionary allotment for the purchase of bonds. For information on TreasuryDirect, go to ***www.treasurydirect.gov***.

3.4.2. Establishment of Savings Bonds Nondiscretionary Allotment. To establish an allotment to their TreasuryDirect account, members must either contact the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay or create the allotment through myPay. The following information is required to initiate the allotment:

3.4.2.1. The routing transit number for TreasuryDirect: 051736158;

3.4.2.2. The TreasuryDirect account number provided by Treasury; and

3.4.2.3. The specific dollar amount to be deducted monthly.

NOTE: The myPay system also requires that the member designate the account type, either checking or savings, even though that designation is not applicable to an allotment to a TreasuryDirect account. Send written requests to begin Savings Bonds Allotments to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

4.0 ALLOTMENT ADMINISTRATION

4.1 Definitions

4.1.1. Allotment. An allotment is a definite portion of the retired pay of a person retired from a Military Service, which the retiree authorizes to be paid to a person, institution, or agency. This payment may be for the purpose of supporting relatives or for any other purpose that the Secretary of the military department concerned considers proper.

4.1.2. Allottee. An allottee is a person, institution, or agency to whom the allotment is made payable.

4.1.3. Allotter. An allotter is the person from whose retired pay the allotment is made.

4.1.4. Financial Institution. A financial institution is a bank (to include a military banking facility), credit union, or thrift association.

4.2 Excluded Amounts in Retired Pay Allotment

The amount of retired pay which may be allotted can be limited administratively to exclude amounts required to be withheld for:

4.2.1. Tax purposes;

4.2.2. Liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account;

4.2.3. Cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan;

4.2.4. Garnishments;

4.2.5. Continuing tax levies;

4.2.6. VA compensation; and

4.2.7. Payments to a former spouse.

4.3 Establishment, Discontinuance, and Changes to Existing Allotments

A properly executed DoD ***(DD) Form 2558***, Authorization to Start, Stop or Change an Allotment), a written request, or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number are also permitted. In addition, requests may be accepted telephonically from members without written

documentation, but only after the member's identity has been validated. Requests for allotment actions should be provided to DFAS, Retired and Annuitant Pay. Normally, allotments are not established retroactively.

4.4 Administrative Changes

4.4.1. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligations existing at the time the allotment was executed (such as a mortgage payment changed because of variable rate mortgage or change in escrow requirement). Administrative changes may be made without the member's consent.

4.4.2. In addition to the situations described in subparagraph 4.4.1, upon notice and request from an insurance allottee, administrative changes may be made without the member's consent under the following circumstances:

4.4.2.1. Death of retired member;

4.4.2.2. Policy terminated;

4.4.2.3. Policy has been surrendered;

4.4.2.4. Policy changed;

4.4.2.5. Policy paid up, no premiums due;

4.4.2.6. Policy not in force; or

4.4.2.7. Lapsed policy.

Note: The allotment will be terminated or reduced at the insurance allottee's request; refund and notification of the returned premium must be forwarded to the retired member.

4.5 Duration of Allotments

Allotments are registered for an indefinite period except in the following circumstances:

4.5.1. Repayment of indebtedness to the United States, to include payment of delinquent Federal income taxes; and

4.5.2. Charitable contributions as specified in paragraph 3.3.

4.6 Allotment Overpayment Responsibilities

Any check issued and mailed to a recipient or transmitted via EFT to the recipient's financial institution for which an entitlement does not exist must be recovered immediately by the issuing office. If an allotment is made after deductions from retiree's retired pay have stopped, and the recipient does not return the amount of that payment, then the office of issuance must start a recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, then the overpayment must be recovered through deductions from the retired pay due the retiree.

4.7 Method of Payment

EFT is the method of payment required for all individual allotments. For a list of exceptions to this requirement see Title 31, Code of Federal Regulations (CFR), part 208.4 (***31 CFR 208.4***) and Volume 8, Chapter 1.

4.8 Restrictions

The following restrictions apply to allottees:

4.8.1. Minors. Allotments (except to purchase U.S. Savings Bonds) may not be made payable to children under 16 years of age. Allotments may be made payable to the child's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

4.8.2. Persons Lacking Decision-Making Capacity. Allotments are not payable to persons determined by a court to lack decision-making capacity. Such allotments are payable to a guardian or the institution where confined.

4.8.3. Multiple Allotments. See restrictions in paragraphs 1.1 and 2.1.

4.8.4. Special Power of Attorney. A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically grant the authority to establish, change or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

4.8.5. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, then those allotments are stopped administratively by the disbursing officer without the signature of the retiree, as described in section 4.0 and Figure 19-1.

4.8.6. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in paragraph 4.2. When possible, the retiree is allowed to determine the allotments to be stopped. However, if the retiree involved refuses or is unable to identify which allotments should be stopped, then the allotments of that retiree will be stopped involuntarily in accordance with the order of precedence contained in Figure 19-1.

5.0 RIGHT TO ALLOTMENTS IN CASE OF DEATH

5.1 Death of Retiree

Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except:

5.1.1. Allotments erroneously established after notice of death of the retiree; and

5.1.2. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

5.2 Death of Allottee

An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. Allotment checks are not subject to expenses incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued the check. The returned checks are then credited to the retiree's account.

Figure 19-1. Order of Precedence

Precedence	Type	Letter Designation
1	Charitable contributions to Army Emergency Relief, Navy-Marine Corps Relief Society, or Air Force Assistance Fund	See Table 19-4
2	Bonds	B
3	Savings	D
4	Loans to service organizations	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home loans	D
8	Commercial life insurance/ AAFMAA	D
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See Table 19-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent Federal income taxes	T

Table 19-1. Effective Dates for Starting Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	is authorized a class	and the	then start the allotment effective the first day of the month
1	any Military Service	N allotment		before the month in which insurance premium is due (note).
2	any Military Service	N allotment	insurance policy is dated back to save age	in which application is made. Retiree must pay the Reserve to cover previous months by direct payments to VA.
3	the Army, Air Force, or Space Force	D allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
4	the Navy or Marine Corps	D or M allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations
5	any Military Service	D or V allotment		submitted by the Veterans Group Life Insurance through the automated data exchange process.

NOTE: A U.S. Government or NSLI allotment deducted for 1 month pays the premium for the succeeding month. For example, if premium for July is paid by allotment, then allotment must be effective June 1.

Table 19-2. Effective Dates for Changing Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	has a class	and	then stop the present allotment effective the last day of the month	and start the new allotment effective the first day of the month
1	the Army, Air Force, or Space Force	D or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree, fiduciary, or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
3	any Military Service	N allotment	the allotment was authorized with an incorrect amount or effective date	before its effective date	specified in the original request or the date requested by the VA.
4	any Military Service	D or V allotment	the Office of Servicemembers' Group Life Insurance (OSGLI) automated data exchange provides a change in the allotment	specified by the automated data exchange process	specified by the automated data exchange process.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N)

RULE	If a retired member of	has a class	and	then stop the allotment effective the last day of the
1	the Army, Air Force, or Space Force	D or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
2	the Navy or Marine Corps	D, M, or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in the procedural regulations of the Military Service concerned.
3	any Military Service	N allotment	the application for insurance is disapproved by the VA	month before the effective start date of the allotment.
4	the Army, Air Force, or Space Force	D allotment	has insufficient "net" pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a "problem case"	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
5	the Navy or Marine Corps	D or M allotment	has insufficient "net" pay to satisfy an IRS Notice of Levy for delinquent income tax, and is determined by the IRS to be a "problem case"	month before the month in which the IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy the levy).
6	the Army, Air Force, or Space Force	D or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.
7	the Navy or Marine Corps	D, M, or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy the deduction. Avoid stopping the allotment unnecessarily or earlier than required.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N) (Continued)

RULE	If a retired member of	has a class	and	then stop the allotment effective the last day of the
8	the Army, Air Force, or Space Force	D or N allotment	dies	(note 1.)
9	the Navy or Marine Corps	D, M, or N allotment	dies	(note 1.)
10	any Military Service	D or V allotment	the retiree or OSGLI requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in Military Service procedural regulations. If OSGLI, stop specified by the automated data exchange process (note 2).

NOTES:
1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.

*Table 19-4. Allotments of Retired Pay – General

RULE	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force/ Space Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
1	purchase of U.S. Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	D	D	D	X		X	
4	commercial life insurance/ AAFMAA (note 3)	D	D	D	X	X	X	
5	repayment of loans to Navy-Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	None	M	None	X	X	X	
7	USGLI and/or NSLI (note 4)	N	N	N	X	X	X	
8	repayment of loans on VA insurance (note 4)	N	N	N			X	
9	payment to financial institution or credit to account of retiree (note 6)	D	D	D	X		X	
10	payment of delinquent Federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy-Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X

Table 19-4. Allotments of Retired Pay - General (Continued)

RULE	When the purpose of allotment is for	and Service's letter designation is			and member is not on active duty and has allotments (notes 1 and 2)		then the allotment period required is	
		Army	Navy/ USMC	Air Force/ Space Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	D	D,V	D		X	X	

NOTES:

1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
3. On the life of the allotter, spouse, and/or child(ren).
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, and/or child(ren) of the retired member having a permanent residence other than that of the retired member.
6. Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under Volume 12, Chapter 33 to operate on an overseas U.S. military installation.
7. Delinquent Federal income taxes are payable to the applicable District Director, IRS.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

REFERENCES

CHAPTER 19 – GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1.0 GENERAL

1.1	Title 37, United States Code (U.S.C.), section 701

2.0 – DISCRETIONARY ALLOTMENTS

2.1	37 U.S.C. § 701
2.2.1	10 U.S.C. § 1210(b)

3.0 – NONDISCRETIONARY ALLOTMENTS

3.4	31 CFR 363

4.0 – ALLOTMENT ADMINISTRATION

4.1	37 U.S.C. § 701
4.7	31 U.S.C. § 3332

5.0 – RIGHT TO ALLOTMENTS IN CASE OF DEATH

5.1	Comptroller General B-225873.2 31 U.S.C. § 3727(e)(2)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 20: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 21: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 22: "FUNERAL HONORS DETAIL STIPEND FOR RETIREES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 22

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FUNERAL HONORS DETAIL STIPEND FOR RETIREES

1.0 GENERAL

1.1 Overview

The Secretary of a Military Department is authorized to provide support for persons participating in a funeral honors detail, including retired military members, in the form of either transportation allowances (or reimbursement for transportation allowances) and expenses, or a daily stipend as prescribed by the Secretary of Defense. The prescribed daily stipend must be set at a single rate designed to defray the typical costs of transportation and other miscellaneous expenses for persons participating in a funeral honors detail who are members of the Armed Forces in a retired status and other persons who are not members of the Armed Forces or employees of the United States. See Volume 9, Chapter 4 for information regarding reimbursement for transportation allowances and expenses.

1.2 Purpose

This chapter provides policy for the entitlement, funding, and amount payable for funeral honors detail stipends.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT TO STIPEND

Secretaries of Military Departments are asked to authorize stipend payments for retirees under ***10 U.S.C. § 1491(d)*** in lieu of authorizing an allowance under ***37 U.S.C. § 435(a)***. These stipends ensure uniform payments to all volunteers who assist in providing funeral honors. A member of the Armed Forces in a retired status, including a member of the Retired Reserves without pay, may receive a daily stipend payment, in addition to any payment of retired or retainer pay or other compensation to which they are entitled, for performing funeral honors detail. Only one daily stipend may be earned and paid for 1 calendar day.

2.1 Amount Payable

The Secretary of Defense is required to prescribe annually a flat rate daily stipend for certain individuals who volunteer to assist the active military in the delivery of funeral honors. The daily stipend payable to a member receiving retired or retainer pay, or a member of the Retired Reserves without pay, is currently $50.

2.2 Taxability

The daily stipend payment under 10 U.S.C. § 1491(d) is not reported as taxable income.

2.3 Funding

The approving Military Department must make the payment under this chapter from Operation and Maintenance funds for the fiscal year in which the payment is made.

2.4 Payments

2.4.1. Retirees considered for the stipend must be an authorized provider to participate in the specific honor detail and perform the honors as anticipated. The retirees that perform funeral honors should be a provider under the Authorized Provider Partnership Program (AP3). The DoD established the AP3 for the benefit of commanders who have the responsibility to provide funeral honors to active duty Service members, retirees, and veterans.

2.4.2. The Military Department concerned is responsible for processing claims for authorized providers (retirees). The authorized provider (retiree) must complete and submit Optional Form 1164, Claim for Reimbursement for Expenditures on Official Business, to the parent Service of the honored veteran.

REFERENCES

CHAPTER 22—FUNERAL HONORS DETAIL STIPEND FOR RETIREES

1.0 — GENERAL	DoDI 1300.15, December 27, 2017 10 U.S.C. § 1491(d)
2.0 — ENTITLEMENT TO STIPEND	10 U.S.C. § 1491(d) 37 U.S.C. § 435(a)
2.1	10 U.S.C. § 1491(d)(2)
2.2	Office of the Under Secretary of Defense Personnel and Readiness Memorandum, February 10, 2014
2.4	DoDI 1300.15, December 27, 2017

VOLUME 7B, CHAPTER 23: "SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY"

SUMMARY OF MAJOR CHANGES

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The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1.1	Added clarifying language to include Voluntary Separation Pay superseded SSB and VSI.	Current

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CHAPTER 23

SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

1.0 GENERAL

*1.1 Purpose

The purpose of this chapter is to provide policy for the authorization, administration, and payment of the SSB and VSI programs to mid-career Service members of the military services in over-strength inventories. The applicable period for SSB and VSI was January 1992 through December 2001. Both programs required member affiliation with a Reserve Component. Voluntary Separation Pay (VSP) superseded SSB and VSI. The authority to separate a member in conjunction with VSP applies through December 31, 2025. See Chapter 4 and Volume 7A, Chapter 35 for more information on VSP.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 RESPONSIBILITIES

2.1 Defense Finance and Accounting Service (DFAS), Cleveland (CL)

DFAS-CL will:

2.1.1. Maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient. A member's entitlement to VSI is not transferable, except that the member may designate beneficiaries to receive the payments in the event of the member's death, in accordance with paragraph 5.0; and

2.1.2. Make all VSI annual beneficiary payments. Following the death of a VSI member recipient, DFAS-CL will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

2.2 Defense Manpower Data Center (DMDC)

DMDC will:

2.2.1. Maintain a personnel database that identifies and tracks participation in the VSI programs; and

2.2.2. Provide information concerning Reserve participation to DFAS-CL due to the requirement of Reserve affiliation.

2.3 Secretary of the Treasury

The Secretary of the Treasury administers the VSI Fund (hereafter referred to as the "Fund"). All VSI payments made by the Secretary of Defense after December 31, 1992, pursuant to ***10 U.S.C. § 1175***, are to be paid out of the Fund. The Fund is classified as a trust fund and has been designated as account number 97X8335. This fund consists of a receipt and expenditure account.

2.4 DoD Board of Actuaries

For each fiscal year (FY) after September 30, 1999, the Board:

2.4.1. Carries out an actuarial valuation for the Fund and determines any new unfunded liabilities arising from gains and losses to the Fund;

2.4.2. Determines an amortization schedule for liquidating these new unfunded liabilities; and

2.4.3. Determines for the upcoming FYs the amount of DoD contributions to the Fund necessary to comply with the amortization schedules for the Fund's original and new unfunded liabilities in sufficient time to be included in the FY budget requests.

3.0 PAYMENT PROCESSING

3.1 VSI Payments

3.1.1. Upon Separation. A Service member completed a DoD ***(DD) Form 2058***, State of Legal Residence Certificate, and Internal Revenue Service ***(IRS) Form W-4***, Employee's Withholding Allowance Certificate at the time of separation and a ***DD Form 2864***, VSI Beneficiary Designation in order to designate any beneficiaries if desired.

3.1.2. Annual Payments. DFAS-CL issues annual payments on the anniversary of the member's separation. In the event that the anniversary date falls on a weekend or holiday, DFAS-CL will make the payment according to the same rules followed for regular active-duty paydays. DFAS-CL will send annual VSI payments to the VSI recipient's bank via Electronic Funds Transfer (EFT). The Service member should complete an updated Standard Form ***(SF) 1199A***, Direct Deposit Sign-Up Form, as information changes. If an SF 1199A is not available, the VSI recipient must submit a signed and dated request with the address of the bank and a canceled check that shows account number and routing transit number.

3.2 Effect of Disability Compensation

A member receiving VSI must not be deprived of the VSI by reason of entitlement to

disability compensation under the laws administered by the Department of Veterans Affairs (VA).

3.2.1. Deduction. The amount of any such disability compensation concurrently received must be deducted from VSI payments.

3.2.2. No Deduction. No deduction is made from VSI for any disability compensation received because of an earlier period of active duty if the VSI is received because of discharge or release from a later period of active duty.

3.3 Withholding Requirements for Members

3.3.1. Federal Income Tax Withholding (FITW). FITW is withheld from VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member has not submitted an IRS Form W-4, the tax withholding is computed as if the member is single, with no withholding exemptions.

3.3.2. State Income Tax Withholding. VSI payments are subject to state income tax withholding for residents of states that have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and the initial VSI payment is based on the member's legal residence at the time of separation from active duty. For annual VSI payments, state income tax is withheld based upon the state of legal residence claimed on the member's DD Form 2058. See Volume 7A, Chapter 44 for those states that have entered into an agreement with the Secretary of the Treasury.

3.3.3. Withholding of Federal Insurance Contributions Act (FICA). FICA (or any other payroll taxes) is not withheld from VSI payments.

3.4 Recoupment of SSB or VSI

A member who has received SSB or VSI and who later qualifies for retired or retainer pay will have the amount of the SSB or VSI received deducted from each payment of such retired or retainer pay. SSB will also be deducted from disability compensation under the laws administered by the VA. See Chapter 4 for detailed information on recoupment.

4.0 DEBT COLLECTION

SSB and VSI initial payments were subject to offset for debt collection. If a Service member separated from active duty with debts due to the United States (including non-appropriated fund instrumentalities and non-DoD debts), the amount of the debt was subject to offset from the SSB and initial VSI entitlement. In the case of VSI, if the debt was greater than the initial payment, the remaining debt will be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in ***31 U.S.C. § 3716*** and are subject to standard debt collection procedures and policies in Volume 16. Garnishment orders remain in effect for VSI recipients and must be transferred to DFAS-CL for administration.

5.0 BENEFICIARY PAYMENT

5.1 Designation of Beneficiaries

5.1.1. Service members may designate beneficiaries to receive VSI installments that remain unpaid after the death of the member using a DD Form 2864. The VSI recipient may designate different percentages for multiple recipients to receive. In the event percentage elections are not made, payments are divided evenly among the designated beneficiaries. The VSI recipient may change his/her beneficiary information by sending a signed and dated DD Form 2864 to DFAS-CL at any time after separation.

5.1.2. DFAS-CL will maintain beneficiary forms for all VSI accounts at least until the end of the VSI entitlement period. If the member dies before the end of the VSI entitlement period, the beneficiary forms will be retained and will not be disposed until after the settlement and payment of any claims made by beneficiaries and until after the retention periods in DFAS 5015.2M (Records Disposition Schedules for Administrative Records Manual) expire.

5.2 Notification of Death and Beneficiary Claim

5.2.1. DFAS-CL requires notification of a VSI recipient's death. Proof of death, such as a certified death certificate, is required. Upon receipt of proof of death, DFAS-CL will close out the member account and establish the beneficiary account. If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

5.2.2. No specific form is required for making a claim for beneficiary payments. A statement signed by the beneficiary claiming future VSI payments will be sufficient. A claim by a beneficiary for VSI payments will be settled in accordance with 31 U.S.C. § 3702 and therefore must be received within 6 years after the date the claim accrues in order to be timely. The statement should include the beneficiary's social security number. Mail beneficiary claims to DFAS-CL, Retired and Annuitant Pay (R&A):

DFAS Indianapolis
Attn: Voluntary Separation Incentive
8899 East 56th Street
Indianapolis, IN 46249-1300

5.3 Beneficiary Payment

5.3.1. Death of the Member. Upon the death of the member, DFAS-CL will make all remaining annual payments to the member's designated beneficiaries for the remainder of the deceased VSI recipient's entitlement period. If a valid designation was not made or received, payments will be distributed to the person highest on the list, living on the date of death (see ***10 U.S.C. § 2771***) as follows:

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

5.3.1.2. The surviving spouse;

5.3.1.3. The children and their descendants, by representation:

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

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

Note: In certain instances, evidence of paternity may be required to determine eligibility.

5.3.1.4. The father and mother in equal parts or, if either is dead, the survivor;

5.3.1.5. The legal representative; or

5.3.1.6. The person entitled under the law of the domicile of the deceased retiree.

5.3.2. Death of the Beneficiary. Upon presentation of a claim, payments will be distributed to a beneficiary's estate in the event a beneficiary dies after a VSI recipient's date of death. DFAS-CL will make such payments according to the laws governing the beneficiary's state of legal residence.

5.3.3. Withholding Requirements

5.3.3.1. A payment to a beneficiary is subject to FITW. The FITW is based upon the ***IRS Form W-4P***, Withholding Certificate for Pension or Annuity Payments, submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS site will calculate withholding as for a married person claiming three withholding allowances.

5.3.3.2. State income taxes or FICA will not be withheld from beneficiary payments.

5.3.3.3. DFAS-CL will issue an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., to each beneficiary recipient.

5.3.4. Garnishment of Beneficiary Payments. DFAS-CL will not honor garnishment orders against beneficiary payments.

5.3.4. Offset of Beneficiary Payments. Beneficiary payments generally are not subject to

offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.

REFERENCES

CHAPTER 23 – SPECIAL SEPARATION BENEFITS (SSB) AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

1.0 – GENERAL

	10 U.S.C. §§ 1174a and 1175

2.0 – RESPONSIBILITIES

1.2	10 U.S.C. § 1174a(h)(2) 10 U.S.C. § 1175
2.2.1	10 U.S.C. § 1175(f)
2.2.3 and 2.2.4	10 U.S.C. § 1175(h)

3.0 – PAYMENT PROCESSING

3.1	Comptroller General Decision, B-187743, July 7, 1977
3.2	10 U.S.C. § 1175(e)(4)
3.4	10 U.S.C. § 1175(e)(3)(A) 10 U.S.C. § 1174a(g) 10 U.S.C. § 1174(h)(1) 10 U.S.C. § 1175(e)(3) 10 U.S.C. § 1174(g) and 1174(h)

4.0 – DEBT COLLECTION

	31 U.S.C. § 3716

5.0 – BENEFICIARY PAYMENT

5.3.1	10 U.S.C. § 2771

VOLUME 7B, CHAPTER 24: "COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting and hyperlinks to comply with administrative instructions.	Revision

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CHAPTER 24

COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information on retired pay subject to FITW. FITW is based on payments actually or constructively paid, regardless of the date earned. Retired pay is constructively paid (or received) when credited to the account for a retiree or set apart for a retiree to draw on it at any time, although it is not actually reduced to possession. Retired pay must also have been credited to or set apart for the retiree without any substantial limitations or restrictions as to the time and manner of payment or condition under which it is to be made and brought within the retiree's control and disposition.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), specifically Titles 10 and 26. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 GROSS RETIRED PAY AND FITW

2.1 Subject to FITW

Retired pay is income and constitutes wages subject to FITW, except as otherwise indicated in this chapter. See Title 26 of the Code of Federal Regulations, section 31.3401(a)-1(b) (***26 CFR 31.3401(a)-1(b)***) for more information on collection of income tax at the source.

2.2 Not Subject to FITW

The gross retired pay of a member may not be subject to FITW if the member is on the Temporary Disability Retired List (TDRL) or Permanent Disability Retired List (PDRL), receiving disability retired pay and if:

2.2.1. On or before September 24, 1975, the member was entitled to receive retired pay computed on the basis of percentage of disability in accordance with ***26 U.S.C. § 104(a)(4)*** and 26 U.S.C. § 104(b)(2)(A);

2.2.2. On September 24, 1975, he or she was a member of the Armed Forces (or Reserve Component thereof) or under a binding written commitment to become such a member (26 U.S.C. §§ 104(a)(4) and 104(b)(2)(B));

2.2.3. The member is receiving disability retired pay because of a combat-related injury. The term "combat-related injury" means personal injury or sickness incurred as a direct result of armed conflict, or while engaged in extra hazardous service, or under conditions simulating war, or caused by an instrument of war. See 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(C). The applicable Service makes the determination at the time of discharge. See DoD Instruction ***(DoDI) 1332.18***, Disability Evaluation System (DES); or

Note: The amount of disability retired pay described in subparagraph 2.2.3 not subject to FITW is the amount related to the combat-related injury, but in no circumstances, will the nontaxable amount be less than the amount the member would be entitled to receive from the Department of Veterans Affairs (VA) for that injury.

2.2.4. The member would be entitled to disability compensation from the VA. See 26 U.S.C. §§ 104(a)(4) and 104(b)(2)(D). For those members who have waived all or a portion of retired pay in order to receive disability compensation from the VA, subtract the amount of retired pay waived from the gross retired pay to compute the member's taxable income. Subtract the waived retired pay amount prior to subtracting other income reducing amounts, such as Survivor Benefit Plan (SBP) premiums. For members who receive retired pay computed based upon years of service and have a portion of retired pay that is tax exempt due to their retirement for disability under ***10 U.S.C., Chapter 61***, taxable pay is determined by reducing the gross retired pay by either the VA disability compensation entitlement or by the retired pay that would be exempt due to the percentage of disability, whichever is greater.

3.0 DISABILITY COMPENSATION NOT SUBJECT TO FITW

A member is entitled to exclude the disability compensation, additional amount, and retroactive disability compensation from the taxable portion of retired pay. In order to exclude retroactive amounts, a member must follow applicable Internal Revenue Service (IRS) procedures. Amended 1099-Rs are not provided for the retroactive period.

3.1 Disability Compensation

Disability compensation is the maximum amount that a member would be entitled to receive upon application to the VA.

3.2 Additional Amount

An additional amount is the difference between a prospective VA disability compensation award and the amount excluded under section 2.0.

3.3 Retroactive Disability Compensation

The retroactive disability compensation is the amount of a VA disability compensation award not previously excluded from retired pay.

4.0 GROSS RETIRED PAY PARTIALLY TAXABLE

For members who are entitled to have their retired pay computed based on both percentage of disability and years of service, a portion of their retired pay may be subject to FITW. Any reduction of wages subject to FITW for disability retired pay must meet one of the conditions set forth in paragraph 2.2. See also ***26 CFR 1.104-1*** for more information on compensation for injuries or sickness.

4.1 PDRL

If the member is placed on the PDRL, subtract retired pay based on the percentage of disability from retired pay based on the years of service. The difference is the amount of wages subject to FITW.

4.2 TDRL

If the member is placed on the TDRL, use one of these methods:

4.2.1. If the member's disability rating is 50 percent or more, compute as in paragraph 4.1.

4.2.1. If the member's disability rating is less than 50 percent on the TDRL and the member is receiving retired pay computed based on years of service, subtract the amount of retired pay the member would have received if retired pay were computed solely on the basis of the member's actual percentage of disability from the gross retired pay the member is receiving. The difference is the amount of wages subject to FITW.

4.2.3. If a member with 20 years or less of service is placed on the TDRL, has a disability rating of less than 50 percent, and elects to receive disability retired pay based on the percentage of disability, the retired pay received is not subject to FITW.

5.0 FITW WAGE REDUCTIONS

Deductions that reduce the amount of wages subject to FITW include participation in the Retired Serviceman's Family Protection Plan (RSFPP), participation in the SBP, and VA Disability Compensation.

5.1 RSFPP Participation

The amount of the member's retired pay subject to FITW is reduced by the full amount of the RSFPP costs deducted from the member's retired pay in order to participate in the RSFPP. Effective January 1, 1966, tax laws changed to permit a dollar-for-dollar reduction in taxable income. Prior to January 1, 1966, deductions did not reduce taxable income. See section 9.0 for information on tax implications for a member who pays for this protection by direct remittance.

5.2 SBP Participation

The amount of the member's retired pay subject to FITW is reduced by the full amount of the SBP costs deducted from the member's retired pay in order to participate in the SBP. See section 9.0 for information on the tax implications for a member who pays for this protection by direct remittance.

5.3 VA Disability Compensation

There is a waiver of military retired pay when a member receives disability compensation or a pension from the VA, unless the member is entitled to concurrent retirement and disability pay on or after January 1, 2014, as provided under ***10 U.S.C. § 1414***.

5.3.1. If the member's gross retired pay is fully subject to FITW, subtract the amount of the retired pay waived applied to wages. The amount of retired pay waived reduces the member's retired pay entitlement.

5.3.2. If a member has retired due to physical disability, reduce wages subject to FITW, if any, by the amount of retired pay waived or the portion of the member's retired pay based on the actual percentage of disability, whichever is greater.

6.0 U.S. CITIZENS ABROAD

The retired pay of members who temporarily or permanently reside in a foreign country is subject to FITW the same as if they resided in the United States or its possessions. The same withholding rules from section 2.0 apply.

7.0 ARREARS OF PAY

For information on taxation policies that apply to deceased members and their beneficiaries, see Chapter 30.

8.0 DELINQUENT FEDERAL TAXES

8.1 Voluntary Withholding

A retiree may, with the consent of the IRS, have deductions made from his or her retired pay to satisfy a debt due to tax delinquency. The class T, nondiscretionary allotment, allows a member to make payments to the IRS for this purpose.

8.2 Involuntary Withholding

If a retiree neglects or refuses to pay his or her federal income tax liability within 10 days after receiving notice of liability, the IRS District Director may collect the amount by placing a levy on the member's retired pay. The IRS is required to give the member 10 days' notice prior to levy execution. This notice is normally included with the notification of liability. For additional information on the collection of delinquent federal tax debts by tax levy, see Chapter 28 and ***26 U.S.C. § 6331***.

9.0 SBP/RSFPP PREMIUMS

For more information on the taxation of SBP premiums, see Chapter 45.

9.1 Paid by Deduction From Retired Pay

SBP/RSFPP premiums are deducted from a retiree's gross pay. This method reduces the retiree's amount of taxable income.

9.2 Paid by Direct Remittance

SBP/RSFPP premiums paid by direct remittance do not reduce the retiree's taxable income.

10.0 MILITARY CORRECTION OF RECORDS PAYMENTS

If a correction of military records results in payment to the retiree, the payment is processed according to whether or not it is subject to FITW.

10.1 Amounts Previously Paid and Reported

When amounts previously paid and reported as FITW wages are not subject to FITW as a result of the correction of record pursuant to ***10 U.S.C. § 1552***, the member may be provided a corrected ***IRS Form 1099-R***, Distributions From Pension, Annuities, Retirement or Profit-Sharing Plans, Individual Retirement Accounts, Insurance Contracts, etc., for the 3 calendar years before the year that the correction action is made, if such correction is appropriate in accordance with the Internal Revenue Code. Alternatively, the member may be provided a letter citing the previous amount taxed and the amount that would have been withheld based upon the record as corrected. The member may seek to obtain a tax refund, if any is due, from the IRS based on his or her total tax liability. Any additional claims for tax liability may be treated as a claim for pecuniary benefits under 10 U.S.C. § 1552.

10.2 Subject to FITW

When the member's retired pay is subject to FITW, the payment is reported as FITW wages for the current year and paid out of the Military Retirement Fund.

11.0 DISABILITY SEVERANCE PAY

For information on the taxability and withholding of disability severance pay, see Volume 7A, Chapter 35.

12.0 RETIRED PAY FOR FLEET RESERVIST/FLEET MARINE CORPS RESERVIST (FR/FMCR) NOT PHYSICALLY QUALIFIED FOR RETENTION

The retired pay of a member of the FR/FMCR, who is transferred to the retired list after being found physically unqualified for retention in the FR/FMCR, is subject to FITW. See Chapter 2.

REFERENCES

CHAPTER 24 - COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2.0 – GROSS RETIRED PAY AND FITW

2.1	26 CFR 31.3401(a)-1(b)
2.2.1	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b) 26 U.S.C. § 104(b)(2)(A)
2.2.2	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(B)
2.2.3	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(C) DoDI 1332.18, Disability Evaluation System (DES), November 10, 2022
2.2.4	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(D)

3.0 – EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

	26 U.S.C. § 104(b)(4)
3.3	Strickland v Commissioner of Internal Revenue, 540 F.2d 1196 (1976)

4.0 – GROSS PAY PARTIALLY TAXABLE

	26 CFR 1.104-1

5.0 – FITW WAGE REDUCTIONS

5.3	10 U.S.C. § 1414

8.0 – DELINQUENT FEDERAL TAXES

8.2	26 U.S.C. § 6331

REFERENCES (Continued)

9.0 – SBP/RSFPP PREMIUMS

10 U.S.C. § 1448(g)(5)

10.0 – MILITARY CORRECTION OF RECORDS PAYMENTS

10.1	Ray v U.S., 453 F.2d 754, 197 Ct.Cl.2 (1972) 52 Comp Gen 420 10 U.S.C. § 1552

VOLUME 7B, CHAPTER 25: "COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting and hyperlinks to comply with administrative instructions.	Revision

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CHAPTER 25

COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

1.0 GENERAL

1.1 Purpose

This chapter provides information pertaining to Retired and Annuitant (R&A) pay that is subject to FITW and the computation of FITW.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with Title 26 of the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of the chapter.

2.0 RATES FOR REGULAR AND ADDITIONAL WITHOLDING OF FITW

2.1 FITW

Federal income tax is withheld in accordance with the Department of the Treasury, Internal Revenue Service ***(IRS) Publication 15, (Circular E)***, Employer's Tax Guide. Taxable pay, as computed under provisions of Chapter 24, is subject to FITW.

2.2 Request Additional FITW

A member may authorize an additional monthly amount of federal income tax to be withheld.

2.3 FITW for an Annuitant

The gross monthly amount of the annuity, or the monthly amount of the Survivor Benefit Plan (SBP) annuity remaining after it has been reduced by a Dependency and Indemnity Compensation award and/or Social Security offset (as applicable), is taxable income and subject to FITW unless the annuitant elects no withholding. See also Chapter 37 for Retired Serviceman's Family Protection Plan Annuities and Chapter 46 for SBP Annuities.

2.4 Nonresident Alien

Federal income tax is withheld for a nonresident alien pursuant to ***26 U.S.C. § 871*** and Title 26, Code of Federal Regulations (CFR), section 1.861-4 (***26 CFR 1.861-4***). Taxable retired pay, as determined under Chapter 24, is subject to FITW at the rate of 30 percent, without being reduced by withholding allowances of personal exemptions, unless the member is a citizen of a country that has a tax treaty with the United States. Use the withholding rate specified in the treaty if the member files ***IRS Form W8BEN***, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals), with the Defense Finance and Accounting Service (DFAS), Military Retirement Pay.

Note: When a member files an income tax return, the IRS will refund any excess tax withheld. A member who is not a U.S. citizen or resident alien is responsible for reporting the income to the country of the member's citizenship and paying any tax owed on this income.

3.0 RATES OF FITW FOR ONE-TIME PAYMENTS

3.1 One-Time Payments

When DFAS Retired Pay pays a one-time payment concurrently with a regular monthly payment, it separately identifies the one-time payment from the regular payment. As such, the same FITW computation rules apply if the one-time payment is made concurrently with or separately from the regular monthly payment. There are two computation methods, and the method that may be used depends upon whether federal income tax was withheld from regular monthly payments of retired pay made to the member during the current or immediately preceding calendar year. (See IRS Publication 15, section 7.)

3.1.1. When federal income tax was not withheld from regular payments during the current or preceding calendar year, the one-time payment must be combined with the wages paid for the last pay period (in the same calendar year) or with the wages paid for the current pay period. The amount of withholding is then computed as if this was a single payment, taking into consideration the member's claimed withholding exemptions. Compute the aggregate withholding amount. Subtract the amount of federal income tax previously withheld or the amount scheduled to be withheld from the regular wages for the current period. The excess amount would then be deducted from the one-time payment.

3.1.2. When federal income tax was withheld from regular monthly payments made during either the current or immediately preceding calendar year, there are two alternatives:

3.1.2.1. Use the procedure described in subparagraph 3.1.1; or

3.1.2.2. Withhold a flat 22 percent of the taxable portion of the one-time payment without regard to the withholding exemptions claimed. (See Revenue Ruling 66-190, 1966-2 CB 457.)

3.2 Blended Retirement System (BRS) Lump Sum Payments

BRS lump sum payments made under ***10 U.S.C. § 1415(b)*** are treated as supplemental wages for tax purposes. Federal income tax is withheld from BRS lump sum payments in the same manner as described in paragraph 3.1.

REFERENCES

CHAPTER 25 – COMPUTATION OF FITW

2.0 – RATES FOR REGULAR AND ADDITIONAL WITHOLDING OF FITW

2.1	IRS Publication 15, (Circular E)
2.4	26 U.S.C. § 871 26 CFR 1.861-4 26 U.S.C. § 1441

3.0 – RATES OF FITW FOR ONE-TIME PAYMENTS

3.1	IRS Publication 15, (Circular E), Section 7 26 CFR § 31.3402(g)-1 Revenue Ruling 82-200
3.2	26 CFR § 31.3402(g)-1 Revenue Ruling 66-190, 1966-2 CB 457 10 U.S.C. § 1415(b)

VOLUME 7B, CHAPTER 26: "STATE TAXES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated this chapter with hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 26

STATE TAXES

1.0 GENERAL

1.1 Purpose

The state taxing authority of a member's residence(s) may tax the member's retired or retainer pay. The designated state must have a signed, standard written agreement with the DoD for the voluntary withholding of state income tax. This agreement will provide the Secretary concerned the authority to withhold state income tax from the member's monthly retired or retainer pay.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 WITHHOLDING

2.1 State Income Tax Withholding (SITW)

A retiree may request voluntary SITW from their retired or retainer pay. The request must include the member's full name, signature, Social Security number, the fixed amount withheld monthly from retired pay, the state designated to receive the withholding, and the member's current address of residence. The retiree may submit the request via letter, email, or fax to the address in section 4.0 or submit the request through the member's myPay account. If using myPay, the member's signature is not required. In the case of mental incompetence, the member's guardian or trustee must sign the request.

2.2 Amount

The withholding amount requested must be in a whole dollar amount and at least $10 or the state's minimum, if that amount is higher.

3.0 PAYMENTS AND REPORTS

3.1 Amounts Withheld

The Defense Finance and Accounting Service (DFAS) will disburse amounts withheld to the states in the month following the month of collection. Payment procedures and state income tax withholdings will follow the usual fiscal practices of the uniformed services.

3.2 Internal Revenue Service (IRS) Form 1099-R

The DFAS will provide each retiree an ***IRS Form 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that indicates the total tax withheld for each state, following each calendar year end.

4.0 UNIFORMED SERVICES' RETIRED PAY OFFICE ADDRESSES

4.1 U.S. Military

The address and websites for the U.S. Military Retired Pay office follows:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

Phone: 800-321-1080
Fax: 800-469-6559

Website for general tax information:
https://www.dfas.mil/retiredmilitary/manage/taxes

Website for state withholding tax:
https://www.dfas.mil/retiredmilitary/manage/taxes/sitw

4.2 U.S. Coast Guard (USCG), National Oceanic Atmospheric Administration (NOAA), and Public Health Service (PHS)

Submit change requests (mail, email, telephone, or fax) for retired members of the USCG, NOAA, and PHS to:

Commanding Officer (RAS)
U.S. Coast Guard
Pay & Personnel Center
444 SE Quincy Street
Topeka, Kansas 66683-3591

Email: PPC-DG-RAS@uscg.mil
Phone: 1-800-772-8724 or 785-339-3415
Fax: 785-339-3770

USCG website: ***https://www.dcms.uscg.mil***
NOAA website: ***http://www.noaa.gov***
PHS website: ***https://dcp.psc.gov/ccmis/***

REFERENCES

CHAPTER 26 - STATE TAXES

1.0 – GENERAL	10 U.S.C. § 1045
2.0 – WITHHOLDING	10 U.S.C. § 1045
3.0 - PAYMENTS AND REPORTS	
3.1	Public Law 109-163, section 661, January 6, 2006 10 U.S.C. § 1045(a)

VOLUME 7B, CHAPTER 27: "GARNISHMENTS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision

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Chapter 27

GARNISHMENTS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information unique to the collection of child support and/or alimony from military retired pay. The provisions of Title 42, United States Code (U.S.C.), section 659 (***42 U.S.C. § 659***) and Title 5, Code of Federal Regulations (CFR), part 581 (***5 CFR 581***) take precedence when in conflict with this chapter.

1.1.1. Pursuant to 42 U.S.C. § 659(h)(1)(A) and 5 CFR 581.103, remuneration for employment includes retired and retainer pay, including disability retired pay. These entitlements are hereafter referred to as "retired pay."

1.1.2. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by 42 U.S.C. § 659 and 5 CFR 581.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 15, 26, and 42. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Alimony

Alimony is defined as periodic payments of funds for the support and maintenance of a spouse or former spouse. Subject to and in accordance with state law, alimony includes separate maintenance, alimony pending legal process, maintenance, and spousal support. It also includes attorney fees, interest, and court costs when, and to the extent that they are, expressly made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction. Alimony, as used in this chapter and Chapter 29, excludes payments or transfers of property made in compliance with any community property settlement, equitable distribution of property, or other division of property between the spouse(s) or former spouse(s).

2.2 Child Support

Child support is defined as periodic payments of funds for the support and maintenance of a child or children. Subject to and in accordance with state law, child support includes (but is not limited to) payments to provide for health care, education, recreation, clothing, or other specific needs. It also includes related attorney fees, interest, court costs, and other relief. Child Support, as used in this chapter and Chapter 29, excludes payments made in compliance with the satisfaction of child abuse garnishments under Chapter 29, paragraph 3.6.

2.3 Disposable Earnings

Disposable earnings are defined as an individual's gross retired pay less deductions for the following items:

2.3.1. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under ***26 U.S.C. § 6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

2.3.2. Deductions required by law (e.g., Survivor Benefit Plan and Retired Serviceman's Family Protection Plan cost deductions and deductions for Department of Veterans Affairs waivers); and

2.3.3. Regular Federal income tax withholding (FITW) and state income tax withholding, if required or authorized by law and amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled.

2.4 Legal Process

Legal process is defined as any writ, order, summons, or other similar process in the nature of garnishment. Legal process may be issued by:

2.4.1. A court of competent jurisdiction within any state, territory, or possession of the United States;

2.4.2. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

2.4.3. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

3.0 DESIGNATED AGENT

The Defense Finance and Accounting Service (DFAS), Office of General Counsel, Deputy General Counsel of Garnishment Law Directorate, or his or her representative, is responsible for receiving and implementing all legal process concerning retired members. Legal process may be served by regular mail or by fax to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 216-367-3675; Toll-Free Fax: 877-622-5930

Any legal process served on DoD entities other than the designated agent, for the purpose of enforcing payment of child support and/or alimony, will be forwarded to the designated agent for processing. For additional information or assistance call:

Garnishment Law Directorate Customer Service
Toll-Free: 888-DFAS411 (888-332-7411)

4.0 IMPLEMENTING LEGAL PROCESS

4.1 Legal Review

Once legal process has been served on the designated agent, the designated agent will review the legal process to determine if it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member.

4.2 Written Notification

The designated agent will notify the member within 15 days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as violation of the member's rights under the Servicemembers Civil Relief Act or lack of personal jurisdiction over the member, to the court who issued the order. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the retired pay system. When the designated agent has the capability to make notification through electronic means such as email, the notice will be made using those electronic means.

4.3 Response

Within 30 days of effective service, or such longer period as may be allowed by applicable state law, the designated agent will:

4.3.1. Determine the amount of the member's disposable earnings, as defined in paragraph 2.3;

4.3.2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the disposable earnings due the member (the designated agent may use its standard answer form for this purpose); and

4.3.3. Establish deductions from the member's disposable earnings. In accordance with 5 CFR 581.305(f), governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with the legal process.

4.4 Maximum Percentage of Pay Subject to Garnishment

Unless a lower maximum garnishment percentage limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

4.4.1. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

4.4.2. Sixty percent if the member concerned is not supporting a spouse or dependent child as stated in subparagraph 4.4.1; or

4.4.3. If it appears from the face of the legal process that the member is in arrears for a period that is 12 weeks or greater, the maximum percentage under subparagraph 4.4.1 is 55 percent and under subparagraph 4.4.2 is 65 percent.

4.5 Allotments to be Discontinued

If the member does not have enough net pay available to comply with the legal process, then one or more of the member's allotments will be stopped in accordance with the order of precedence for items 1 through 14 in Figure 19-1 of Chapter 19.

4.6 Priority of Legal Obligation

If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

4.6.1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

4.6.2. Legal process to enforce current child support will have priority over legal process to enforce current alimony; and

4.6.3. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal process served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. Alimony obligations will be satisfied on a first-come, first-served basis.

5.0 APPEALS

Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payment of money subject to the legal process will be suspended, i.e., money will continue to be withheld, but these amounts will be retained until the Government is ordered by the court, or other authority, to resume payments or otherwise disburse the suspended amounts. However, no suspension action will be taken where the applicable law of the jurisdiction wherein the appeal is filed requires compliance with the legal process while an appeal is pending.

6.0 GARNISHMENT OF RENOUNCED RETIRED PAY

6.1 Retired Pay Subject to Garnishment

Legal process, as defined in paragraph 2.4, must be honored even though the member has renounced receipt of retired pay. The member's refusal to receive retired pay does not permit the Government to deny satisfying a writ, order, summons, or other similar process in the nature of a garnishment. The entitlement to retired pay, even if renounced, continues to be treated as an amount "due from or payable by" the United States, which accrues to a member's retired pay account and is subject to garnishment.

6.2 Waiver of Retired Pay

The right to accrue retired pay may not be waived, except as authorized by law. See Chapter 12 concerning the waiver of retired pay.

7.0 INDEMNIFICATION

7.1 Liability for Payment

Neither the DoD, nor any disbursing officer or employee, will be liable for any payment made from money due from, or payable by, the DoD, to any individual pursuant to the legal process, if such payment is made in compliance with 42 U.S.C. § 659, 5 CFR 581, and this chapter.

7.2 Disciplinary Action, Civil or Criminal Liability, or Penalty for Disclosure of Information

DoD employees, whose duties include responding to relevant interrogatories, will not be subject to any disciplinary action, civil or criminal liability, or penalty for any disclosure of information made in connection with answering such interrogatories.

7.3 Liability for Failure to Comply With Legal Process

Neither the DoD, nor any disbursing officer or employee, will be liable to pay monetary damages for failure to comply with legal process.

REFERENCES

CHAPTER 27 – GARNISHMENTS

1.0	GENERAL	
		5 CFR 581 42 U.S.C. § 659
2.0	DEFINITIONS	
	2.3	26 U.S.C. § 6331
4.0	IMPLEMENTING LEGAL PROCESS	
	4.3.3	5 CFR 581.305(f)
	4.4	15 U.S.C. § 1673(b) 42 U.S.C. § 659(h) 42 U.S.C. § 666(b)
6.0	GARNISHMENT OF RENOUNCED RETIRED PAY	
		Manuscripts Comptroller General B-196839, April 24, 1980
7.0	INDEMNIFICATION	
	7.1	5 CFR 581 42 U.S.C. § 659

VOLUME 7B, CHAPTER 28: "COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated September 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision
3.2	Removed hyperlink to Internal Revenue Service (IRS) Form 668-W(c) because it is no longer available by IRS or a federal government website.	Revision

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CHAPTER 28

COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide guidance on the collection of non-DoD debt from the retired pay of members. Non-DoD debt discussed in this chapter include debts owed to other non-DoD federal creditor agencies and debt owed to the United States as a result of a civil judgment against a member. This chapter also provides guidance on tax levies issued by the Internal Revenue Service (IRS) in order to collect delinquent income tax debt from members. See Volume 16 for the collection of DoD debts from members.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 26, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 INVOLUNTARY COLLECTION

2.1 Recovery of Debt

Current pay is available for repayment of indebtedness without the member's consent only if such recovery is expressly authorized by statute.

2.2 Offsetting Retired Pay to Collect Debts Owed to Non-DoD Federal Creditor Agencies

Title 5, U.S.C., section 5514 provides authority to offset retired pay in order to collect debts owed to non-DoD federal creditor agencies.

2.2.1. Non-DoD Federal Creditor Agencies. A non-DoD federal creditor agency is a non-DoD federal agency to which an employee owes a debt. Examples of non-DoD federal creditor agency debts include debts owed by members for overpayments of civilian pay the member earned as an employee of a non-DoD federal agency or federal loan debts from non-DoD agencies. See section 3.0 for collection of delinquent federal tax by levy. See paragraph 2.4 for court judgments.

2.2.2. Offset Authority. Non-DoD federal creditor agency debts may be collected by offset of retired pay under 5 U.S.C. § 5514. When non-DoD federal creditor agencies identify members as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and

Accounting Service (DFAS). The following designated agent is responsible for receiving these collection requests:

Defense Finance and Accounting Service (DFAS)-AHADC
1240 E. 9th Street
Cleveland, OH 44199-8002

2.2.3. Due Process. A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. A federal tax levy takes precedence over other pay or salary offset deductions, pursuant to 5 U.S.C. § 5514. See also Volume 16, Chapter 3, paragraph 4.4.

2.2.4. Deduction Limitation. Collection may be made in monthly installments or at established pay intervals not to exceed 15 percent of disposable pay for any pay period, unless a greater percentage is authorized by written consent of the member. Unsatisfied debts at retirement must be deducted from subsequent payments of any nature due the member. See Volume 16, Chapter 3, subparagraph 3.6.2.

2.3 Administrative Offset of Debts Owed to Non-DoD Federal Creditor Agencies

Debts owed to non-DoD federal creditor agencies may be collected by administrative offset under ***31 U.S.C. § 3716***. See also Volume 16, Chapter 3, paragraph 4.4.2.3.

2.4 Collection of Other Debts

A member's retired pay may be subject to garnishment, tax levy, or a court judgment.

2.4.1. Garnishment or Levy

A retired member may not be deprived of pay by the civil process of garnishment or tax levy except as set out in Chapter 27 (garnishment of child support and alimony) or in section 3.0 (levy of delinquent federal taxes) of this chapter.

2.4.2. Judgments in Favor of the United States

Court judgments against a member, or retired member, in favor of the United States may not be collected under Public Law (P.L.) 97-276, section 124. However, such judgments in favor of the United States may be collected under 5 U.S.C. § 5514.

2.4.3. Judgments in Favor of Private Individuals

Court judgments ordered to be collected to pay private individuals are not debts owed to the United States government and cannot be collected by offset under 5 U.S.C. § 5514 or 31 U.S.C. § 3716.

3.0 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

3.1 General

When a member does not pay any federal income taxes due within 30 days after the IRS has issued a notice and demand for payment to the member, the IRS may collect the tax by levy on the member's salary or other income, including retired or retainer pay. IRS tax levies are requests on IRS Form 668-W, Notice of Levy on Wages, Salary, and Other Income, for a continuous levy from a member's retired pay to collect taxes owed. The effect of a levy on wages, salary, or other income payable to or received by the member will be continuous from the date such levy is first made until such levy is released by the IRS on Form 668-D, Release of Levy. Medal of Honor recipients are exempt from tax levy.

3.2 IRS Form 668-W

The IRS will transmit IRS Form 668-W or Form 668-W(c), in five parts (the letter "c" designates a computer-generated form which is the same as the version of the form without the "c"). The IRS Form 668-W will identify the member, specify the amount of the tax liability, give instructions for providing due process, show how to compute the levy based on input from the taxpayer, and give the payment address. The DFAS Retired and Annuitant Pay Office (hereinafter "Office") must follow the instructions on the IRS Form 668-W. In general, the Office must notify the taxpayer (see Figure 28-1 for an example of a sample letter), compute the amounts available for payment to the IRS, and make the payment. Currently, the IRS Form 668-W requires the employer to send to the IRS all of the taxpayer's net pay less what is exempt from levy. Net pay is gross retired pay less all deductions and allotments in effect as of the date of receipt of IRS Form 668-W. The Office must follow the instructions on IRS Form 668-W when computing exemptions.

3.3 Problem Cases

When the IRS has determined the taxpayer's case is a problem case, the taxpayer will be furnished with the IRS Form 668-W, a statement of the amount of delinquent taxes and a statement that "net pay" is not enough to pay the levy and that all available accrued pay should be sent to the IRS. Available accrued pay is gross retired pay less:

3.3.1 Withholding for current Federal taxes (statutory amounts only);

3.3.2. Amounts required to satisfy prior overpayments of pay;

3.3.3. Amounts waived in favor of compensation from the Department of Veterans Affairs;

3.3.4. United States Government Life Insurance/National Service Life Insurance premiums;

3.3.5. Deductions for Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan costs;

3.3.6. Voluntary child-support allotments to satisfy court orders, provided the court order is dated prior to the date of the levy from the IRS;

3.3.7. Pay attached or garnished for child support or alimony; and

3.3.8. The levy exemptions calculated under normal levy procedures.

NOTE: The main difference between a regular levy and a problem case levy is that, under the latter, the Office must stop the member's voluntary allotments of retired pay to satisfy the levy. If it is not necessary to stop all allotments, the Office should request the member elect which allotments to stop. If the member does not respond to the request, the Office must stop such allotments as are necessary, stopping any commercial insurance allotments last. See Chapter 19, Figure 19-1 for the order of precedence.

Figure 28-1. Example of Notification Letter for IRS Notice of Levy

Defense Finance and Accounting Service
Retired and Annuitant Pay

December 1, 20XX

CMSGT John Doe, U.S. Air Force (Retired)
1240 East 97th Street
Cleveland, OH 44199-2055

Dear CMSGT Doe,

The IRS has sent us the attached IRS Form 668-W, (Notice of Levy on Wages, Salary, and Other Income). Please read the IRS Form 668-W carefully, as it may be advisable to discuss it with your attorney or other tax adviser.

Complete the attached form and return it to us within 3 working days to claim your partial exemption. If we do not receive the completed form, we will compute your exemption for you, using the exemption for a married person filing separately with one personal exemption. Please note that the exemptions you claimed for tax withholding purposes are NOT the same and we will not use them to compute your exemption from levy.

This is a continuous levy against your retired pay to collect delinquent federal taxes. We will deduct the levy from your (month/year) retired pay. We will make a specified collection from your retired pay and continue the collection until the levy has been satisfied. This levy remains in force and effect until the IRS serves our office with IRS Form 668-D, (Release of Levy).

If you have been awarded the Medal of Honor, you are exempt from levy. Send us a copy of the citation awarding you the Medal of Honor to prevent the levy of your retired pay.

Please contact the IRS office that issued the levy for questions that you may have concerning the levy.

Sincerely,

Military Pay Technician
Retired and Annuitant Pay

Attachment:
As stated

REFERENCES

CHAPTER 28 – COLLECTION OF NON-DOD DEBT AND DELINQUENT FEDERAL TAXES BY TAX LEVY

2.0 –INVOLUNTARY COLLECTION

2.1	37 U.S.C. § 1007(c) 5 U.S.C. § 5514 31 U.S.C. § 3716
2.2	37 U.S.C. § 1007(c) 5 U.S.C. § 5514
2.3	31 U.S.C. § 3716
2.4	5 U.S.C. § 5514 31 U.S.C. § 3716 P.L. 97-276, section 124, October 2, 1982 Comptroller General, B-230865 (1990), United States v. Tafoya, 803 F.2d 140 (5th. Cir 1986)

3.0 – COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

	26 U.S.C. § 6321(a) 26 U.S.C. §§ 6331 and 6334

VOLUME 7B, CHAPTER 29: "FORMER SPOUSE PAYMENTS FROM RETIRED PAY"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2025 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
2.11	Clarification of the Formula Award definition.	Revision
6.7.4	Revised examples to consider both active duty and reserve duty members.	Revision
6.8.5.2	Added clarifying language on hypothetical retired pay base.	Revision
7.2	Pursuant to the Defense Office of Hearings and Appeals decision in Claims Case Number 2016-CL-091608-3, military retired pay payable to military retirees under Title 10, Chapter 61, of United States Code that is paid concurrently with Department of Veterans Affairs disability compensation is disposable pay subject to division under the Uniformed Services Former Spouse's Protection Act, because the amount paid effectively removes the disability factor from the Chapter 61 retired pay payable.	Revision
8.4	Clarification of a court order explained.	Revision
Figures 29-1 through 29-6	Added new title names.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 29

FORMER SPOUSE PAYMENTS FROM RETIRED PAY

1.0 GENERAL

1.1 Purpose

This chapter explains how a former spouse can apply for direct payments from a military member's military retired pay and how the former spouse's payments will be administered.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 15, 28, 31, 38, 42 and 50. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Alimony

Alimony is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a spouse or former spouse. This definition includes attorney's fees, interest, and court costs. Alimony does not include child support, property settlement, equitable distribution of property, or any other division of property.

2.2 Child Support

Child support is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a child. This definition includes costs for health care, arrearages, attorney's fees, interest, penalties, and other related relief.

2.3 Court

Court means any court of competent jurisdiction of any state (in the United States), the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands and any court of the United States, as defined in ***28 U.S.C. § 451***. Court also includes a court of a foreign country with which the United States has an agreement requiring the United States to honor any court order of such country.

2.4 Court Order

Court order means a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a property settlement incorporated into such an order. Court order also includes orders issued incident to a divorce, such as an order dividing military retired pay or a domestic relations order (DRO) that divides military retired pay.

Note: A DRO is not required but will be accepted. A court order also includes a support order as defined in section 453 of the Social Security Act (***42 U.S.C. § 653(p)***).

2.5 Creditable Service

Creditable service means years and full months of military service creditable for the purpose of computing a member's retired pay entitlement if the member is on active duty or the Reserve retirement points creditable if the member is a Reserve component member. See ***10 U.S.C. § 1405*** and ***10 U.S.C. §12733***, and Volume 7B, Chapter 1 and Chapter 3.

2.6 Designated Agent

Designated agent is the agent authorized to review applications for direct payments made. See section 4.0 for specific designations.

2.7 Disposable Retired Pay

Disposable retired pay is defined in sections 7.0 and 8.0.

2.8 Entitlement

Entitlement is the legal right of a military member to receive military retired pay. The term refers to members who actually receive retired pay rather than those who qualify by completing the required years of service.

2.9 Final Decree

A final decree is an order from which no appeal may be taken or from which no appeal has been taken within the time allowed for taking such appeals under the laws applicable to such appeals, or a decree from which timely appeal has been taken and such appeal has been finally decided under the laws applicable to such appeals.

2.10 Former Spouse

Former spouse is the former husband or wife, or if the parties are legally separated, the current husband or wife, of a military member.

*2.11 Formula Award

A formula award computes a former spouse's property interest in a military member's retired pay based on the relationship of two periods of time. It is stated as a fraction in which the numerator and denominator are first divided and the result is multiplied by a percentage. The numerator may represent the length of the parties' marriage through the date of separation or length of total marriage through the date of divorce while the member was performing creditable military service, or a different time period as determined by the court. The denominator may represent the member's total service creditable toward retirement, or a different time period as determined by the court. The numerator, denominator, and percentage must be provided in the order.

2.11.1. For members qualifying for an active duty (i.e., regular service) retirement, the elements must be expressed in terms of whole months. The former spouse's award is usually calculated by multiplying the marital fraction (i.e. months of marriage divided by total months of creditable service) by one-half or 50 percent, or any other percentage amount as determined by the court and provided in the court order. See paragraph 6.7 for acceptable active-duty formula award language.

2.11.2. For members qualifying for a Reserve (i.e., non-regular service) retirement, the elements must be expressed in terms of Reserve retirement points. The former spouse's award is usually calculated by multiplying the marital fraction (i.e. number of reserve points earned while the parties were married divided by the total number of reserve points earned) by one-half or 50 percent, or any other percentage amount as determined by the court and provided in the court order. See subparagraph 6.7.2 for acceptable Reserve formula award language.

2.12 Garnishment Order

A garnishment order is an order directing the designated agent to issue payments from a member's pay to satisfy a legal obligation for child support, alimony, or division of property other than a division of military retired pay, or a monetary judgment rendered against a member for the physical, sexual, or emotional abuse of a child. See Public Law ***(PL) 115-91, section 534***.

2.13 Hypothetical Retired Pay Award

Hypothetical retired pay award is an award based on a percentage of retired pay that is calculated using variables provided in a court order that are different from the member's actual retirement variables (i.e., hypothetically what would the member's retired pay be if the member retired on this date). The retired pay calculated using the court ordered variables is called the member's hypothetical retired pay. A hypothetical award typically attempts to define the property interest in the retired pay as if the member had retired at the time the court divided the member's military retired pay based upon the member's rank, or high-3 amount, and years of service accrued to that point in time. Thus, the former spouse does not benefit from the member's pay increases due to promotions or increased service time after the divorce.

2.14 Member

A member is an individual who is on active duty, one who is a reservist, or one who is retired from military service.

2.15 Renounced Pay

Renounced pay is military retired pay to which a member is entitled, but which the member has waived receipt.

2.16 Retired Pay

Retired pay is the statutory entitlement due a member based on conditions of the retirement law, pay grade or high-3 pay amount, years of service, and the date of retirement. Retired pay includes "retainer pay."

Note: A Reserve member is generally not eligible to start receiving retired pay until they reach age 60. However, the National Defense Authorization Act (NDAA) for Fiscal Year 2008 enacted the Reduced Retirement Age for Reserve Component (RC) soldiers based on Active Duty (AD) performance. The NDAA for 2008 reduces the retirement age for RC members from 60 to a lesser age, but not below age 50, for those who have served on AD in an eligible status (qualifying service) after January 28, 2008.

2.17 Retired Pay Award

Retired pay award is a portion of a member's disposable military retired pay awarded to a former spouse or current spouse by a court of competent jurisdiction as a property division. The award must clearly reference military retirement or be contained within a military retirement subsection.

2.18 Standard Retired Pay Multiplier

The standard retired pay multiplier used to compute retired pay for members with a Date of Initial Entry into Military Service (DIEMS) prior to January 1, 2018, who have not elected to participate in the Blended Retirement System (BRS) is 2.5 percent times the member's years of creditable service. See Chapter 3. The retired pay or retainer pay multiplier for a member with a DIEMS on or after January 1, 2018, or a member with a DIEMS before January 1, 2018, who elected to enroll in the BRS, is 2 percent times the years of creditable service. See Chapter 3.

2.19 Uniformed Services Former Spouses' Protection Act (USFSPA)

PL 97-252, enacted on September 8, 1982, states that the section of Title 10 addressing former spouse protection may be cited as the "USFSPA." Therefore, USFSPA is used throughout and refers to the provisions of ***10 U.S.C. § 1408***.

3.0 AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA

3.1 Child Support

A former spouse can collect child support if there is a court order that awards child support, and the former spouse and military member have ever been married to each other.

3.2 Child Support Arrearages

To collect child support arrearages, a former spouse must submit a recent court order that lists the total arrearages. The order cannot be older than two years from the date the designated agent receives it.

3.3 Alimony

A former spouse can collect current alimony under the USFSPA, but not alimony arrearages through the Defense Finance and Accounting Service (DFAS).

3.4 Retired Pay Award

A former spouse can collect current retired pay award payments, but not retired pay award arrearages through DFAS.

3.5 Property Other Than a Division of Retired Pay

A former spouse can collect a property division, other than a retired pay award, by garnishment if an order awards it to the former spouse and if the former spouse was also awarded alimony, child support, or a division of retired pay. A former spouse must be receiving at least one type of payment (i.e., division of property, alimony, or child support) from the designated agent and must provide the designated agent a garnishment writ to commence payments under this provision. See subparagraph 4.1.2 for more information.

3.6 Child Abuse Garnishments

Garnishment of a military retiree's retired pay in satisfaction of a judgment for physical, sexual or emotional abuse of a child under 18 years of age.

3.6.1. Subject to a court order, any payment of retired pay that would otherwise be made to a member shall be paid (in whole or in part) by the designated agent to another person as provided for in the terms of a child abuse garnishment order. The total amount payable under a child abuse garnishment order cannot exceed 25 percent of the member's disposable retired pay.

3.6.2. A court order providing for the payment of child support, alimony, or division of property, to the spouse or a former spouse of the member, is given priority over a child abuse garnishment order.

3.7 BRS Lump Sum Awards

3.7.1. A member who retires under the BRS has the option of electing to receive a lump sum of a portion of their retired pay (either 25 or 50 percent) as a "discounted present value of his or her retired pay." The lump sum amount is classified as retired pay and therefore is subject to division between a member and a spouse or former spouse pursuant to the provisions of a court order. A member has several options of how to receive the lump sum, including a number of annual payments. A spouse or former spouse who is entitled to receive a portion of those payments will be paid at the time the member receives each payment.

3.7.2. For a spouse or former spouse to receive a portion of lump sum payments made to a member pursuant to the member's election under the BRS, the designated agent must have received and approved the application for former spouse payments prior to the member's receipt of the lump sum amount. Lump sum payments will not be divided retroactively if the application for former spouse payments was not received prior to the members' receipt of the lump sum payment. For example, if the retiree elects to receive the lump sum amount in four annual payments, (June 2026, 2027, 2028, and 2029) but the former spouse does not submit an application for former spouse payments until January 2028, the designated agent upon approval of the application, will only divide the June 2028 and June 2029 annual lump sum payments. See ***10 U.S.C. § 1415*** and Chapter 3 for complete information on the BRS.

4.0 APPLICATION BY FORMER SPOUSE

4.1 Application Process

4.1.1. The former spouse must submit a completed DoD ***(DD) Form 2293***, Application for Former Spouse Payments From Retired Pay, and a certified copy of the court order awarding alimony, child support, or military retired pay. A court order for child support arrearages cannot be older than 2 years from the date the designated agent receives it. The court order must be certified by the clerk of the court that issued the order.

4.1.2. If the former spouse is applying for a property division other than a retired pay award, the former spouse must submit a garnishment order (writ of garnishment) in addition to the DD Form 2293 and the court order. To be eligible for payments under this section, a former spouse must be receiving at least one type of payment (i.e., division of property, alimony, or child support) from the designated agent.

4.1.3. The former spouse may mail the application to the appropriate designated agent given in paragraph 4.3 or may fax it to the number provided in paragraph 4.3. Please read the instructions and certification on the DD Form 2293 carefully.

4.2 Additional Documentation

4.2.1. A former spouse may need to provide additional documentation if the designated agent cannot determine whether the former spouse is eligible for USFSPA payments based solely on the DD Form 2293 and the court order. The designated agent may request additional

documentation to support the party's application or entitlement to continued eligibility for payment. Failure to timely submit additional documentation may result in suspension or termination of payments.

4.2.2. A person designated by the former spouse in a Power of Attorney (POA) form may assist the former spouse in completing the DD Form 2293 and in notifying the designated agent of address changes. However, a person designated in the POA form cannot change the payment account number. Only the former spouse can request such changes. Additionally, payments can only be made to the account in the name of the former spouse. A copy of a POA form that properly references entitlement of payments under USFSPA must be provided.

4.2.3. A person appointed by the court to hold fiduciary responsibilities over the estate and/or property of the former spouse may make address and account changes on behalf of the former spouse. A certified copy of the order (i.e., conservatorship and guardianship) must be provided within one year of the appointment or before the specified termination date.

4.3 Where to Send an Application for USFSPA Payments

The former spouse should send the application and all supporting documents to the following designated agent for the appropriate Uniformed Service.

4.3.1. For Army, Navy, Air Force, Space Force, and Marine Corps mail to:

DFAS Office of General Counsel
Attn: Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 877-622-5930

4.3.2. For U.S. Coast Guard, Public Health Services, and National Oceanic and Atmospheric Administration mail to:

Commanding Officer (LGL)
Pay and Personnel Center
444 S.E. Quincy Street
Topeka, KS 66683-3591
Fax: 785-339-3788

4.4 When to Apply for USFSPA Payments

A former spouse may apply for payments any time after the court has issued a court order enforceable under the USFSPA. Although payments will not start under the USFSPA until after the member starts to receive retired pay, the designated agent can conditionally approve a former spouse's application prior to that, and retain the application pending the member's retirement.

4.5 Conditional Preapproval

4.5.1. If the former spouse applies prior to the member receiving retired pay, the designated agent will perform a legal review of the application, and may conditionally approve it based on information available at the time of the review concerning the member's duty status (active or Reserve).

4.5.2. At the time the member begins to receive retired pay, the designated agent will perform a second review prior to establishing the former spouse's direct payments. If the former spouse's award was based on a formula or hypothetical retired pay amount, and the member's status has changed since the initial legal review, it may be necessary to reject the application and require the former spouse to submit a clarifying order providing the necessary information. For example, if the formula or hypothetical award lists the Reserve retirement points, but the member retires from active duty, the designated agent will need a new court order that lists a valid active-duty formula. See paragraph 6.7 concerning formula awards and paragraph 6.8 concerning hypothetical retired pay awards.

5.0 NOTIFICATION

5.1 Notification to Former Spouse of Approval or Disapproval

Within 30 days of the date of receipt of a former spouse's application, the designated agent will notify the former spouse if his or her application has been approved or disapproved. If approved, the designated agent will state the month the former spouse's payments will tentatively begin. If the designated agent cannot approve the application, the notice will include an explanation regarding the reason(s) why.

5.2 Notification to the Member of Approval of an Application

If a former spouse's application is approved, the designated agent will notify the member affected within 30 days of the date of receipt of the application. The member will not be notified if the application is not approved.

5.3 Second Notice

If the designated agent notified the member as part of a conditional preapproval more than 90 days prior to the member's becoming entitled to receive retired pay, the designated agent will provide a second notice to the member when the designated agent establishes the former spouse's payments at the time the member begins to receive retired pay.

5.4 Contents of Notice to Member

5.4.1. The notice will explain that payments issued under the USFSPA cannot exceed 50 percent of the member's disposable retired pay (or 65 percent of the member's disposable pay when also withholding for an income withholding order issued pursuant to ***42 U.S.C. § 659***), and will contain the month that the payments will tentatively begin.

5.4.2. The notice will inform the member that he or she must notify the designated agent if the court order has been amended, superseded, or set aside.

5.4.3. The notice will inform the member that if he or she submits information in response to this notice, he or she consents to the disclosure of that information.

5.4.4. The notice will include a copy of the court order.

5.4.5. The notice will advise that the member's failure to respond within 30 days of the date that the notification is mailed may result in the payment of a portion of the member's retired pay to a spouse or former spouse as set out in the notice to the member.

5.5 How to Prevent USFSPA Payments From Starting

The member must provide documentary evidence that a former spouse's court order is legally defective or has been appealed, amended, or set aside. If the designated agent determines that the documentary evidence is sufficient to bar payments to a former spouse, the designated agent will not start the payments. The designated agent will then inform the former spouse that payments will not start and provide copies of the documentary evidence to the former spouse.

6.0 COURT ORDERS

6.1 Contents of Court Order

6.1.1. The court order must be regular on its face. This means that a court of competent jurisdiction issued the order and nothing on its face provides reasonable notice that it was issued without authority of law.

6.1.2. If the court order awarding child support or alimony appears on its face to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court had obtained personal jurisdiction over the member.

6.1.3. The court order must award former spouse alimony, child support, or a retired pay award. There is no requirement in Federal law that specifies how military retired pay is to be divided.

6.1.4. If the order contains a retired pay award, that award must be expressed as a fixed dollar amount or as a percentage of disposable retired pay. A retired pay award expressed as a percentage will automatically receive a proportionate share of the member's cost-of-living adjustments (COLA), while one expressed as a fixed amount will not. There is no authority for a retired pay award to state a fixed dollar amount and also order COLAs. Retired pay awards phrased in that manner will be construed as a fixed dollar amount and will not receive COLAs.

6.1.5. The designated agent will construe percentage awards such as a percentage of gross retired pay, as a percentage of disposable retired pay regardless of the language in the order.

6.1.6. If the former spouse and the member were divorced before the member became entitled to receive military retired pay, the retired pay award may be expressed as a formula or hypothetical retired pay award in accordance with paragraphs 6.7 and 6.8. Since the computation of formula and hypothetical retired pay awards result in a percentage, they are considered a type of percentage award, and would automatically receive a proportionate share of the member's retired pay COLAs.

6.2 Divorces Finalized While the Member is Still on Active Duty

6.2.1. For court orders issued prior to December 19, 2003, the court order must show compliance with the member's rights under the Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. Appendix 501 et. seq.).

6.2.2. For court orders issued on or after December 19, 2003, the court order must show that the member's rights under the Servicemembers Civil Relief Act ***50 U.S.C. § 3901*** et. seq. (formerly cited as 50 U.S.C. Appendix 501 et. seq.) were complied with.

6.3 Domestic Relations Order

There is no requirement in USFSPA that a former spouse submit a DRO, but the designated agent will accept one if it is submitted and if it meets the requirements of the USFSPA. If the divorce decree or dissolution order states a DRO was entered, it must be submitted to the designated agent unless a subsequent court order has been entered and provided.

6.4 Requirements Specific to a Retired Pay Award

6.4.1. In the case of a retired pay award, the designated agent must be able to determine from the court order that the court dividing military retired pay had jurisdiction over the member in one of the following ways:

6.4.1.1. The member resided in the territorial jurisdiction of the court at the time of the legal proceeding due to other than military assignment;

6.4.1.2. The court finds that member's domicile was in the territorial jurisdiction of the court at the time of the legal proceeding; or

6.4.1.3. The member consented to the jurisdiction of the court. If the court order does not "explicitly" state that the member consented to the court's jurisdiction, the designated agent will regard the member's participation in the legal proceeding, other than to contest the court's jurisdiction, as evidence of the member's consent to the court's jurisdiction in the proceeding dividing the member's military retired pay.

6.4.2. Also, in the case of a retired pay award, the designated agent must be able to determine from the application that the former spouse and the member were married for at least 10 years during which the member performed 10 years or more of service creditable toward retirement eligibility (the "10/10" requirement). The 10 years of creditable service is determined

exclusively by the designated agent upon the effective dates of marriage and divorce, dissolution, legal separation, or annulment. There is no "10/10" requirement for payment of alimony, child support awards, or child abuse garnishments under USFSPA.

6.5 State Law Jurisdiction

The satisfaction of state law jurisdictional requirements is not sufficient alone to satisfy the additional jurisdictional requirement stated in paragraph 6.4. If the court order states that it has USFSPA jurisdiction, it must state the basis for the finding, i.e., member's residence, member's domicile or member's consent. The designated agent will make a determination of whether the court order meets the additional jurisdictional requirements stated in paragraph 6.4.

6.6 Member's Consent to a Separation Agreement

If the member signed a separation agreement, the designated agent will presume that the member consented to the jurisdiction of any court that at any time incorporates the agreement into a court order.

6.7 Acceptable Formula Awards

6.7.1. If the former spouse's award is expressed in terms of a formula, all the variables needed to calculate the formula must be included in the court order, with the exception of a member's total number of months of creditable service or total number of Reserve retirement points, which the designated agent will provide in accordance with subparagraphs 6.7.2 and 6.7.3. If the order provides all the variables needed to do the calculation, including total months of military service or total Reserve retirement points, the designated agent will calculate the formula using the variables provided, even if the figure is different from the member's actual total. If the member disagrees with the number listed in the court order (i.e., the denominator), the member will have to petition the court to get the order corrected to show the member's actual total months or points of military service. If any needed variable besides the total number of months of creditable service or total number of Reserve retirement points is not provided in the order, the applicant will have to provide the designated agent with a clarifying court order, which provides the necessary variable. The designated agent will carry out any percentages derived from formulas to four decimal places.

6.7.2. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for an active duty (i.e., regular service) retirement, the formula award must be expressed in terms of whole months. The numerator and denominator of the formula fraction must specifically be provided in the court order. If needed, the designated agent will provide the denominator if the order states it represents the member's total number of months of creditable military service. If the denominator represents anything other than the member's total number of months of creditable service at the time of retirement (for example, number of months of creditable service as of the date of the separation or divorce), the designated agent is unable to provide it. Any days or partial months of service will not be considered. If the award is expressed in terms of years instead of months, the designated agent will convert years into whole months by rounding down to the nearest month.

6.7.3. If the court order requires the designated agent to supply the denominator of a marital or coverture fraction, and the member qualifies for a Reserve (i.e., non-regular service) retirement, the formula award must be expressed in terms of Reserve retirement points. In the case of a Reserve retirement, the numerator and denominator of the formula fraction must specifically be provided in the court order. If needed, the designated agent will provide the denominator if the order states it represents the member's total number of Reserve retirement points at the time of retirement. If the denominator represents anything other than the member's total Reserve retirement points at the time of the retirement (for example, Reserve retirement points as of the date of divorce), the designated agent is unable to provide it. The designated agent cannot honor a formula award for a member that qualifies for Reserve retirement that is expressed in terms of whole months, even if both the numerator and denominator are provided.

* 6.7.4. The sample Military Retired Pay Division Orders (see Figures 29-3, 29-4, 29-5, and 29-6) provide examples of acceptable formula award language. All the blanks in the sample awards represent variables that must be provided in the court order. The sample language is not required, but any award expressed using the applicable sample language will be acceptable.

Example of active-duty formula: The court order awarded the former spouse a percentage of the member's disposable retired pay calculated by multiplying 30 percent times a fraction, where the numerator is 151 months of marriage during creditable military service, and the denominator is the member's total months of active-duty service. The member later retired with 20 years (or 240 months) of creditable service. The former spouse's award would be computed as follows: 30% x 151 months/240 months = 18.8750%. The designated agent would pay 18 percent of the member's disposable retired pay.

Example of reservist formula: The court order awarded the former spouse a percentage of the member's disposable retired pay calculated by multiplying 50 percent times a fraction, where the numerator is 2560 reserve points, and the denominator is the member's total reserve points creditable toward retirement. The member later retired with 5899 total reserve points. The former spouse's award would be computed as follows: 50% x 2560 points/5899 points = 21.6986%. The designated agent would pay 21.6986% percent of the member's disposable retired pay.

6.8 Hypothetical Retired Pay Awards

6.8.1. Military retired pay is computed at the time the member retires, and it is based on two possible methods depending on when the member initially enters service. It will either be computed by using the member's rank and total years of service at the time of retirement, or the member's retired pay base, also known as high-3 (highest 36 months of earnings), and total years of service at the time of retirement. For members who entered military service before September 8, 1980, the member's rank is used. For members who entered military service on or after September 8, 1980, the member's retired pay base (high-3) is used.

6.8.2. A hypothetical retired pay award determines the amount awarded to a former spouse by using retirement information different from what will exist at the time a member actually retires. Typically, the court will use variables to determine the retired pay award as though the member

had retired at the time of the court order dividing military retired pay or some other date prior to the member's actual retirement. In this manner, the former spouse is awarded a portion of the member's retirement without accounting for promotions or service completed after the date of the order.

6.8.3. The hypothetical retired pay amount is calculated by multiplying the hypothetical retired pay multiplier (see subparagraph 6.8.4) times the hypothetical retired pay base (i.e., the member's active duty pay based on their rank and years of service or the average of their monthly pay for their highest 36 months of pay; their "high-3"). If the initial retired pay computation is not a multiple of $1, it is rounded down to the next lower multiple of $1. See Chapter 3 for retired pay calculations.

6.8.4. Retired Pay Multiplier

6.8.4.1. The standard retired pay multiplier is 2.5 percent multiplied by the member's years of creditable service. This means that a member will receive 2 ½ (2.5) percent for every year served (unless the member entered under, or switched to, the BRS).

For example, the retired pay multiplier for an active-duty member who serves 20 years will be 50 percent (2.5% x 20 years = 50%).

In the case of a hypothetical retired pay award, the hypothetical retired pay multiplier is determined by multiplying 2.5 percent times the hypothetical years of creditable service provided in the court order. The hypothetical years of creditable service must only include years and full months. If the figure provided in the court order includes days of service, the designated agent will round down to the nearest month. For example, if the hypothetical years of service provided is 14.57, since this figure includes more than 14 years, 6 months of service but not enough for 14 years, 7 months of service, 14 years, 6 months (or 14.5) will be used for the calculation. See paragraph 2.5. The resulting percentage is rounded to two decimal places. See Chapter 3 for retired pay calculations.

6.8.4.2. For members who retire under the BRS, the retired pay multiplier is 2 percent multiplied by the member's years of creditable service.

6.8.4.3. A hypothetical retired pay award for a reservist must be expressed in terms of Reserve retirement points rather than years of creditable service. The Reserve retirement points are converted into years of creditable service by dividing the Reserve retirement points on which the award is based by 360. The resultant figure is carried to three decimal places; then rounded to two. (See Chapter 3.) This resultant figure is used to compute the hypothetical retired pay multiplier. For example: 5,258 Reserve retirement points would convert to 14.61 years of service for multiplier purposes (5,258 points/360 = 14.61 years).

6.8.5. Retired Pay Base

6.8.5.1. For members entering military service before September 8, 1980, the retired pay base is the member's basic pay at retirement based on the member's rank and years of service for basic pay purposes. See Chapter 3. When computing a hypothetical award for one of these members, their hypothetical retired pay base would usually be their basic pay as of the hypothetical retirement date.

* 6.8.5.2. For members entering military service on or after September 8, 1980, the retired pay base is the average of the member's highest 36 months of basic pay at retirement (high-3 amount). See Chapter 3. For active-duty members, their hypothetical retired pay base would usually be the average monthly basic pay for the 36 months (whether or not consecutive) out of all the months of active service of the member prior to the hypothetical retirement date. For reserve members, their hypothetical retired pay base would usually be the average monthly basic pay for the 36 months preceding their hypothetical retirement date, as if the member had served on active duty during that entire 36 months (not necessarily the 36 months prior to the end of drilling as it is dependent upon the specified hypothetical date for the computation). Reserve members can consult published pay tables if they are not currently drilling to determine what their 36 months of pay would have been at the time of the hypothetical retirement date (i.e., date of division as determined by the court). If the court order provides the annual amount of retired pay base (high-3), the designated agent will convert it to a monthly amount by dividing the yearly amount by 12 to arrive at the monthly average.

Note: The retired pay base is not the member's actual monthly military retired pay amount.

6.8.6. In order to enable the designated agent to calculate the hypothetical retired pay amount, the court order must provide:

6.8.6.1. The percentage the former spouse was awarded;

6.8.6.2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based;

6.8.6.3. The hypothetical retired pay base (high-3). In the case of members entering military service before September 8, 1980, the court order may provide either the member's hypothetical retired pay base or the member's hypothetical rank and years of service for basic pay purposes; and

6.8.6.4. The hypothetical retirement date.

6.8.7. For members whose divorce, dissolution, legal separation, or annulment was effective on or before December 23, 2016, (the effective date of the NDAA 2017), if the court intends that the hypothetical retired pay be calculated based on the pay tables in effect at the time the member becomes entitled to receive military retired pay, the designated agent will use as the retired pay base either the basic pay for the hypothetical rank and years of service as of the date

the member becomes eligible to receive retired pay, or the member's actual retired pay base, whichever is lower. The court order must provide:

6.8.7.1. The percentage the former spouse is awarded;

6.8.7.2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based and the member's years of service for basic pay purposes;

6.8.7.3. The member's hypothetical rank; and

6.8.7.4. An unequivocal statement that the calculation is to be made as of the member's actual retirement date.

6.8.7.5. If the court order awards a Reserve hypothetical calculated as of the time the member attains age 60, but the reserve member begins to receive retirement pay earlier based upon the Reduced Retirement Age provision of NDAA 2008, the designated agent cannot pay the former spouse until the member turns age 60. Additionally, the designated agent cannot compute the award if the member has not turned 60 years of age because the pay tables for a future date are not published until that date.

The applicant will need to either wait until the member turns age 60 to start receiving the division of property award or obtain a clarifying court order.

6.8.8. If the award language is missing any necessary variables, the court will have to clarify the award. See the sample Military Retired Pay Division Order (Figures 29-1 and 29-2) for examples of acceptable hypothetical retired pay award language.

6.8.9. All percentage hypothetical retired pay awards will be converted into a percentage of a member's actual retired pay according to the following example:

> The court order awarded the former spouse 50 percent of the disposable retired pay the member would have received had the member retired with 17 years of creditable service, a retired pay base of $2,200.00 per month, and a hypothetical retirement date of June 1, 1999. The member actually retired on June 1, 2002, with 20 years of creditable service, a retired pay base of $2,400.00 per month, and an initial gross retired pay of $1,200.00 per month (2.5% x 20 years = 50%; 50% x $2,400.00 = $1,200.00).
>
> First, the designated agent will calculate the member's hypothetical retired pay multiplier, which in this example is 42.5 percent (2.5% x 17 years = 42.5%).
>
> Next, the designated agent will calculate the hypothetical retired pay amount, which in this example is $935.00 per month (42.5% x $2,200.00 = $935.00).

Then, the designated agent will apply retired pay COLAs to the hypothetical retired pay amount from the hypothetical retirement date to the date the member became eligible to receive retired pay. COLAs will only be applied to computations in cases in which the parties' legal separation or divorce were effective January 1, 2009, or later, unless the court order specifically states that COLAs are not to be added to the hypothetical computation (with the exception of NDAA). COLAs are statutorily required to be included in all NDAA cases, regardless of what the court order states.

This calculation will determine the present value of the hypothetical retired pay as of the member's actual retirement date. In this case, if the member had become eligible to receive retired pay on June 1, 1999, the hypothetical retirement date, the hypothetical retired pay, after adding the COLAs, would have been $1,008 per month on June 1, 2002, the actual retirement date.

In these examples, the addition of the partial annual COLAs would be as follows:

Year	COLA	Formula
12/1/1999	1.7 percent	$935.00 x 1.017 = $950.00 (rounded down)
12/1/2000	3.5 percent	$950.00 x 1.035 = $983.00 (rounded down)
12/1/2001	2.6 percent	$983.00 x 1.026 = $1,008.00 (rounded down)

Finally, the designated agent will convert the former spouse's percentage of hypothetical retired pay to a percentage of the member's actual retired pay as follows: 50% x 1,008.00/$1,200.00 = 42%. (All percentages derived from hypothetical computations will be carried out to four decimal places if applicable without rounding). In this example, 42 percent is the amount that the designated agent would enter into the retired pay system as the spouse/former spouse's retired pay award.

6.8.10. The military retired pay of a post-July 1986 member who has accepted a Career Status Bonus (CSB) is calculated using a reduced multiplier. (See Chapter 3.) However, when computing a retired pay award based on a hypothetical, the CSB member's hypothetical retired pay will be calculated using the standard multiplier. The retired pay of a member who has accepted a CSB will be recomputed using a standard multiplier effective the first day of the month after the member attains age 62. The former spouse's percentage will also be adjusted at the same time in accordance with subparagraph 6.8.8, using the member's recomputed retired pay in the denominator of the conversion fraction. This adjustment will result in a lower percentage being applied to a higher disposable pay figure, and will ensure that the former spouse continues to receive the amount intended in the court order.

6.8.11. When computing hypothetical awards for members under the BRS the former spouse's hypothetical award (percentage) will be calculated in accordance with subparagraph 6.8.8. However, since the actual military retired pay for members who retire under the BRS is calculated using the 2 percent multiplier, the BRS member's hypothetical retired pay will also be calculated using the 2 percent multiplier. Additionally, the designated agent will use the unreduced gross retired pay in the denominator of the conversion fraction, even if the member elects to receive a lump sum payment. Using the unreduced gross retired pay for the denominator

ensures that the numerator and denominator are computed in an equalized manner (i.e., the same variables are used and one is not reduced).

6.9 Orders Issued Before June 26, 1981, That Did Not Divide Retired Pay

Any court order that contains a retired pay award that was issued before June 26, 1981, will be honored if it otherwise satisfies the requirements and conditions shown in this chapter. If a pre-June 26, 1981 decree or property settlement incident to the decree did not divide the member's military retired pay, and did not reserve jurisdiction to divide it, the designated agent cannot honor an application for payment based on a subsequent order issued on or after June 26, 1981 dividing retired pay as property.

6.10 Survivor Benefit Plan (SBP) Premium

6.10.1. Pursuant to ***10 U.S.C. § 1452***, the SBP premium must be deducted from the member's retired pay. The SBP premium cannot be deducted from the former spouse's portion of the member's retired pay. Any provision in a court order stating that the premium should be deducted from the former spouse's portion is unenforceable by the designated agent. Any adjustments between the parties for the SBP premium payment will need to be made outside of the stated procedures. However, those adjustments will not be considered by the designated agent when computing the retired pay award.

6.10.2. SBP premiums for members who elect a lump sum payment, or payments will not be collected from the lump sum payment. Premiums will be deducted from the portion of retired pay that the member receives as regular retired pay after the lump sum payment. For more information on SBP premiums and BRS see Chapters 3, 42, and 45.

Note: A court order associated with a divorce that requires a retired member to establish former spouse SBP coverage is not self-executing. If a former spouse seeks to be deemed as the former spouse SBP beneficiary (to commence or continue SBP coverage after a divorce) (s)he must complete a DD Form 2656-10 ("Survivor Benefit Plan (SBP) Former Spouse Request for Deemed Election")) and submit it along with a copy of the relevant court order, within one year of the order requiring the member to elect former spouse coverage. See Volume 7B, Chapter 43, subparagraph 4.4.3 and paragraph 5.2.

6.11 Conflicting Retired Pay Awards

6.11.1. If the designated agent is served with court orders issued by different jurisdictions which contain conflicting valid awards enforceable under the USFSPA, the designated agent will deduct an amount equal to the largest amount required to be paid to the former spouse by either order, but will pay to the former spouse the least amount directed to be paid. The designated agent will retain the difference between the upper and lower ordered amounts until served with an order certified by the member and former spouse to be valid, and then pay the retained funds in accordance with the order.

6.11.2. If the designated agent is served with a court order containing conflicting retired pay award language within the same court order, or two orders issued on the same date that do not contain a time stamp, the designated agent will pay the former spouse the lower award amount; if the orders contain a time stamp, the order issued last controls. If the same court order contains valid award language and invalid award language, the designated agent will pay the former spouse in accordance with the valid award language. If one of the parties disagrees with the amount being paid, that party must provide the designated agent with a new court order stating the correct amount.

6.12 Court Orders Modifying Retired Pay Awards

6.12.1. If the designated agent is served with a court order containing valid award language in accordance with this chapter and the USFSPA, that modifies or clarifies a retired pay award, the designated agent will implement the order issued most recently. The order with valid award language issued most recently supersedes all prior orders.

6.12.2. If the designated agent is served with a court order containing valid award language that modifies or clarifies a retired pay award that was issued by a court of a state other than the state that issued the prior court order, the designated agent may implement the new order containing valid award language only if the court issuing this order had jurisdiction over both the member and former spouse in the manner specified in subparagraph 6.4.1.

6.12.3. If the designated agent is served with a court order containing invalid award language that modifies or clarifies a retired pay award and the order does not vacate or set aside a prior order with valid award language, the designated agent will enforce or continue to honor the prior valid court order. If the designated agent is served with a subsequent court order containing invalid award language that vacates or sets aside a prior order with valid award language, the designated agent will terminate former spouse payments until served with a subsequent order containing valid award language.

6.13 Conditional Awards

The designated agent cannot honor a court order that makes the former spouse's payments conditional on the occurrence of some other event. There is no authority for the designated agent to ascertain whether a condition in a court order has been satisfied. The former spouse will need to obtain a modified court order without the condition.

6.14 Awards Based on Retired Pay Accrued During Marriage

The designated agent cannot honor awards based on the value of the member's retired pay that has "accrued" during the marriage because military retired pay does not accrue over time. Military retired pay is not a pension. Rather, it is a statutory entitlement computed at the time the member retires and it is based on the member's rank and total years of service at the time of retirement, or member's high-3 and total years of service.

6.15 Awards of a Percentage of the Marital Portion

The designated agent cannot honor an award of a percentage of the "marital portion" or "marital share" of a member's retired pay or as of a particular date or time period, unless the court order also provides all variables necessary for the calculation of the marital portion/share/time period. See paragraphs 6.7 and 6.8 for examples.

6.16 Factual Errors in Court Orders

If a party submits documentary evidence that shows a factual error in a court order, this will not be sufficient to modify or stop payments being made pursuant to the court order. Subject to compliance with existing law, if a court order provides elements needed to calculate a former spouse award, including but not limited to, formulas, hypotheticals, and/or NDAA awards, the designated agent will use the elements provided even if the elements vary from the member's actual figures and result in a different percentage (higher or lower) than the parties set forth in the court order. The party asserting the error must petition the court to correct the order. The designated agent does not have the authority to correct errors in court orders.

7.0 DISPOSABLE RETIRED PAY

7.1 Disposable Retired Pay for Regular and non-Regular Retirements

7.1.1. Disposable retired pay is defined by the USFSPA as a member's total monthly retired pay (gross pay) entitlement minus authorized deductions. See 10 U.S.C. § 1408(a)(4).

7.1.2. If the former spouse and member were divorced on or before February 2, 1991, then USFSPA authorizes the following deductions:

7.1.2.1. Amounts owed to the United States;

7.1.2.2. Amounts withheld as Federal and state income tax withholding, consistent with the member's current actual tax liability;

7.1.2.3. Fines and forfeitures ordered by a court-martial;

7.1.2.4. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

7.1.2.5. SBP premiums paid, but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

7.1.2.6. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

7.1.3. If the former spouse and member were divorced on or after February 3, 1991, then the USFSPA authorizes the following deductions:

7.1.3.1. Amounts owed to the United States due to the overpayment of retired pay, or amounts required to be recouped due to the member's entitlement to retired pay;

7.1.3.2. Fines and forfeitures ordered by a court-martial;

7.1.3.3. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

7.1.3.4. SBP premiums paid but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

7.1.3.5. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

*7.2 Computing Disposable Retired Pay for Disability Retirements

Pursuant to the Defense Office of Hearings and Appeals decision in Claims Case Number 2016-CL-091608-3, military retired pay that is paid concurrently with Department of Veterans Affairs (VA) disability compensation, formerly referred to as "Concurrent Retired and Disability Pay, is disposable pay subject to division under the USFSPA.

7.2.1. Effective January 1, 2004, pursuant to PL 108-136, div. A, title VI, § 641(e) (November 24, 2003), codified at 10 U.S.C. § 1414 certain retired members may receive both disability compensation from the VA and military retired pay concurrently. When a retired member qualifies for concurrent payments, the military retired pay provided to the member must be included in the member's gross retired pay.

7.2.1.1. The retired pay paid concurrently with VA disability compensation pursuant to 10 U.S.C. § 1414(a),(b) is disposable retired pay and divisible under 10 U.S.C. § 1408(a)(4). See Chapter 64, paragraph 5.2.

7.2.2. Members who retired under Title 10, Chapter 61 but do not have a disability rating of 50 percent or higher as determined by the Secretary of Veterans Affairs or do not have at least 20 years of creditable service, are not entitled to payment of both retired pay and VA compensation under 10 U.S.C. § 1414 and their disposable retired pay is not divisible under 10 U.S.C. § 1408(a)(4).

7.3 Other Deductions Included in Court Order

If a court order directs the use of deductions other than those authorized in paragraph 7.1 to compute the former spouse's award, that provision of the court order is unenforceable. The designated agent will use only the deductions authorized in paragraph 7.1 for the computation of disposable retired pay.

8.0 DISPOSABLE RETIRED PAY UNDER NDAA FY 2017

8.1 Application of section 641 of the NDAA FY 2017

The NDAA FY 2017, PL 114-328 section 641, amended the 10 U.S.C. § 1408(a)(4) by clarifying that the division of property is to be calculated based on the date of the divorce decree, dissolution, annulment, or legal separation. This provision applies to divorces, dissolutions, annulments, and legal separations effective after December 23, 2016, that award the former spouse a retired pay award and:

8.1.1. That occur prior to an active-duty member becoming entitled to military retirement pay, or

8.1.2. That occur prior to a reserve member becoming entitled to retired pay (generally 60).

Note: If a member retires from active duty and divorces after he/she retires, NDAA does not apply. Additionally, if a reserve member has started to receive retirement pay or is eligible to start receiving retired pay (generally age 60) and divorces after this date, NDAA does not apply.

8.2 NDAA FY 2017 Disposable Pay Limits

In addition to the definition of Disposable Retired Pay in paragraph 7.1, and the authorized deductions in subparagraph 7.1.2, section 641 of the NDAA FY 2017 also limits disposable retired pay as follows:

8.2.1. The amount of retired pay is limited to that which the member would have been entitled using the member's retired pay base (rank or high-3) and years of service on the date of the final decree of divorce, dissolution, annulment, or legal separation; and

Note: The statute limitation is "no later than the date of the final decree of divorce, dissolution, annulment, or legal separation. For example, if the parties were divorced on October 1, 2024, but the court order states "the member's high-3 was $5,540 and had 17 years of service as of June 1, 2022 (date the parties separated)" this is acceptable.

8.2.2. Increased by any COLA awards added from the effective date of divorce, dissolution, annulment, or legal separation to the member's date of retirement. A provision in a court order purporting to restrict COLAs from being applied to a former spouse's award of retired pay is not enforceable and will not be honored.

8.3 Variables Required to Calculate the NDAA FY 2017 Disposable Retired Pay

In order to enable the designated agent to calculate disposable retired pay amount in accordance with the NDAA FY 2017, the court order must provide the variables listed in subparagraphs 8.3.1 or 8.3.2. See Figures 29-1 and 29-2 for examples of acceptable NDAA FY 2017 required language.

8.3.1. If the member entered the service before September 8, 1980:

8.3.1.1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

8.3.1.2. The member's pay grade (rank) at the time of divorce, dissolution, legal separation, or annulment; and

8.3.1.3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation and years of creditable service for basic pay purposes.

8.3.2. If the member entered the service on or after September 8, 1980:

8.3.2.1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

8.3.2.2. The member's retired pay base (high-3) amount at the time of divorce, dissolution, legal separation, or annulment (the actual dollar figure); and

8.3.2.3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation.

*8.4 Clarification Order

The variables necessary to compute a retired pay award (such as formulas, hypotheticals, and NDAA cases) must all be contained in the same court order. If the award language in the court order is missing any of the required variables, then the applicant will need to obtain a clarifying court order that provides the variables. The designated agent cannot combine elements from different court orders or agreements, unless incorporated, to compute the award as the order enforced must stand on its own.

9.0 STARTING PAYMENTS

9.1 Starting Payments

If the former spouse's application is approved, payments will start no later than 90 days after the date the designated agent received the former spouse's complete application, or no later than 90 days after the date the member becomes entitled to receive military retired pay, whichever is later.

9.2 Timing of Payments

Payments will be issued in conformity with normal pay and disbursement cycles, which mean that payments will be issued monthly. Payments will be deducted from the month's pay and paid on the first business day of the following month. For example, a payment issued for the month of March would be sent at the beginning of April.

10.0 PAYMENT AMOUNT

10.1 Limitations

10.1.1. If the spouse or former spouse applies for payments under the USFSPA only, the maximum amount a former spouse can receive is 50 percent of the member's disposable retired pay.

10.1.2. If the spouse or former spouse applies for payments under the USFSPA and there is also a garnishment order for support, the maximum amount that can be paid toward both obligations is 65 percent of the member's disposable earnings calculated in accordance with 42 U.S.C. § 659 (child and spousal support statute) and its implementing regulation.

10.1.3. For garnishments for property other than a retired pay award, the maximum amount payable is 25 percent of disposable earnings in accordance with ***15 U.S.C. § 1673***.

10.1.4. In the event a member receives a retroactive award for Disability Compensation (under Title 38 of the U.S. Code) or a retroactive award for Combat-Related Special Compensation (under ***10 U.S.C. § 1413a***), the payments of retired pay previously made to a former spouse pursuant to a valid court order that were proper when paid do not become erroneous overpayments.

10.2 COLA

If a retired pay award is expressed as a percentage of disposable retired pay, the former spouse will automatically receive a proportionate share of the member's COLAs regardless of any language in a court order to the contrary. Formula and hypothetical retired pay awards are considered a type of percentage award, and thus will automatically include a proportionate share of the member's COLAs. If the retired pay award is a fixed amount, COLAs cannot be added, even if awarded in the court order, and the former spouse's payments will remain fixed. In an NDAA applicable case, COLAs will be added to the disposable income calculation on all awards regardless of what the court order states. Also, the former spouse will automatically receive a proportionate share of the member's COLAs on all NDAA applicable cases in which the award is a percentage, formula, or hypothetical regardless of what the court order states.

10.3 Offset of Former Spouse's Payment for Garnishment or Other Obligation

A former spouse's payment cannot be offset or garnished by the designated agent for any legal obligation, including child support owed to the member.

11.0 PRIORITY OF PAYMENTS

11.1 Multiple Awards

If a court order includes multiple types of awards to a former spouse, the former spouse may designate the priority of payments on the DD Form 2293. If the former spouse does not specify otherwise, the designated agent will pay the retired pay award first, child support second and spousal support third.

11.2 Multiple Former Spouses

If the designated agent is served with applications from more than one former spouse, the designated agent will honor the applications on a first-come, first-served basis. Subsequently served USFSPA applications shall be satisfied out of the disposable retired pay that remains after the satisfaction of all previously served court orders, subject to the limitations of paragraph 10.1.

11.3 Garnishment Orders for Support and Applications Under USFSPA

If the designated agent is served with both a garnishment for support and an application under USFSPA, the designated agent will pay whichever is served first. If the garnishment is served first and is payable directly to the former spouse, the former spouse may reverse the priority of payments by instructing the designated agent to pay the division of property first and then pay the support under a non-IV-D agency order. The designated agent will not change the priority of payments between a division of property award and a support garnishment if the garnishment was served by an IV-D agency unless the agency agrees to withdraw (terminate) the support order in order to allow the division of property award to have priority over the support order.

12.0 STOPPING PAYMENTS

12.1 Erroneous Payment Information From Former Spouse

The former spouse has a continuing duty to provide the designated agent with correct payment instructions and current contact information. If a former spouse's payments are returned due to erroneous payment instructions (i.e., invalid address or incorrect account number for direct deposit payments), the designated agent will send notice to the last known correspondence address that, unless new payment instructions are received within 30 days of the date of the notice, payments will stop. If the former spouse submits new payment instructions after the payments have terminated, the designated agent will restart the payments on a current basis, and will not make up any missed payments.

12.2 Termination and Suspension of Retired Pay Award Payments

12.2.1. Unless the court order specifies a termination date or event, payments will stop upon the designated agent's receipt of notice of the death of either party. Payments will be prorated for the month of the death of either party.

12.2.2. Unless the court order specifies that payments terminate upon the former spouse's remarriage, retired pay award payments will not stop upon the designated agent's receipt of notice of the former spouse's remarriage. Please note, this provision does not apply to circumstances where the former spouse is receiving payments under 10 U.S.C. § 1408(h).

12.2.3. If the designated agent is served with an order staying payments, the designated agent will stop the payments until served with an order indicating that the former spouse's payments are to resume.

12.2.4. If the designated agent has already started payments and is served with documentation showing that an appeal of the order has been filed within the forum state's appeal timeframe, payments will terminate. The designated agent will not recoup any payments already issued. A former spouse can provide documentation evidencing finality of the appeal and any subsequent court orders, if applicable, for reestablishment of payments.

12.2.5. A former spouse may stop payments under USFSPA by sending the designated agent a letter with his or her signature notarized withdrawing their application for payments under the USFSPA. A former spouse can later reapply for payments by submitting a new DD Form 2293 and a certified copy of the court order that awards him/her the division of military retired pay.

12.2.6. If the designated agent has already started payments and the member goes into a non-pay status (thus is no longer receiving pay from DFAS), payments will stop. If the member goes back into a pay status, payments will resume.

12.3 Termination of Child Support Payments Under USFSPA

Child support payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order. The member has the burden of providing sufficient documentation to justify stopping payments on or before a child's age of majority. The former spouse has the burden of providing sufficient documentation to justify continuing payments after a child's age of majority.

12.4 Termination of Alimony Payments Under USFSPA

Alimony payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order, or upon receiving a court order terminating the alimony payments. (NOTE: The law of some states does not provide that an alimony obligation automatically terminates upon a former spouse's remarriage. For such states, a court order terminating the alimony will need to be provided.) If the designated agent does not already have sufficient documentation to stop payments, additional evidence such as a marriage certificate will be required.

12.5 Payments and Bankruptcy

Absent a court order, there is no authority to stop a former spouse's retired pay award, current and arrearage child support payments, and current spousal support payments, if a member files bankruptcy.

12.6 Certification of Eligibility

The designated agent may request that a former spouse submit a signed certification of continued eligibility to receive payments under USFSPA. The certificate of eligibility should include notice of a change in status or circumstance that affects eligibility, if any such change exists. If the former spouse fails or refuses to comply with the certification requirement, the designated agent may stop the payments after notice to the former spouse.

13.0 RETIRED PAY ARREARS OWED A DECEASED FORMER SPOUSE

13.1 Applicability

This section applies to the settlement of arrears of a retired pay award that may be due a deceased former spouse pursuant to a previous application for direct payment completed under section 4.0. Arrears of a retired pay award may result from prorating a member's disposable retired pay for the month of the former spouse's death, from checks not negotiated before the former spouse's death, or the designated agent's failure to establish and/or make payments to the former spouse in the correct amount prior to the former spouse's death for a period that the former spouse was entitled to a property division.

13.2 Processing of Death Notice

To settle the arrears of retired pay owed a deceased former spouse, the following documentation must be on file:

13.2.1. Copy of Death Certificate. A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the retired pay award. However, an official copy of a certificate of death for the former spouse is required before the arrears of a retired pay award are paid under this section.

13.2.2. Written Claim. A written claim must contain the claimant's signature and address, or that of the claimant's authorized agent or attorney. A ***Standard Form 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Service, is not required, but may be used for this purpose, as long as the claim specifies the claimant's relationship to the deceased former spouse and documents other living relatives of the deceased former spouse.

13.2.3. Additional Documentation as Required. A claimant may be required to submit any additional documentation the designated agent deems necessary to establish the claimant's status and entitlement to the retired pay award arrears including, but not limited to, marriage certificates,

birth certificates, divorce decrees, or other documentation that validates the living beneficiaries of a former spouse in any class of persons entitled to the arrears pursuant to paragraph 13.4.

13.3 Recoupment of Outstanding Payments

All outstanding checks or direct deposits (not negotiated before the former spouse's death or made after the former spouse's death) or the proceeds thereof must be returned to the designated agent before a settlement of arrears may be made.

13.4 Payment of the Arrears

Former spouse payments from retired pay are prorated for the month of the former spouse's death. When all documentation has been received and all outstanding payments have been recouped, payment of the arrears is made to the person living on the date of the former spouse's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of arrears under this paragraph, the provisions of Chapter 30, subparagraphs 2.4.3, 2.4.4, and 2.4.5 apply, and all references to a "retiree" in subparagraphs 2.4.1.2 through 2.4.1.6, 2.4.3, 2.4.4, and 2.4.5 should be considered as referring to a deceased former spouse rather than a retiree.

13.5 Indebtedness Resulting From Overpayment to a Former Spouse

Any indebtedness resulting from overpayment to a deceased former spouse must be liquidated before retired pay award arrears can be settled.

13.6 Claim for Arrears

A claim for arrears must be filed within the 6-year statute-of-limitation restriction. See ***31 U.S.C. § 3702(b)(1)***. Any claim received 6 years after the date of the former spouse's death is barred.

13.7 Taxability

In the case of deceased former spouses, one or more ***Treasury Department (TD) Forms 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no former spouse arrears are paid, one TD 1099-R will be issued in the former spouse's name to cover any entitlement through date of death. If arrears are paid, an additional TD 1099-R is issued to each claimant to whom the arrears were paid.

14.0 ADMINISTRATIVE APPEAL PROCESS

14.1 Either Party Disagrees

If either party disagrees with the designated agent's determination concerning a former spouse's entitlement to payments under the USFSPA, that party may request reconsideration by writing to the designated agent. If the party requesting reconsideration asserts that the designated

agent has erroneously overpaid the other party, the request for reconsideration will be considered a claim against the designated agent. An attorney will review the request and issue a decision in writing.

14.2 Party Requesting Reconsideration Disagrees

If the party requesting reconsideration disagrees with the attorney's determination, that party may submit an appeal to the designated agent, which must be received within 30 days of the date of the initial determination. The designated agent will forward the appeal to the Defense Office of Hearings and Appeals for their decision.

14.3 Additional Information

Parties are referred to DoD Instruction ***(DoDI) 1340.21***, Procedures for Settling Personnel and General Claims and Processing Advance Decision Requests, for additional information concerning the submission of claims and appeals.

15.0 LIABILITY

15.1 Payments Made in Accordance With the USFSPA

Neither the United States nor any employee of the United States shall be liable regarding any payment made from retired pay to a retiree or former spouse pursuant to a court order that is regular on its face, if such payment is made pursuant to the USFSPA.

15.2 Designated Agent Liability

If the designated agent processes a former spouse's USFSPA application and administers the former spouse's payments in accordance with the USFSPA and in accordance with all documentation in its files, the designated agent is not liable for any former spouse payments issued after a former spouse's eligibility to receive payments has ended. Nor is the designated agent liable for any payments that the former spouse may have been entitled to prior to the designated agent's beginning direct payments pursuant to the former spouse's USFSPA application.

*Figure 29 – 1. Sample Court Orders – Findings of Facts

STATE OF _____ COURT OF _____
COUNTY OF _____ Case No. _____

_____
Petitioner

_____
Respondent

MILITARY RETIRED PAY DIVISION ORDER

This cause came before the undersigned judge upon the petitioner/respondent's claim for a distribution of the respondent/petitioner's military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner's Social Security Number is _____ and current address is _____.

The Respondent's Social Security Number is _____ and current address is _____.

The Parties were married on _____. Their marital status was terminated on _____ pursuant to a(n) _____entered in _____ County, State of _____. This current order is entered incident to the aforementioned order.

The parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner's rights under the Service Members' Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [**choose** those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

[Note: All awards expressed as a percentage of disposable retired pay, including formulas and hypothetical awards, will automatically include a proportionate share of the member's COLA regardless of any language in a court order to the contrary.

Additionally, if the former spouse is awarded a fixed dollar amount, she/he will not receive any cost-of-living-allowance (COLA) increases.

[The below examples apply to Decree of Divorce, Dissolution, Annulment, or Legal Separation]

*Figure 29 – 2. Non-NDAA Cases - Retired Military Members Who are Divorced/Legally Separated After Retirements

All of the blank spaces represent variables that MUST be provided in the court order.

CONCLUSIONS OF LAW:

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

The former spouse is awarded ___ percent (or $___dollar amount) of the member's disposable military retired pay.

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 3. Non-NDAA cases - Active-Duty Members Who are Divorced/Legally Separated on or Before December 23, 2016 (regardless of retirement date)

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete only ONE:

CONCLUSIONS OF LAW:

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

Active-duty formula:

The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____ percent times a fraction, the numerator of which is _____ months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.

Active-duty hypothetical calculated as of time of division, for all members regardless of service entry date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with a retired pay base (high-3) of _____and with _____years of creditable service on _____.

Active-duty hypothetical calculated as of time of division; may ***only*** be used for members entering service before September 8, 1980:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____

Active-duty hypothetical calculated as of member's actual retirement date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired on his actual retirement date with the rank of _____ and with _____ years of creditable service."

This _____day of_____, 20__. _____
JUDGE

*Figure 29 – 4. NDAA Cases - Active-Duty Members Who are Divorced/Legally Separated After December 23, 2016 (Not retired at the time of divorce)

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

1 Fixed Award: **The former spouse is awarded $___ (dollar amount) of the member's disposable military retirement pay.**

2. Percentage Award: **The former spouse is awarded ___percentage of the member's disposable military retirement pay.**

3 Formula Award: **The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.**

4. Hypothetical Retired Pay Award for members entering military service:

A. BEFORE September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____.**

B. ON OR AFTER September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with a retired base (high-3) of _____ and with _____ years of creditable service on _____.**

AND ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED.

1. If the member entered the service BEFORE September 8, 1980

On the date of the decree of divorce, dissolution, annulment, or legal separation _____ (list the date), the member's military pay grade (rank) was_____, and the member had _____ years of creditable service (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation _____ (list the date), the member's military retired pay base (high-3) was $_____ (must provide a dollar amount) and the member had _____ years of creditable service (list amount of years and months).

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 5. Non-NDAA Cases - Reserve Members Who are Divorced/Legally Separated on or Before December 23, 2016 (Regardless of retirement date)

All of the blank spaces below represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

Reservist formula:

The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.

Reservist hypothetical calculated as of time of division, for all members regardless of service entry date:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _____ and with _____ Reserve retirement points on _____.

Reservist hypothetical calculated as of time of division; may be used for members entering service before September 8, 1980:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes.

Reservist hypothetical calculated as of the date the member becomes eligible to receive retired pay:

The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on the date he or she attained age 60, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes."

This _____ day of _____, 20__. _____
JUDGE

*Figure 29 – 6. NDAA Cases - Reserve Members Who are Divorced/Legally Separated After December 23, 2016 (Including Gray Area members at time of divorce)

All of the blank spaces represent variables that MUST be provided in the court order. Choose and complete ONE:

CONCLUSIONS OF LAW:
Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

1. Fixed award: **The former spouse is awarded $_____ (dollar amount) of the member's disposable military retirement pay.**

2. Percentage award: **The former spouse is awarded _____ percentage of the member's disposable military retirement pay.**

3. Formula award: **The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.**

4. Reservist hypothetical retired pay award as of time of division;

A. May be used for members entering service BEFORE September 8, 1980: **The former spouse is awarded ____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____Reserve retirement points, and with _____years of service for basic pay purposes.**

B. May be used for members entering service ON OR AFTER September 8, 1980: **The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _____ and with _____Reserve retirement points on _____.**

AND ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED.

1. If the member entered the service BEFORE September 8, 1980:

On the date of decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's pay grade (rank) was _____ and the member had Reserve retirement points _____ (enter amounts), and the member had _____years of service for basic pay purposes _____ (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's military retired pay base (high-3) was $_____, (must provide a dollar amount) and the member had _____ Reserve retirement points (enter amount).

This _____day of _____, 20___.

_____
JUDGE

*REFERENCES

CHAPTER 29 – FORMER SPOUSE PAYMENTS FROM RETIRED PAY

1.0 – GENERAL	USFSPA 10 U.S.C. § 1408 PL 114-328, section 641 10 U.S.C. § 1415 31 U.S.C. § 3702 DoDI 1340.21 50 U.S.C. § 3901 et. seq.
2.0 – DEFINITIONS	
2.12	PL 115-91, section 534
3.0 – AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA	
3.6	10 U.S.C. § 1408 PL 115-91, section 534
3.7	10 U.S.C. § 1415
7.0 – DIPOSABLE RETIRED PAY	
	10 U.S.C. § 1408 Defense Office of Hearing and Appeals Decision, Claims Case Number 2016-CL-091608-3, March 1, 2022

VOLUME 7B, CHAPTER 30: "DEATH OF A RETIRED MEMBER"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision
2.9	Stigmatizing language was modified in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health," dated November 7, 2022.	Revision

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CHAPTER 30

DEATH OF A RETIRED MEMBER

1.0 GENERAL

1.1 Purpose

This chapter provides policy on the death of a retired member. This includes but is not limited to: required documentation, arrears of pay (AOP), death gratuity, and taxable income.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, 31, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ARREARS OF PAY

2.1 Basic Information

Entitlement to retired pay terminates on the date of the retired member's death. The AOP is the retired member's final month of prorated retired pay and all unencumbered amounts due the deceased retired member. If the retired member waived retired pay in favor of a civil service annuity, there is no AOP due. A retired member who waived retired pay in order to receive disability compensation from the Department of Veterans Affairs (VA) may be due retired pay for the month of death because VA disability compensation entitlement terminates on the last day of the month before death. Upon the Defense Finance and Account Service (DFAS) being notified of a retired member's death, a retired member's account is placed in a suspended status until the date of death can be verified. The DFAS must attempt to obtain proof of death before closing an account. Acceptable forms of proof of death documentation include:

2.1.1. Death certificate,

2.1.2. ***DoD (DD) Form 1300***, Report of Casualty,

2.1.3. Funeral Director's Report,

2.1.4. VA Cemetery Files,

2.1.5. The Defense Enrollment Eligibility Reporting System,

2.1.6. Social Security Reports, or

2.1.7. Other forms of official notification of death.

2.2 Related Inquiries

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

2.3 Responsibilities

When the Military Department concerned receives notification of the death of a retired member, they will notify DFAS-Cleveland. The DFAS-Cleveland site:

2.3.1. Terminates payment of retired pay,

2.3.2. Reclaims outstanding retired pay checks or direct deposit payments,

2.3.3. Discontinues and collects overpayments of allotments,

2.3.4. Pays death gratuity if applicable,

2.3.5. Collects debts,

2.3.6. Provides claim forms to prospective beneficiaries, and

2.3.7. Prepares vouchers and tax statements for final account settlement.

2.4 Eligible Beneficiaries

Each Military Service and DFAS periodically advise retired members of their right to designate a beneficiary or beneficiaries to receive any AOP amount that may be available upon the retired member's death, and the disposition of AOP when no beneficiary or beneficiaries have been designated. Any person or persons, or legal entity, including the estate or trust of the retired member, may be designated. In order for the retired member's estate to be an eligible beneficiary, the estate must be established pursuant to the laws of the retired member's domicile after the retired member's death. If the estate is not established, the designation to the estate will fail.

2.4.1. Pursuant to ***10 U.S.C., § 2771*** upon presentation of a ***Standard Form (SF) 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, arrears of retired pay are to be paid to the person highest on the following list, living on the date of the retired member's death in the following order of precedence:

2.4.1.1. Beneficiary designated by the retired member in writing, if received by DFAS-Cleveland or the Military Department concerned before the retired member's death;

2.4.1.2. Surviving spouse;

2.4.1.3. Children and their descendants, by representation:

2.4.1.3.1. Natural Child;

2.4.1.3.2. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If another person(s) adopts the deceased retired member's natural child, the child is a beneficiary only in those states where an adopted child may still inherit from a natural parent;

2.4.1.3.3. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retired member;

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

2.4.1.5. Legal representative; or

2.4.1.6. Person entitled under the law of the domicile of the deceased retired member.

2.4.2. The retired member may change a designated beneficiary either in writing or electronically via ***myPay*** as long as the change is received by DFAS-Cleveland before the retired member's death.

2.4.3. Where payment is to be made to the person entitled under the law of the domicile of the deceased individual in subparagraph 2.4.1.6, DFAS may require the claimant(s) to submit evidence of entitlement under state law. This includes, but is not limited to funeral expense receipts, small estate affidavit, trust documents, court orders granting summary administration and where necessary, the deceased person's will.

2.4.4. A person may not profit from their own wrongful acts. It is against public policy to permit payment by the government of arrears of pay, compensation or other such benefits to an heir or beneficiary who feloniously kills the person upon whose death such payments hinge. No payment is authorized if the beneficiary is involved in the member's death, even in cases where that beneficiary has not been convicted of criminal charges, if the facts do not reasonably establish a lack of felonious intent on that person's part. Where the beneficiary or heir causes the member's death, before any payment can be made, there must be a showing that the claimant is entitled to the payment notwithstanding the claimant's actions, as opposed to the record having to establish felonious intent before payment will be withheld. Any indication that the beneficiary feloniously or wrongfully participated in the death the retired member bars payment to that beneficiary. The arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious or wrongful intent. The burden of proving the absence of felonious or wrongful intent falls on the beneficiary.

2.4.5. If the beneficiary dies after the retired member but before receiving final settlement, upon presentation of a SF 1174 claim form, the AOP may be paid to the beneficiary's estate. If the beneficiary does not have an estate established and the AOP is $3,000 or less, the AOP may

be paid to the deceased beneficiary's survivors in the order of precedence set out in subparagraph 2.4.1.2 through 2.4.1.5. If the AOP is greater than $3,000, DFAS may pay the AOP in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlement, the DoD will settle the claim.

2.5 Substantiating Documents and Collection of Overpayments

2.5.1. Substantiating Documents. To effect settlement of AOP, the following documents must be a matter of record:

2.5.1.1. Completed SF 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary;

2.5.1.2. DD Form 1300 or a copy of the death certificate;

2.5.1.3. Retirement orders; and

2.5.1.4. Miscellaneous documentation (e.g., adoption papers; court orders of appointment; custodianship papers; ***Internal Revenue Service Form W-8BEN***; Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals) (for individuals who are not United States citizens or resident aliens)) as required.

2.5.2. Collection of Overpayments. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retired member's death or outstanding checks forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments to the retired member or the withdrawer of funds with the indebtedness subject to the debt collection authority.

2.5.2.1. If the funds are not recovered, there is no AOP due until the arrears due to the retired member exceed the erroneous payment. In situations where the recipient of the retired member's erroneous payment is also the beneficiary for the AOP, the amount of arrears due the individual is offset administratively by the erroneous payments received by the individual. The remaining erroneous payment, if any, is still subject to the debt collection authority.

2.5.2.2. If there has been an erroneous payment of AOP made to an individual not entitled to the retired member's AOP, and another individual is entitled to the retired member's AOP, the payment of the amount due as arrears must be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

2.6 Questionable Date of Death

2.6.1. When the date of death is shown as a "found date," DFAS-Cleveland will verify whether an autopsy was performed. If an autopsy was performed, the date of death determined by the coroner is used. If the results of the autopsy are reported on the death certificate, a copy of the autopsy report is not required. If an autopsy was not performed, but the state has certified the date of death on the death certificate, that date is used. If two dates are shown, such as the retired

member died between 11:00 p.m. June 10, 2008, and 4:00 a.m. June 11, 2008, use the earlier date since that was the last date the retired member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the retired member was alive. When this statement is received, the AOP is settled based on that date.

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

2.6.3. If evidence exists that a retired member died on a particular date several years before the date of presumptive death declared by a state court, the AOP is payable only through the earlier date of suspected death.

2.6.4. A judicial decree is not necessary to establish Retired Serviceman's Family Protection Plan or Survivor Benefit Plan annuity payments if a person has been missing for more than 30 days under circumstances from which a reasonably prudent person would conclude that such person is dead and the Secretary of the Military Department concerned (or designee) makes a determination that presumes the retired member is deceased. See Chapters 37 and 42.

2.7 Doubtful Claims

2.7.1. In accordance with ***Title 32, Code of Federal Regulations (CFR), part 282.5***, cases involving questions of fact or law are submitted to the Defense Office of Hearings and Appeals (DOHA) for resolution. These include cases when:

2.7.1.1. Doubt exists as to the amount or validity of the claim, or

2.7.1.2. Doubt exists as to the person or persons properly entitled to the payment. Upon receipt of a doubtful claim, notify the claimant that the claim has been forwarded to DOHA for approval of settlement.

2.8 Six Year Statute of Limitations

2.8.1. Title ***31 U.S.C. § 3702*** provides general authority for settling claims against the United States. Section 3702 provides that any claim against the U.S. Government is barred forever unless such claim, bearing the signature and address of the claimant or authorized agent or attorney is received by the responsible agency within 6 years after the date such claim first accrued. Under authority delegated from the Secretary of Defense, the Director, DOHA, may waive the time limitation for late claims involving the pay, retired pay, and survivor benefits of military personnel. Any claim that became payable as a result of waiver of time limitation is limited to $25,000.

2.8.2. In any case where two or more beneficiaries are entitled to share a retired member's AOP equally, each claimant/beneficiary will become entitled to their own proportional share upon presentation of a timely claim. In the event that one (or more) of the claimant/beneficiaries fails to make a timely claim within 6 years, such claimant/beneficiary's claim will be barred under

31 U.S.C. § 3702 as untimely; however, the time limitation may be waived by DOHA if appropriate. In no event will the share of the untimely claimant/beneficiary be paid to the claimant/beneficiary who submitted a timely claim.

*2.9 Death of Mentally Incapacitated Retired Member

If retired pay was waived in favor of VA compensation, but compensation was withheld because the retired member's estate exceeded $1,500, contact the VA to ascertain periods and reasons for nonpayment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retired member's death. See Chapter 12 regarding withdrawal of waiver.

Note: Nonpayment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3.0 DEATH GRATUITY

3.1 Basic Information

3.1.1. Death gratuity is payable when the military member's death occurs within the 120-day period which begins on the day after release from active duty or active duty for training. The VA must certify entitlement to death gratuity. The Secretary of the VA must determine that the decedent was discharged or released under conditions other than dishonorable from the last period of the duty of training that he or she performed. The Secretary of the VA must also determine that death resulted from an injury or disease that was incurred or aggravated during the period of service of active duty, inactive-duty training or travel directly to or from such duty. See ***10 U.S.C. § 1476***.

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

3.1.3. Submit the application for Death Gratuity on a ***DD 397***, Claim Certification and Voucher for Death Gratuity Payment.

Note: For detailed information on Death Gratuity, see Volume 7A, Chapter 36.

3.2 Eligible Beneficiaries

3.2.1. Eligible Beneficiaries Prior to July 1, 2008. Before May 25, 2007, payment of a death gratuity was made to or on behalf of the deceased member's living survivors as prescribed by the statute in effect at the time. Beginning on May 25, 2007, and ending on June 30, 2008, a qualified member was able to designate another person to receive not more than 50 percent of the death gratuity payable upon the death of the member with any remaining amount not designated paid in the order prescribed by statute. The designated amount of the death gratuity had to be specified in increments of 10 percent. Death gratuity payments were made to the

deceased member's living survivors as prescribed by the statute at the time. (For order of precedence prior to July 1, 2008, please see the archived version of Chapter 30, dated July 2008).

3.2.2. Eligible Beneficiaries on and After July 1, 2008. Effective July 1, 2008, a qualified member may designate up to 100 percent of their death gratuity entitlements, in 10 percent increments, to any person(s) of their choosing. If the qualified member has a spouse, but designates a person other than the spouse to receive all or a portion of the amount payable, the Secretary concerned must provide notice of the designation to the spouse. If a qualified person does not make a designation or designates only a portion of the amount payable, then pay the amount of the death gratuity not covered by a designation as follows:

3.2.2.1. To the surviving spouse of the person, if any;

3.2.2.2. If there is no surviving spouse, any surviving children of the person and the descendants of any deceased children by representation. Surviving children without regard to age or marital status include:

3.2.2.2.1. Legitimate children,

3.2.2.2.2. Adopted children,

3.2.2.2.3. Stepchildren who were a part of the decedent's household at the time of death, or

3.2.2.2.4. Illegitimate children of the decedent (see subparagraph 3.3.1.4);

3.2.2.3. If there is no surviving spouse or children, the decedent's surviving parents in equal shares or the survivor of them. Surviving parents as prescribed by the following:

3.2.2.3.1. Parents include fathers and mothers through adoption;

3.2.2.3.2. Only one father and one mother may be recognized in any case;

3.2.2.3.3. Those who exercised a parental relationship on the date, or most nearly before the date of the member's death are given preference;

3.2.2.3.4. If there is no surviving spouse, child, or parent of the decedent, the duly appointed executor or administrator of the estate of the decedent; or

3.2.2.3.5. If there are no survivors as prescribed in subparagraphs 3.2.2.1 through 3.2.2.4, other next of kin of the person entitled under the laws of domicile of the person at the time of the person's death.

3.3 Documentary Evidence

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

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

3.3.1.2. Legally Adopted Child. A copy of adoption papers;

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

3.3.1.4. Illegitimate Child. Documentation is required as proof that the member was the parent of the child and must include one of the following:

3.3.1.4.1. An acknowledgement in writing signed by the decedent;

3.3.1.4.2. A judicial determination made before the decedent's death that the claimant is a child of the decedent;

3.3.1.4.3. Evidence that the Secretary of VA has determined the claimant to be the child of the decedent; or

3.3.1.4.4. A copy of the court order that ordered the parent to contribute to the child's support; or

3.3.1.5. Designated Relative

3.3.1.5.1. Designated relative must provide documentary evidence that any marriage entered into by the deceased member has been terminated and a notarized statement that there are no living children.

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

3.3.2. Custodianship documents or court orders of guardianship appointments must support all payments made for minor children.

3.4 Death of Eligible Survivor Before Receipt of Death Gratuity

If a person entitled to all or a portion of a death gratuity under subparagraph 3.2.2 dies before the person receives the death gratuity, it will be paid to the living survivor next in the order prescribed in subparagraph 3.2.2.

3.5 Determinations Affecting Entitlement

3.5.1. Death as Lawful Punishment. No death gratuity is payable in the case of a military member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the armed forces of the United

States was engaged in armed conflict.

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

3.6 Amount Payable

3.6.1. Deaths On or After October 7, 2001. For deaths on or after October 7, 2001, the amount of death gratuity is $100,000.

3.6.2. Debt Collection. Do not collect debts from death gratuity payments.

3.7 Erroneous Payment

An erroneous payment of death gratuity is one made because of administrative error to a person clearly not entitled to that payment, rather than a payment made reliant on statements of record made by the member about matters such as marital status and dependency status. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. This payment should not be delayed pending recovery of the erroneous payment from the ineligible recipient. The respective DFAS site will follow the prescribed collection procedures in an attempt to recover an erroneous payment.

4.0 TAXABLE INCOME

4.1 Taxability of AOP

4.1.1. The AOP due the deceased retired member at time of death is taxable to the beneficiary who receives payment if the AOP was taxable to the retired member. The tax liability is in accordance with the Internal Revenue Code of 1986, as amended.

4.1.2. If AOP is paid, a Treasury Department (TD) Form 1099-R is issued to each beneficiary using the tax identification number of the beneficiary. If no AOP is paid, the retired pay activity issues one TD Form 1099-R in the decedent's name.

4.2 Taxability of Death Gratuity

4.2.1. Death Occurred Between August 20, 1996, and September 10, 2001. The amount of death gratuity payments made to survivors of military members who died after August 20, 1996, that is excludable from income may not exceed $3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, apply proportionately the $3,000 exclusion. All death gratuity payments are reported separately, using TD Form 1099-R. The total amount of the gross distribution is entered in Box 1. The appropriate taxable amount is entered in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is $5,000.

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

REFERENCES

CHAPTER 30 – DEATH OF RETIREE

2.0 – ARREARS OF PAY

2.4	10 U.S.C. § 2771
2.4.1.4	Comp Gen B-113031, July 6, 1960
	Comp Gen B-113240, October 5, 1961
	Comp Gen B-59917, May 31, 1961
	Comp Gen B-93772, December 2, 1963
2.4.1.5	Comp Gen B-151337, October 7, 1963
2.4.2	10 U.S.C. § 2771
2.4.4	Comp Gen B-187743, July 7, 1977
	Comp Gen B-191953, July 3, 1978
	Comp Gen B-233351, July 27, 1989
	Comp Gen B-245996, March 11, 1994
	DOHA Claims Case No. 2017-CL-0702101.2, May 24, 2021
2.4.5	Comp Gen B-69787-O.M.
2.5	31 U.S.C. § 3716
	Comp Gen B-132407, 37 Comp Gen 131
2.6.1	Comp Gen A-58284, 14 Comp Gen 411
	Comp Gen A-80384, 16 Comp Gen 384
	Comp Gen B-148485, 43 Comp Gen 503
2.6.2	Comp Gen B-243829, December 13, 1991
2.6.3	Comp Gen B-251968, July 22, 1993
2.6.4	10 U.S.C. § 1437
	10 U.S.C. § 1450
2.7	32 CFR 282, Appendix C, Submitting a Claim
2.8	31 U.S.C. § 3702(b) and (e)(3)
2.9	32 CFR 282, Appendix D, Processing a Claim
	31 U.S.C. § 3702(e)(2)
	38 U.S.C. § 5306
	Comp Gen B-156553, October 31, 1967
	Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health", dated November 7, 2022

3.0 – DEATH GRATUITY

3.1.1	10 U.S.C. § 1476
3.2.1	10 U.S.C. § 1477
3.2.2	10 U.S.C. § 1477
	Volume 7A, Chapter 36

REFERENCES (Continued)

3.4	10 U.S.C. § 1477
3.5.1	10 U.S.C. § 1480
3.5.2	Comp Gen B-172014, August 25, 1971 Comp Gen B-187743, July 7, 1977
3.6.1	10 U.S.C. § 1478
3.7	Comp Gen B-132407, 37 Comp Gen 131 August 22, 1957

4.0 – TAXABLE INCOME

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

VOLUME 7B, CHAPTER 31: "DEATH OF A SURVIVOR ANNUITANT"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.3	Clarification on documentation required to claim the arrears of an annuitant.	Revision

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CHAPTER 31

DEATH OF A SURVIVOR ANNUITANT

1.0 GENERAL

1.1 Purpose

This chapter addresses the settlement of the arrears of an annuity where the annuitant is a spouse (or former spouse) with no eligible child annuitant, the last remaining child annuitant, or a natural person with an insurable interest. In accordance with the procedures in section 2.0, the Defense Finance and Accounting Service (DFAS) pays the arrears of the annuity under Retired Serviceman's Family Protection Plan, Survivor Benefit Plan (SBP), and minimum income widow provisions of the SBP law.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26 and 31. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SETTLEMENT OF THE ARREARS

2.1 Documentation

A notification of death from any source is sufficient to suspend future payment of the annuity. To settle (pay) the arrears of an annuity, the following documentation must be on file:

2.1.1. A copy of the death certificate;

2.1.2. A written claim containing the signature and address of the claimant or of the claimant's authorized agent or attorney; and

2.1.3. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to DFAS Cleveland before a settlement of arrears of annuity may be made.

Note: Refer to the DFAS website on how to ***Report an SBP Annuitants Death*** for more information.

2.2 Payment of the Arrears

The annuity is not prorated for the month of the annuitant's death. Entitlement stops as of the last day of the month before the date of the annuitant's death. When all documentation is

received, payment of the arrears is made to the person living on the date of the annuitant's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of the arrears of an annuity under this section, the provisions of Chapter 30, subparagraphs 2.4.3 through 2.4.5 apply, and all references to a "retiree" in Chapter 30, subparagraphs 2.4.1.2 through 2.4.1.6, and 2.4.4 through 2.4.5 should be considered as referring to the deceased annuitant rather than a retiree.

*2.3 Claim for Arrears

A claim for arrears of an annuity must be filed within the 6-year statute-of-limitation restriction. Any claim received 6 years after the date of the annuitant's death is barred. The Standard Form 1174, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, should be used to claim the arrears of an annuity under this section and all references to a "member of the uniformed services" on the form should be considered as referring to the deceased annuitant rather than a retiree.

3.0 TAXABILITY

In the case of deceased annuitants, one or more Department of Treasury – Internal Revenue Service ***(IRS) Form(s) 1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no arrears of an annuity are paid, then one Form 1099-R will be issued in the annuitant's name to cover any payments received by the annuitant before death. If arrears of an annuity are paid, then an additional Form 1099-R is issued to each claimant to whom the arrears were paid.

REFERENCES

CHAPTER 31 – DEATH OF A SURVIVOR ANNUITANT

1.0 – GENERAL

1.1	Title 10, U.S.C. § 1450(b)(2)

2.0 – SETTLEMENT OF THE ARREARS

2.3	Title 31, U.S.C. § 3702(b)

3.0 – TAXABILITY

Title 26 U.S.C. § 3405

VOLUME 7B, CHAPTER 32: "RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
References	Updated references.	Revision

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CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

1.0 GENERAL

1.1 Purpose

This chapter provides information regarding the accountability of a financial organization for direct deposit payments returned to the Defense Finance and Accounting Service (DFAS) because of the death of a retiree or annuitant. By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of ***Title 31, Code of Federal Regulations (CFR), Part 210***, including the reclamation actions and debiting of the financial institution's Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, section 210.10(a).

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5, 12, and 31. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

2.1 Liability of Financial Institution

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient, or death of a beneficiary, unless the financial institution meets the qualifications for limiting its liability under paragraph 2.3.

2.2 Reclamation

Upon the notification of the death of a military retiree or annuitant, the DFAS Cleveland Disbursing Officer (DO) will contact the decedent's financial institution to request the return of all payments made since the retiree's or annuitant's death via a Notice of Reclamation in the amount of all post death payments.

2.2.1. The DO must initiate reclamation within 120 days after actual or constructive receipt of notification of the death of a retiree or annuitant. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.

2.2.2. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House. On October 7, 2012, the FMS and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service. See the Department of the Treasury's ***Green Book*** for detailed instructions on the reclamation procedures.

2.3 Limiting Liability

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

2.3.1. Certifies it had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

2.3.2. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

2.3.3. Responds to the reclamation notice to ensure that it is received by the DO within 60 days of the date on the notice.

2.4 Calculating Limited Liability Amount

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance of the reclamation notice amount (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury's Green Book for examples of calculating the limited liability amount.

3.0 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the DO for any amounts not recovered. The DO may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

*REFERENCES

CHAPTER 32 – RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

2.0 - LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS (3202)

31 CFR Part 210
Department of the Treasury, Green Book,
Chapter 5 – Reclamations
(Revised February 1, 2023)

3.0 - LIABILITY OF DISBURSING OFFICER (3203)

59 Comptroller General 597 (1980)

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VOLUME 7B, CHAPTER 37: "RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) - ANNUITIES"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
13.0	Removed outdated instructions for the annual certificate of eligibility and replaced with a redirection to the new Survivor Benefit Plan – Marriage Status Update instructions in Chapter 46.	Revision
13.0	Stigmatizing language was removed in accordance with the Deputy Secretary of Defense memo, "Review of Policies to Eliminate Stigmatizing Language Related to Mental Health", dated November 7, 2022.	Revision
14.0	Removed outdated instructions for the annual report of eligibility and replaced with a redirection to the new Foreign Address Update for Mailed Check for Annuitants.	Revision
References	Updated references.	Revision

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CHAPTER 37

RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

1.0 GENERAL

1.1 Purpose

The purpose of the RSFPP was to permit members of the uniformed services who retired on or before September 20, 1972, to elect to receive a reduced amount of any retired pay in order to provide an annuity payable to eligible annuitant(s) upon that retired member's death. This election was subject to certain limitations specified in the law and elaborated in the regulations in this chapter. The Survivor Benefit Plan (SBP) replaced the RSFPP (see Chapters 42 through 49) as the primary military retired pay annuity protection plan on September 21, 1972. An annuity payable under the RSFPP is not assignable or subject to execution, levy, attachment, or garnishment, except for child support or alimony, or to collect a debt caused by an overpayment described in section 9.0. A debt to the United States or its instrumentalities incurred by the annuitant may be offset from the annuity. The annuity may be paid to a trustee through bankruptcy court proceedings.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 11, 26, 31, and 42. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 EFFECTIVE DATE OF ANNUITY

2.1 Annuity Accrual

Each annuity payable normally accrues as of the first day of the month in which the retired member dies. If the Secretary concerned makes a determination that a participating retired member is presumed dead, the annuity accrues from the first day of the month in which retired or retainer pay was suspended on the basis of the retired member's missing status. For retired members who elected coverage for spouse and children (often referred to as "Option 3"), an annuity is payable to the eligible children on the first day of the month in which the widow or widower becomes an ineligible annuitant. For a child who is at least age 18, but under age 23, and pursuing a full-time course of study at a recognized educational institution (see section 12.0 for more information), the annuity accrues:

2.1.1. As of the first day of the month in which the retired member dies, if the eligible child's 18th birthday occurs in the same or a preceding month; or

2.1.2. As of the first day of the month in which the child's 18th birthday occurs, if the retired member died in the preceding month; or

2.1.3. As of the first day of the month in which the child becomes or again becomes eligible, if that child's 18th birthday and the retired member's death occurred in a preceding month or months.

2.2 Application

2.2.1. A completed application is required for payment of the annuity.

2.2.2. Payments are made in equal monthly installments thereafter as long as entitlement exists. If a properly completed application was received, the first payment must be made no later than:

2.2.2.1. The 15th of the month after the month in which the retired member dies, or

2.2.2.2. The 15th of the month after the month in which the Secretary of the Military Department concerned (or designee) has made a determination that the retired member is presumed dead.

2.3 Annuitant Eligibility

No annuity accrues or is paid for a month in which all annuitants lose eligibility.

2.4 Special Circumstance

If a member retires and dies during the same month, the annuity is payable for the full month.

3.0 ANNUITY PAYMENTS

3.1 Upon Death or Presumption of Death

Upon official notification of death or Secretarial determination that a participating retired member is presumed dead, annuity accounts are established in accordance with the provisions of the election made by or on behalf of the retired member using DoD ***(DD) Form 2656-7***, Verification for Survivor Annuity to validate the annuity account. Payment of annuity is barred when the member is retired for disability before completing 19 years of service (18 years of service before October 1968) if beneficiaries are eligible for Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC). Payments for a representative payee of an RSFPP annuitant follow the same requirements as payment under the Survivor Benefit Plan. See Chapter 46 for more information.

3.2 Additional Annuity Information

Annuities payable are in addition to any pension(s) or other payment(s) to which the beneficiaries may now or later be entitled by law, and may not be considered income under any law administered by the VA, except when the annuitant is entitled to DIC as a parent of a veteran. For additional information affecting annuity payments, see Table 37-1.

3.3 Settlement of Arrears

For information concerning the settlement of arrears of annuities, see Chapter 31.

4.0 CLAIMS FOR ANNUITY

The claim for annuity payments must be properly completed and signed by the person(s) authorized to receive the annuity.

4.1 Power of Attorney

An individual holding a valid power of attorney may complete (including the signature element) and file the annuity application form on behalf of an annuitant provided:

4.1.1. The payments are to be made directly to the annuitant; and

4.1.2. The annuitant has not been determined to be incompetent of managing their own affairs by a state court, physician, or psychologist.

NOTE: For additional information on annuity payments, see Chapter 46. An annuitant whose application is signed with an "X" must be witnessed (by two disinterested persons), notarized, or countersigned by the person holding the power of attorney. A copy of the power of attorney and explanation why the annuitant required assistance must be submitted with the annuity application.

4.2 Court Order

A claim signed by a legal representative must be accompanied by a copy of the court order of appointment.

4.3 Custodianship

A claim signed by the custodian of a minor child or children must be accompanied by a document evidencing custodianship.

4.4 Doubtful Claim

A doubtful claim must be submitted to the Defense Office of Hearings and Appeals (DOHA) for certification before payment.

4.5 Limitation

4.5.1. The Barring Act. This act bars payment of any claim not received within 6 years from the date it accrues. See ***31 U.S.C. § 3702***.

4.5.2. Denial of Claim. A claim not received within 6 years of the retired member's death must be denied as untimely pursuant to the Barring Act and Department of Defense Instruction (DoDI) 1332.42.

5.0 ANNUITY AMOUNTS

5.1 Single Option

5.1.1. Retirements Before November 1, 1968. The monthly annuity payable, as elected by the retiree, is one-eighth, one-quarter, or one-half of the retired member's reduced retired pay as computed on the date of retirement or effective date of election, whichever is later.

5.1.2. Retirements From November 1, 1968, Through September 20, 1972. The monthly annuity payable as elected by the retired member is:

5.1.2.1. One-eighth, one-quarter, or one-half of the retired member's gross retired pay on date of retirement; or

5.1.2.2. A specific dollar amount of not more than 50 percent, nor less than 12.5 percent of the retired member's gross retired pay on date of retirement, but in no case less than $25.

5.2 Multiple Options

5.2.1. Retirements Before November 1, 1968. The monthly annuity payable for each option, as elected by the retired member, is one-eighth or one-quarter of the retired member's total reduced retired pay as computed on the date of retirement or effective date of election, whichever is later. The combined amount of annuities cannot exceed 50 percent of the retired member's total reduced retired pay.

5.2.2. Retirements From November 1, 1968, Through September 20, 1972. The monthly annuity payable for each option, as elected by the retired member, is:

5.2.2.1. One-eighth or one-quarter of the retired member's gross retired pay on date of retirement; or

5.2.2.2. A specific dollar amount of not more than 25 percent, nor less than 12.5 percent of the retiree's gross retired pay on date of retirement, but in no case less than $25.

5.3 Cost-of-Living Adjustments for Annuities

Whenever retired pay is increased through a COLA, each annuity payable on the day before the effective date of that increase to a spouse or child of a member who died on or before March 20, 1974, is increased at the same time by the same percentage. Annuities payable on September 30, 1978, to a spouse or child of a member who died on or before March 20, 1974, were increased by 66.1 percent, effective October 1, 1978. The 66.1 percent increase was the percentage change in retired and retainer pay authorized by 10 U.S.C. § 1401a from September 21, 1972, to September 30, 1978.

5.4 Rounding

All monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of $1, is rounded to the next lower multiple of $1. Annuities to which survivors were entitled on September 30, 1983 were not rounded until there was an adjustment made in accordance with ***10 U.S.C. § 1401a***; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

6.0 PAYMENTS

6.1 Payments to Widow(ers)

For unique conditions affecting entitlement of annuity payments to widow or widower, see Table 37-2 for Comptroller General (Comp Gen) decisions.

6.2 Payment to Children

6.2.1. Whom Payable. Annuities for a minor child or children are paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child or children as the custodian, or to a representative payee of the child or children.

6.2.2. Majority Age. Annuities may be paid directly to the child when the law governing the state of residence stipulates the child to be majority age. The child is considered an adult for annuity payment purposes, and a custodian or legal fiduciary is not required. See Appendix H for majority age.

6.2.3. Equal Shares. The annuity is payable in equal shares to or on behalf of all eligible children. If there are no other eligible children, the annuity entitlement terminates when the youngest child becomes an ineligible annuitant.

6.2.4. Unique Conditions. For unique conditions affecting entitlement and payment of annuities for a child or children, see Table 37-3 for Comp Gen decisions.

7.0 CAUSES OF OVERPAYMENTS

One or more of the following situations may cause overpayments in annuity payments:

7.1 Failure to Notify

Failure of the annuitant, custodian, or guardian to notify the Secretary of the Military Department concerned (or designee) of:

7.1.1. Remarriage of the annuitant, before age 60 or death;

7.1.2. Youngest child reaching age 18;

7.1.3. Marriage or death of a child annuitant;

7.1.4. Recovery of an incapacitated child;

7.1.5. Termination of student status;

7.1.6. Erroneous computation; or

7.1.7. Correction of member's military records.

7.2 Concurrent Payment

Concurrent payment of RSFPP annuity and DIC if the RSFPP was payable based on the service of a member who retired for disability before completing 18 years of service after October 5, 1961, or before completing 19 years of service after November 1, 1968.

7.3 Presumption of Death

A Secretarial determination that a retired member is alive after the Secretary of the Military Department concerned (or designee) previously determined that the retired member was presumed dead. The retired member is liable for any indebtedness created where the annuity payments were made based on the presumption of such retired member's death. The retired member's indebtedness cannot be considered for waiver under ***10 U.S.C. § 2774*** or ***10 U.S.C. § 1442***. If the retired member dies before those payments are fully recovered, the annuitant may be liable for the indebtedness if the annuitant was the recipient of the annuity payments made under the presumption of death. (See Volume 16, Chapter 3 and Table 3-7, for collection of indebtedness from retired or retainer pay.)

8.0 RECOVERY OF OVERPAYMENTS

Upon discovery of an overpayment, recovery action will begin immediately. The annuitant will be advised of the debt and the method in which the overpayment is being, or may be, recovered, in accordance with Volume 16.

9.0 METHOD OF RECOVERY

One of the following methods will be used to liquidate the debt resulting from an annuity overpayment:

9.1 Direct Remittance

Send a direct remittance to the Defense Finance and Accounting Service (DFAS), Cleveland (CL) Center.

9.2 Future Payment Amounts

The DFAS-CL Center reduces the later RSFPP annuity payments, or withholding of future annuity payments until debt has been liquidated.

10.0 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-CL Center advises the annuitant of the right to request a waiver of indebtedness.

10.1 Overpayment Recovery

Recovery of an overpayment of the RSFPP annuity is not required if, in the judgment of the DFAS Director or the Director's designee, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good conscience. Proof of hardship is not required if the waiver otherwise is in order. Suspension of collection action may be authorized on receipt of a waiver request. Refund of an amount withheld before receipt of a request for waiver is not authorized. When a waiver is granted, refund amounts collected after receipt of the waiver request.

10.2 Failure to Withhold

Failure to withhold the cost of coverage from retired pay of a member cannot be considered an overpayment of annuity to a designated beneficiary to authorize waiver of recovery of the overpayment.

10.3 Correction of Records

RSFPP annuitants who obtain a correction of records for entitlement to additional survivorship annuity under a second election may not retain the benefits of the original election. A correction made under ***10 U.S.C. § 1552***, except when procured by fraud is final and conclusive on all officers of the United States. Recovery of overpayments that occur in these instances may not be waived under 10 U.S.C. § 1442. Repayment may be made over a reasonable period-of-time as determined by the retired pay activity.

11.0 TERMINATIONS

11.1 Time of Termination

Entitlement to the RSFPP annuity terminates as of the end of the month that precedes the month in which eligibility ceases.

11.2 Reasons for Termination of the RSFPP Annuity

11.2.1. Death of Widow or Widower. Payments are terminated the last day of the month that precedes the month in which widow or widower dies. If children are involved, see paragraph 12.2 for further information.

11.2.2. Remarriage of Widow or Widower Before Age 60. Payments are terminated the last day of the month that precedes the month in which widow or widower, younger than age 60, remarries. If children are involved, see paragraph 12.2 for further information.

11.2.3. Loss of Eligibility by Child Annuitant. Reasons for loss are:

11.2.3.1. The youngest child reaching age 18 and not incapable of self-support (applicable to children of members who retired before November 1, 1968);

11.2.3.2. The youngest child reaching age 18 and not pursuing a full-time course of study nor incapable of self-support (applicable to children of members retiring on or after November 1, 1968);

11.2.3.3. The youngest child who is pursuing full-time course of study, reaching age 23 and not incapable of self-support (applicable to children of members who retired on or after November 1, 1968);

11.2.3.4. The marriage or death of child annuitant;

11.2.3.5. The recovery of an incapacitated child over age 18. Annuity may be suspended if the annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS prior to suspension. The annuitant will be given an opportunity to submit rebutting evidence. The annuity may be reinstated (see subparagraph 12.2.2);

11.2.3.6. The termination of student status of a child over age 18 and under age 23 (applicable only to retirees who retired on or after November 1, 1968); or

11.2.3.7. The reinstatement to widow or widower of annuity previously terminated.

11.2.4. Secretarial Determination. Payments are terminated the last day of the month preceding the month in which the Secretary of the Military Department concerned (or designee) determines that a participating member previously presumed to be dead is now alive.

11.3 Due and Unpaid Annuity

If, upon death of the annuitant, an amount remains payable to the annuitant but is unpaid because the annuity checks were not negotiated or because payments had not been established, the account is settled in accordance with Chapter 31. There is no designated beneficiary for settlement of arrears of an annuity.

12.0 REINSTATEMENTS

12.1 Remarriage Before Age 60

The RSFPP annuity is not reinstated.

12.2 Reinstatement on Behalf of Children

12.2.1. If an annuity was terminated because of the death or remarriage of the widow or widower before age 60, and the member's election also included coverage for children, then the full annuity is reestablished in equal shares in favor of the eligible children (see section 6.0). The effective date is the first day of the month in which the death or remarriage of the widow or widower occurred.

12.2.2. An annuity to an incapacitated child over 18 years of age may be reinstated upon either a recurrence of the original disability that rendered the annuitant incapable of self-support or upon receipt of evidence from the annuitant that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular needs.

12.3 Annulment

12.3.1. Annulment of a Void Marriage

12.3.1.1. The annuity may not be reinstated for any period earlier than the date of separation after the discovery that the marriage was void. A void marriage is invalid and never existed therefore; it requires no formal termination.

12.3.1.2. The annuity may not be reinstated for any period in which annuity payments were made on behalf of children under paragraph 12.2. When notice is received that the widow or widower's remarriage was void, payment to these children is suspended pending resolution of the issues involved.

12.3.1.3. In the absence of a judicial decree terminating the marriage as void, the case be sent to the DOHA for a decision.

12.3.2. Annulment of a Voidable Marriage. The annuity may not be reinstated when a voidable marriage is annulled.

12.4 Reinstatement After Age 60 Remarriage

If the annuity was terminated because of remarriage, and the widow or widower was 60 years of age or older, the annuity may be reinstated not earlier than October 1, 1978. The annuity will be increased by the COLA, if appropriate, in accordance with paragraph 5.3.

*13.0 ANNUAL CERTIFICATE OF ELIGIBILITY (COE)

Effective August 2023, the annual COE was replaced by the Survivor Benefit Plan - Marital Status Update (SBP-MSU). See ***FMR Archives*** to reference previous COE policy. See chapter 46 for details on SBP-MSU.

*14.0 REPORT OF ELIGIBILITY (ROE)

Effective August 2023, the annual ROE was replaced by the Foreign Address Update for Mailed Check - Annuitants (FAUMC- Annuitants). See FMR Archives to reference previous ROE policy. See chapter 46 for details on FAUMC-Annuitants.

15.0 FEDERAL INCOME TAX

Annuities paid under the RSFPP are taxable for Federal income tax purposes. Refunds for coverage premiums are taxable income to the annuitant. The refund of premiums may result from administrative error, corrections of record, late receipt of withdrawal request, or youngest child attaining age 18.

16.0 FEDERAL INCOME TAX WITHHOLDING (FITW)

16.1 General Provisions

RSFPP annuity payments are subject to FITW. An annuitant has the right to elect no withholding. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-CL Center will withhold on a "married-three exemptions" basis. See Internal Revenue Service (IRS) ***IRS Publication 15-A***.

16.2 Notice Requirements

The DFAS-CL Center must advise the annuitant of the withholding requirement and the right to elect "no withholding" when making the first payment to the annuitant. Thereafter, the DFAS-CL Center must send an annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.

16.3 One-Time Payments

RSFPP annuity payments, other than the regular monthly entitlement, are subject to FITW at the rate of 22 percent unless the annuitant has elected no withholding.

17.0 INCOME EXCLUSION

17.1 Gross Income Exclusion

The annuitant may exclude from gross income:

17.1.1. Premiums for coverage deducted from retired pay before January 1, 1966, not previously excluded from the member's retired pay; and

17.1.2. The amount of direct remittance for any RSFPP premiums not previously excluded from the member's retired pay.

17.2 Special Exclusion

In addition, the annuitant may exclude from the RSFPP annuity gross income an amount not to exceed $5,000 if the member retired on disability and dies prior to attaining retirement age (Public Law (PL) 89-365). As of August 20, 1996, PL 104-188, section 1402(a) repealed the $5,000 exclusion.

18.0 FEDERAL ESTATE TAX

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS-CL Center may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For more information on the computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate may go to the ***IRS Pension and Annuity tax page***.

19.0 STATE TAXATION

Whether RSFPP annuities are subject to state inheritance or income tax and the method of calculating such tax depends upon the laws of the state concerned; however, the IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., information is furnished to the appropriate state tax authority.

20.0 FURTHER TAX INFORMATION

Survivors should be advised that further information concerning taxation of RSFPP annuities may be obtained from the District Director of Internal Revenue or the state tax authority (see Appendix J, for state tax reporting addresses).

Table 37-1. Comp Gen Decisions – Annuity Payments, General

#	Comp Gen Decision Number	Synopsis
1	35 Comp Gen 12 B-123191, July 13, 1995 and 41 Comp Gen 500 B-147403, February 1, 1962	Unpaid Cost for Coverage. Any unpaid RSFPP cost at time of a retiree's death, including nonpayment of direct remittance or erroneous computation of cost, must be collected before payment of any annuities.
2	34 Comp Gen 664 B-123189, June 8, 1995	Retired Pay Status Relinquished. Personnel who relinquish retired status (either voluntarily or involuntarily) are not permitted to pay RSFPP costs to entitle beneficiaries to annuities.
3	43 Comp Gen 125 B-151843, August 5, 1963	Effective Date of Payment. Annuity payments are paid under provisions of the RSFPP law as amended effective October 4, 1961, even though the election was made on October 4, 1961, before the hour in which the President signed the bill which amended the law.
4	34 Comp Gen 151 B-121144, October 4, 1954 and 38 Comp Gen 146 B-113387, August 25, 1958	Annuity Payment Adjustments. Annuity payments must be adjusted based on proper retired pay at the time the election became effective as though the member had actually been receiving such pay at that time. This applies to elections by members who elected while in a "saved pay" status, who later elected and received pay under the Career Compensation Act retroactive to October 1, 1949.
5	Comp Gen B-156862, June 30, 1965	Failure to Submit Valid Election Form. After a member's death, a copy of the RSFPP election is found in his personal effects. If it is not attested or notarized, and neither the original nor duplicate is located, it cannot be established that the member made an election. Based on information available, no annuity is payable.
6	43 Comp Gen 418 B-152520, October 25, 1963	Allocations of Annuity. The allocation of annuity payable under option 3 between the present spouse and the children of a former marriage applies to elections made before and after the October 4, 1961 RSFPP amendment. PL 90-485, August 13, 1968.
7	Comp Gen B-139217, June 29, 1959 and August 12, 1960	Withholding Annuity to Satisfy Members Indebtedness. Annuity payments may not be withheld to satisfy the member's indebtedness for overpayment of retired pay since the annuitant is under no obligation to the United States. However, the annuitant may voluntarily agree to repay the indebtedness by withholding from the annuity.

Table 37-1. Comp Gen Decisions – Annuity Payments, General (Continued)

	Comp Gen Decision Number	Synopsis
8	39 Comp Gen 481 B-141131, December 30, 1959	Valid Intent of Member to Elect Spouse and Child Coverage. Both the spouse and children are covered when it can be established that the member intended to cover the children listed on the election certificate even though the election was checked to show spouse only.
9	65 Comp Gen 621 B-221545, June 3, 1986	Annuity Payments. Should not be made payable to an agent acting under power of attorney when the annuitant is mentally incompetent even if a state statute had preserved the validity of a power of attorney executed before the annuitant was declared to be incompetent.
10	66 Comp Gen 340 B-226018, March 18, 1987	In the Absence of a Determination of Incompetence. Made by a state court, physician, or psychologist that an annuitant is incapable of managing his or her own affairs, payments may be made directly to the annuitant. An individual, in accordance with a valid power of attorney, may assist the annuitant in completing and filing the annuity application form. (65 Comp Gen 621, clarified).

Table 37-2. Comp Gen Decisions – Annuity Payments, Widow or Widower

#	Comp Gen Decision Number	Synopsis
1	Comp Gen B-158906, June 7, 1966	Validity of Annuitant's Marriage to the Member. Evidence must be of record to establish that a former marriage was legally ended. No annuity payments are authorized to be paid until legal proceedings are instituted to determine the validity of the marriage.
2	44 Comp Gen 480 B-155792, February 16, 1965	Foreign Divorce. The State of New York does not recognize a foreign divorce unless both parties appear personally or through authorized counsel in the country where the foreign divorce is obtained.
3	43 Comp Gen 567 B-153183, February 14, 1964	Foreign Divorce. A member's marriage to a woman who had previously obtained an illegal foreign divorce is not valid for annuity payment purposes.
4	Comp Gen B-154387, July 16, 1964	Interlocutory Decree of Divorce. An interlocutory decree does not end a marriage. A foreign divorce in the interim period is not valid. The final divorce decree terminates the marriage.
5	42 Comp Gen 112 B-149378, August 10, 1962	Divorce and Later Remarriage to Same Spouse. A spouse who divorces the member after retirement terminates eligibility for annuity. A later remarriage of the same people to each other does not reinstate eligibility to the annuity, even though deductions from pay are continued under terms of the member's election.
6	38 Comp Gen 208 B-136499, September 16, 1958	Annuity Elections at Time of Correction of Records. A member is regarded as having been in a retired status on November 1, 1953, effective date of the RSFPP law, if after that date a Correction of Records retired the member retroactive to a date before November 1, 1953. A spouse whom the member married after November 1, 1953 is not entitled to annuity since he or she was not the spouse on November 1, 1953.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children

#	Comp Gen Decision Number	Synopsis
1	47 Comp Gen 270 B-160939, November 14, 1967	Custodianship of Minor Child. Payment of RSFPP Annuity may be made to a natural parent having care and custody of minor child or children, without the appointment of a legal guardian, even though such payments might eventually exceed the sum of $1,000.
2	35 Comp Gen 521 B-126138, March 21, 1956	Custodianship of Minor Children. Payment can also be made to an adopting parent, as custodian of minor child since all rights and duties were acquired with the adoption.
3	47 Comp Gen 371 B-163102, January 18, 1968	Child Physically Incapacitated. A chiropractor's statement attesting to a child's physical incapacity is sufficient to substantiate eligibility as a beneficiary under RSFPP.
4	48 Comp Gen 167 B-165095, October 1, 1968	Ineligible Child. Child born May 1, 1950, became eligible for annuity benefits on May 1, 1968. Payment for month of April 1968 is proper.
5	Comp Gen, B-160876, April 18, 1967	Incapacitated Child. An incapacitated child does not have to meet that condition as of member's retirement date of November 1, 1953, if later (as required by Department of Defense Directive 1332.17, section 102c) to qualify as an eligible RSFPP beneficiary. In addition, proof of continued incapacitation of a child annuitant is required at least every 2 years after age 18.
6	Comp Gen B-158411, March 10, 1966	Mentally Incapacitated Child. Mentally incapacitated child who married and whose marriage was annulled is considered unmarried and an eligible contingent beneficiary.
7	44 Comp Gen 280 B-154831, November 10, 1964	Unmarried Child. The term "unmarried child" is defined as not having a husband or wife at time of member's retirement, and without regard to the fact that the child may have been previously married.
8	Comp Gen B-131677, June 3, 1957	Legitimate Child. Children born from illegal marriage (one spouse not legally divorced from prior marriage) may be considered legitimate children for RSFPP annuity payments.
9	Comp Gen B-132012, June 17, 1957	Clarification of Election Fraction. A member who elected option 2 with both 1/2 and 1/8 factors checked, who failed to clarify the fraction desired, and who later stated a wish not to participate in the plan, must be assumed to have elected the minimum of 1/8 rate.
10	36 Comp Gen 325 B-129194, October 18, 1956	Adoption of Child. Child of deceased retired member receiving annuity under option 2 who is adopted after death of a retired member, is entitled to continue receiving the annuity. An adoption before death of retired member, or divorce from wife in which member elected option covering stepchild constitutes basis for terminating reduction of retired pay if option 4 included, and likewise voids entitlement to annuity upon later death of retiree.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children (Continued)

#	Comp Gen Decision Number	Synopsis
11	35 Comp Gen 521 B-126138, March 21, 1956	Amendatory Birth Certificate. Amendatory birth certificate along with statement on election form is normally sufficient to substantiate date of birth and claimed relationship of adopted child.
12	62 Comp Gen 193 B-207764, February 8, 1983	Incapacitated Annuitant. Annuity payable to an incapacitated annuitant may not be suspended unless annuitant is capable of earning amounts sufficient for own particular personal needs through substantial and sustainable gainful employment. Advance written notice will be made prior to suspension and annuitant is given the opportunity to submit rebutting evidence.
13	62 Comp Gen 302 B-207626, April 13, 1983	Incapacitated Annuitant - Reinstatement of Annuity - Payment to Third Parties. An annuity may be reinstated upon the recurrence of original disabling condition. Annuity payments to incapacitated adult can be made to third parties only if appointed as guardian by court or under valid power of attorney. Power of attorney executed by mentally incapacitated annuitant may be invalid, even in absence of formal adjudication of incompetence. If annuitant suffering from mental illness has not been adjudged incompetent, and is considered by psychiatrist to be competent to manage annuity properly for personal maintenance, annuity may be paid directly to annuitant. If the annuity cannot be paid directly to annuitant or properly paid to third party, the annuity should accrue to annuitant's account until annuitant recovers or until guardian is appointed by court.

*REFERENCES

CHAPTER 37 – RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

1.0 – GENERAL

	PL 98-525, October 19, 1984
	11 U.S.C., Chapter 13
1.1	PL 87-381, October 4, 1961
	66 Comp Gen 260
	42 U.S.C. § 659
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2.0 – EFFECTIVE DATE OF ANNUITY

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2.1.3	10 U.S.C. § 1437
	32 CFR 48.504(b)(3)
2.2	PL 83-239, section 10, August 8, 1953
	10 U.S.C. § 1437
2.4	Comp Gen B-134298, November 27, 1957

3.0 – ANNUITY PAYMENTS

	PL 90-485, August 13, 1968
	PL 98-525, October 19, 1984
	PL 102-190, December 5, 1991
	10 U.S.C. § 1444a

4.0 – CLAIMS FOR ANNUITY

4.1	66 Comp Gen 340 B-226018, March 18, 1987
4.3	4 CFR 338
4.5	31 U.S.C. § 3702

5.0 – ANNUITY AMOUNTS

5.1.1	PL 83-239, August 8, 1953
5.1.2.2	PL 90-485, August 13, 1968
5.2.1	PL 83-239, August 8, 1953
	PL 87-381, October 4, 1961
5.2.2.2	PL 90-485, August 13, 1968
5.3	PL 95-397, September 30, 1978
5.4	10 U.S.C. § 1401a
	PL 98-94, September 24, 1983

REFERENCES (Continued)

6.0 – PAYMENTS

6.2	PL 90-485, August 13, 1968

7.0– CAUSES OF OVERPAYMENTS

	PL 98-525, October 19, 1984
7.1	PL 95-397, September 30, 1978
7.3	10 U.S.C. § 2774
	10 U.S.C. § 1442
7.4	10 U.S.C. § 1446

10.0 – WAIVER OF INDEBTEDNESS

10.1	Comp Gen B-184532, September 16, 1975
	Comp Gen B-185545, March 18, 1976
	55 Comp Gen 1238 B-182704, July 2, 1976
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10.2	41 Comp Gen 28 B-145943, July 13, 1961
10.3	42 Comp Gen 98 B-149364, August 9, 1962
	10 U.S.C. § 1552

11.0 – TERMINATIONS

11.2	PL 98-525, October 19, 1984
11.2.1	PL 83-239, August 8, 1953
	PL 90-485, August 13, 1968
11.2.2	PL 83-239, August 8, 1953
	PL 90-485, August 13, 1968
	PL 95-397, September 30, 1978
11.2.3.5	62 Comp Gen 193 B-207764, February 8, 1983

12.0 – REINSTATEMENTS

12.1	PL 95-397, September 30, 1978
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	62 Comp Gen 193 B-207764, February 8, 1983
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12.3.3	42 Comp Gen 500 B-147403, February 1, 1962 43 Comp Gen 531 B-152506, January 30, 1964
12.4	PL 95-397, September 30, 1978

13.0 – ANNUAL CERTIFICATE OF ELIGIBILITY

	PL 117-81, Section 605, NDAA FY 2022
13.1.1 - 6	10 U.S.C. § 1435
13.2.3.1	10 U.S.C. § 1435
13.2.6	36 Comp Gen 325

14.0 – REPORT OF EXISTENCE

	PL 117-81, Section 605, NDAA FY 2022
14.1	31 CFR 211.1 Treasury Fiscal Requirements Manual 2090.10
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16.0 – FEDERAL INCOME TAX WITHHOLDING (FITW)

	26 U.S.C. § 3402(o)(3)

18.0 – FEDERAL ESTATE TAX

	26 CFR 20.2039-2(c)(1) 26 U.S.C. § 2039(c)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 38: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 39: "ARCHIVED"

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CHAPTER 40: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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FINANCIAL MANAGEMENT REGULATION

CHAPTER 41: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 42: "SURVIVOR BENEFIT PLAN (SBP) – APPLICATION OF THE PLAN"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 42

SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

1.0 GENERAL

1.1 Purpose

This chapter provides an overview of the establishment of the SBP (also referred to as the Plan), eligibility and benefits, and specialized terminology and definitions used when referring to the Plan.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 SBP OVERVIEW

2.1 Establishment of SBP

On September 21, 1972, Public Law ***(PL) 92-425*** established the SBP to provide a survivor benefit program for military personnel in retirement to complement the survivor benefits under Social Security laws. The Plan gives all retiring uniformed services retirees an opportunity to elect to have their retired pay reduced by a designated amount in order to provide their survivors an annuity payable after the retiree's death.

2.1.1. Under the Plan, a member who retired before September 21, 1972, and who had previously elected to participate in the Retired Serviceman's Family Protection Plan (RSFPP) had the option to retain or cancel the RSFPP coverage when electing to participate in the SBP.

2.1.2. The Plan provides, without cost, a minimum guarantee to an unmarried widow or widower of a member who died before March 21, 1974. For additional information, see Chapter 46. A surviving spouse of a member who died before November 1, 1953, is entitled to an annuity, which may be in addition to the annuity payable under the minimum income annuity provisions.

2.2 Additional Coverage

The Plan also includes:

2.2.1. Survivor benefits for the child, limited insurable interest, surviving spouse, or former spouse of a member who dies on active duty (See Chapter 46 regarding line of duty determinations);

2.2.2. A Reserve Component (RC) annuity on behalf of a member who is eligible to provide a Reserve Component Survivor Benefit Plan (RCSBP) Annuity and dies:

2.2.2.1. Before notification of retirement eligibility;

2.2.2.2. During the 90-day period following notification of retirement eligibility if the member had not made an election; or

2.2.2.3. After electing to participate in RCSBP following notification of retirement eligibility but before reaching the age of eligibility to receive retired pay; and

2.2.2.4. From an injury or illness incurred or aggravated in the line of duty during inactive duty for training.

2.2.3. An annuity calculated in the same manner as an annuity based on an active-duty death paid to the qualified survivors of a member who, under certain circumstances, dies in the line of duty during inactive duty training (IDT) (see Chapter 54); or

2.2.4. An annuity calculated in the same manner as an annuity based on an RC death paid to the qualified survivors of a member who, under certain circumstances, dies during IDT but not in the line of duty (see Chapter 54).

2.3 Death Presumption Authority

2.3.1. The Plan provides for annuity payments under a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead. Upon application of the beneficiary of a participant in the Plan who is missing, the Secretary of the Military Department concerned may determine that the participant is presumed dead.

2.3.2. A determination of presumed death is a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead if:

2.3.2.1. The member's retired or retainer pay has been suspended or would have been suspended had the member been in receipt of pay; and

2.3.2.2. The member has been missing at least 30 days under circumstances that lead to a reasonable conclusion that the member is dead.

2.4 Effects of Lump Sum Retirement Payment on SBP

A member covered under the Blended Retirement System (BRS) who chooses to receive a lump sum of retired pay, in accordance with ***10 U.S.C. § 1415***, will have their SBP premiums calculated using the full base amount of their unreduced retired pay without regard to a reduction in retired pay pursuant to the lump sum. The member may choose to lower the amount of coverage, with spousal concurrence, if married. Premiums are to be deducted from the portion of retired pay that the member continues to receive after the lump sum payment. For more information about SBP premiums, see Chapter 45.

3.0 ELIGIBLE MEMBERS

3.1 Members Eligible to Participate in the Plan

The following members are eligible to participate in the Plan:

3.1.1. Members entitled to retired pay; and

3.1.2. Members who would be eligible for non-regular retired pay, but have not yet become entitled to receive retired pay because of age. See Chapter 54.

3.2 Participants in the Plan

3.2.1. Standard Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 3.1.1 and who is married or has a dependent child when the member becomes entitled to retired pay, unless the member elects (with the spouse's concurrence, if required) not to participate in the Plan.

3.2.2. RCSBP Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 3.1.2 and is married or has a dependent child when the member is notified that he or she has completed the years of service required for eligibility for RC retired pay, unless the member elects (with spousal concurrence, if required) not to participate in the Plan. Note: If such member elects not to participate in the Plan (chooses option "A") upon becoming entitled to retired pay, the member may elect to participate in the Plan as a Standard annuity participant under subparagraph 3.2.1.

3.3 Exceptions

A member otherwise eligible according to subparagraph 3.2.1 or 3.2.2, except that:

3.3.1. The member does not have a spouse or dependent child and did not elect coverage for a former spouse (if applicable) at the time of eligibility for the program, may elect coverage for a person who has an insurable interest in the member; or

3.3.2. The member does not have a spouse or dependent child at the time of eligibility for the program, may elect SBP or RCSBP coverage upon notification to the Secretary concerned within the 1-year period after acquiring a spouse or dependent child. Such an election must be

written, signed by the person making the election, and received by the Secretary concerned. An election is effective as of the first day of the first month following the month in which the Secretary concerned receives the election.

3.4 Member on the Temporary Disability Retired List (TDRL)

A member's eligibility ends when the member is removed from TDRL without further entitlement to retired pay. The coverage continues when the member is transferred from TDRL to Permanent Disability Retired List (PDRL). If the member's retired pay is reduced to an amount less than the base amount originally elected, the full retired pay to which the member is entitled thereafter is considered the base amount.

3.5 Mentally Incompetent Member

If a person to whom the Plan applies is determined to be mentally incompetent, the Secretary of the Military Department concerned, upon request, may act on behalf of the member and elect other than the maximum automatic coverage. In the absence of an eligible spouse or children, the Secretary of the Military Department concerned, upon request, may elect coverage for a natural person with an insurable interest. The person applying to have an election made is not given preference in designation as the beneficiary.

3.6 Qualifying Member During an Open Enrollment Period

The Plan applies to any member who qualifies during an open enrollment period according to the provisions established by law. Open enrollment periods typically occur when there are major changes to the SBP program and must be specifically prescribed by law.

3.7 Retired Member After a Record Correction

3.7.1. A member whose military record is corrected on or after September 20, 1972, to show retirement before September 21, 1972, is not automatically covered under the Plan. Coverage may be established upon request of the member if the election is received within 18 months from the date of notification of the correction action.

3.7.2. A member who retroactively becomes entitled to retired pay on a date on or after September 20, 1972, generally, will be given automatic full SBP coverage. However, the member may elect reduced coverage or decline participation, (with proper concurrence of the eligible spouse, if applicable) within 18 months of the correction entitling the member to retired pay unless the member's Service Secretary or Service's Board for Correction of Military Records directs the member to do so within 12 months of the member's record correction.

4.0 DEFINITIONS

4.1 Base Amount

The base amount is the money amount selected by the member, with the concurrence of the member's spouse if required, or the amount selected on behalf of a member by the Secretary of the Military Department concerned (or designee), on which the annuity is based. The base amount may range from a $300 minimum up to full gross retired pay entitlement. The base amount is adjusted consistent with the cost-of-living increases in retired pay. For a member entitled to retired pay under a regular retirement, non-regular retirement, or disability retirement, the full base amount is the amount of money to which the member:

4.1.1. Was entitled to when he or she became eligible for retired pay without regard to any reduction in retired pay pursuant to:

4.1.1.1. An election of a lump sum of retired pay in accordance with ***10 U.S.C. § 1415***; or

4.1.1.2. An election of a Career Status Bonus (CSB) in accordance with ***10 U.S.C. § 1409(b)(2)*** and ***37 U.S.C. § 354***. NOTE: After December 31, 2017, CSB could not be elected. For more information concerning the selection of CSB refer to Volume 7A, Chapter 66; or

4.1.2. Later became entitled to by being advanced on the retired list, performing active duty subsequent to eligibility for retired pay, being transferred from the TDRL to the PDRL, or having his or her retired pay re-computed at age 62 due to credit for community service under Temporary Early Retirement Authority or a reduced retirement.

4.2 Change in Coverage

A change in coverage is an action taken because of a change in the retired member's family status that requires a change in beneficiaries.

4.3 Change in Election

A change in election is an authorized change in the type of beneficiary eligible for SBP coverage because of a change in the retired member's family status.

4.4 Consideration for Contract

The total amount of premiums paid by the participant member for the type of SBP selected is known as consideration for contract.

4.5 Cost of Coverage

The cost of coverage is the amount paid by deductions from retired pay, from the retired member's Combat-Related Special Compensation (CRSC), or by direct remittance when member is not receiving retired pay.

NOTE: Beginning April 2018, if a member's SBP premium cannot be deducted in the full amount required and the retired member has been awarded CRSC pay under ***10 U.S.C. § 1413a*** the deduction that would otherwise have been made from the retired pay will be taken from the retired member's CRSC for that period. See ***10 U.S.C. § 1452(d)(2)***. This new deduction is due to a change in the law (***PL 114-328, section 643***) which requires SBP premiums to be deducted from CRSC.

4.6 Cost Refund

A cost refund is the difference between cost paid by the member and the recalculated cost of the annuity after Dependency and Indemnity Compensation (DIC) reduction.

4.7 Date of Receipt

The date of receipt is the day of receipt of an election or election change by the office administering payment of retired pay. The postmarked date of an election may be considered as date of receipt when the validity of such election might be prejudiced because of a limited time factor.

4.8 Dependency and Indemnity Compensation (DIC) Offset

Prior to January 1, 2023, DIC offset reduced the SBP annuity due to compensation entitlement from the Department of Veterans Affairs to the widow or widower of a member who died from a service-connected or comparable disability. A multi-year phase out of the DIC offset of SBP annuities began January 1, 2021, and ended December 31, 2022. See Chapter 46 for details regarding the phase out periods and corresponding offset amounts.

4.9 Former Spouse

A former spouse is the surviving former husband or wife of a person who is eligible to participate in the Plan. For more information about former spouses, see Chapter 29.

4.10 Maximum Level

The maximum level is the full gross retired pay used as a base amount for coverage. For members who elect lump sums under the BRS, the full base amount will be equivalent to what full retired pay would have been without the lump sum. A member who elected to receive a CSB prior

to January 1, 2018, will, at the time of program election, have the maximum base amount computed as if that member had not been subject to the Military Retirement Reform Act of 1986 (referred to as REDUX) under 10 U.S.C. § 1409(b)(2).

4.11 Minimum Income Widow

A minimum income widow is a person who on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, the widow of a person who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46.

4.12 Natural Person With an Insurable Interest

A natural person with an insurable interest is a person who has a reasonable and lawful expectation of pecuniary benefits from the continued life of the participating member. For further information, see Chapter 44. Insurable interest for active duty or IDT death is limited to someone not otherwise covered by the law as an SBP beneficiary who has a Military Dependent Identification Card as the deceased member's dependent or would have qualified as the member's dependent in accordance with ***10 U.S.C. § 1072(2)***.

4.13 Pre- and Post-September 21, 1972, Retiree

A pre-September 21, 1972, retiree is a member who retired before September 21, 1972; a post-September 21, 1972, retiree is a member who retired on or after September 21, 1972.

4.14 Reduced Base Amount

The reduced base amount is an amount less than the member's full gross retired pay or what the full retired pay would have been if the CSB or lump sum retired pay had not been elected but not less than $300 unless the full gross retired pay (or what the full retired pay would have been) is less than $300.

4.15 Reduction Factor

The RCSBP reduction factor is a four-digit actuarially determined decimal used to compute the monthly cost for reservists who become entitled to receive retired pay before age 60.

4.16 RCSBP Annuity

The RCSBP Annuity is the annuity provided to the survivor(s) of a reservist, who completed the years of service required for eligibility for RC retired pay or was a member of a RC and died from an illness or injury incurred or aggravated in the line of duty during IDT. For additional information about the RCSBP, see Chapter 54.

4.17 Social Security Offset

Social Security offset means a reduction from the SBP annuity due to the widow's or widower's Social Security entitlements. Social Security offset was eliminated effective April 1, 2008.

4.18 Standard Annuity

The standard annuity is the annuity provided to a survivor(s) by virtue of eligibility of persons entitled to retired pay.

4.19 Supplemental Survivor Benefit Plan (SSBP)

An SSBP annuity is a type of annuity provided to a spouse or former spouse. SSBP was repealed effective April 1, 2008.

4.20 Surviving Spouse

A surviving spouse applies to:

4.20.1. The surviving husband or wife of a retired member:

4.20.1.1. Married to the member at the time the member became eligible for retired pay. Members of the RC become eligible for retired pay upon completion of the requisite years of service necessary to become entitled to retired pay at a later age; or

4.20.1.2. If not married to the member at the time the member became eligible for retired pay:

4.20.1.1.1. Was married to the member for at least 1 year before the member's death, or

4.20.1.1.2. Is the parent of issue by that marriage;

4.20.2. The surviving spouse of a member who dies on active duty or:

4.20.2.1. While in line of duty, on or after September 10, 2001; or

4.20.2.2. After becoming eligible to receive retired pay; or

4.20.2.3. After qualifying for retired pay except that the member has not applied for or been granted that pay; or

4.20.2.4. After completing 20 years of active service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years).

4.20.3. The surviving spouse of a member who is eligible to provide an RCSBP Annuity and dies:

4.20.3.1. Before being notified under ***10 U.S.C. § 12731(d)*** that the member has completed the years of service required for eligibility for RC retired pay, or

4.20.3.2. During the 90-day period beginning on the date the member receives notification under 10 U.S.C. § 12731(d) that they have completed the years of service required for eligibility for RC retired pay if an election to participate in the Plan was not made, provided:

4.20.3.2.1. That the parties were married at the time the member became eligible for retired pay; or

4.20.3.2.2. If not married at the time the member became eligible for retired pay, was married to the member for at least 1 year before the member's death, or is the parent of issue by that marriage.

4.20.4. The surviving spouse of a member of an RC not described in subparagraphs 4.20.2.1, 4.20.2.2, or 4.20.2.3 who dies before being eligible to elect to participate in the Plan from an injury or illness incurred or aggravated in the line of duty during IDT.

4.21 Threshold

The threshold amount is an alternative to the base amount that may be used to calculate the reduction in retired pay described in basic premiums. The original threshold amount was established on October 1, 1985, in the amount of $300. This amount has been increased by the same percentage as the annual increase in basic military pay for each year subsequent to 1985. The threshold increases at the same time and by the same percentage as the average increase in basic pay. Threshold increases are published in the annual ***DoD Retirement Cost of Living Adjustments (COLA) Memorandum***. For example, using the cost formula of 2.5 percent of the first $XXX.XX, plus 10 percent of the remainder of the base amount (see paragraph 4.1), the portion of the base amount upon which the member is charged 2.5 percent cost is the threshold. See Chapter 45, section 3.0.

REFERENCES

CHAPTER 42 - SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

2.0 - SBP OVERVIEW

2.1	DoD Instruction 1332.42, December 30, 2020 10 U.S.C., Chapter 1223 10 U.S.C. § 1448 10 U.S.C. § 1448a 10 U.S.C. § 1449 10 U.S.C. § 1450 10 U.S.C. § 1451 10 U.S.C. § 1452 DoD Directive 1332.27, June 26, 2003 53 Comptroller General (Comp Gen) 847, B-179018, May 10, 1974 53 Comp Gen 971, B-179018, June 18, 1974
2.2	PL 107-107, Section 642, December 28, 2001 National Defense Authorization Act (NDAA) for Fiscal Year 2002 PL 108-136, Section 644, November 24, 2003 NDAA for Fiscal Year 2004 10 U.S.C. § 1448(f)
2.3	10 U.S.C. § 1450(l)(1)
2.4	PL 115-91, Section 622, December 12, 2017, NDAA for Fiscal Year 2018

3.0 - ELIGIBLE MEMBERS

3.1 – 3.4	10 U.S.C. § 1448 53 Comp Gen 971, B-179018, June 18, 1974
3.5	10 U.S.C. § 1449
3.6	10 U.S.C. § 1448
3.7	54 Comp Gen 116, B-180050, August 14, 1974

4.0 - DEFINITIONS

4.1	10 U.S.C. § 1447(6)
4.4	26 U.S.C. § 122(b)(2)
4.5	10 U.S.C. § 1452(d)(2) PL 114-328, section 643, December 23, 2016, NDAA for Fiscal Year 2017
4.8	10 U.S.C. §§ 1450(c) and 1451(c)(2)
4.9	10 U.S.C. § 1447(6)(A)
4.11	10 U.S.C. § 1448

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4.15	10 U.S.C. § 1447
4.16	10 U.S.C. § 1447
4.18	10 U.S.C. § 1447
4.19	10 U.S.C. § 1451(e)(3) and (4)
4.20	10 U.S.C. § 1447 PL 107-107, Section 642, December 28, 2001 PL 108-136, Section 644, November 24, 2003
4.21	10 U.S.C. § 1448(d)(1)(A)(iii)

VOLUME 7B, CHAPTER 43: "SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES"

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, references, and formatting to comply with current administrative instructions.	Revision
6.1.2.6	Clarified the consequences in declining to elect spouse or child coverage for any of the situations described in subparagraphs 6.1.2.1 – 6.1.2.4.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 43

SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information for SBP election options, changes to elections, coverage, and termination of coverage.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Titles 5 and 10. The ***Department of Defense Instruction (DoDI) 1332.42*** establishes and administers the policy. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELECTION OPTIONS

2.1 Base Amount

A member who participates in SBP must elect a base amount of maximum coverage or reduced coverage. The base amount at any level is adjusted with each cost-of-living increase after retirement. See Chapter 42.

The annuity amount is 55 percent of the base amount elected. See Chapter 46.

2.2 SBP Elections

In the case of a member electing a standard SBP annuity, the member must make such election before retired pay becomes payable, or if there is no eligible beneficiary at that time, within 1 year of acquiring an eligible beneficiary. All elections are irrevocable once the member is placed on the retired list, unless otherwise provided by law. See paragraph 3.1.

2.3 Reserve Component SBP (RCSBP) Elections

In the case of a member electing a Reserve Component annuity, the member must select either an immediate or deferred annuity. In the case where a Reserve Component member has elected an immediate annuity, or dies while being eligible to make such an election, the annuity to the beneficiary will commence the day following the death of the member. In the case of a member electing a deferred annuity, the annuity commences the later of the day following the member's death, or the date the member would have been age 60. See Chapter 54.

2.4 Special Rules Concerning Elections

2.4.1. In the case of a member electing SBP or RCSBP coverage for a spouse who was not married to the member at the time the member became eligible for retired pay, the surviving spouse must have been married to the member for at least 1 year immediately before the member's death or be the parent of issue by that marriage to be an eligible beneficiary.

2.4.2. A member who did not elect child coverage for a dependent child, either at the time of becoming eligible for retired pay (if applicable) or within 1 year of acquiring the first dependent child, may not elect child coverage for subsequently acquired child or children unless otherwise provided by law.

2.4.3. A member who elected insurable interest coverage under Chapter 42 may upon death of such beneficiary, elect to cover a new beneficiary who is a natural person with an insurable interest in the member. Such an election must be made prior to the end of the 180-day period beginning on the date of the death of the previous beneficiary. The member is required to pay, if applicable, an additional amount and interest. The additional amount is equal to the difference in the amount of the reduction in the member's retired pay for the previous beneficiary and the reduction in retired pay that would have been made had the previous beneficiary not died and been a covered beneficiary through the date of the new election. The interest on the additional amount is computed from the date on which the retired pay would have been reduced and charged at such rate or rates as determined by the Secretary of Defense.

2.4.4. In the case of a member who is already participating in the SBP and elects to change spouse coverage or spouse and child coverage to former spouse coverage or former spouse and child coverage, any such election terminates any previous coverage under the SBP.

2.5 Beneficiaries

Coverage may be provided for:

2.5.1. Spouse and/or child(ren);

2.5.2. Former spouse and/or child(ren); or

2.5.3. Natural person with an insurable interest (at maximum level of coverage only).

3.0 IRREVOCABLE ELECTIONS AND EXCEPTIONS

3.1 Irrevocability and Exceptions

An election is irrevocable, except under the following circumstances:

3.1.1. A member retired March 1, 1986, or later, who elected and received less than maximum SBP coverage without the spouse's concurrence, will have such coverage changed to full coverage if the Secretary concerned later determines that the spouse's concurrence in such election was required, but not obtained;

3.1.2. The Secretary concerned may revoke an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

3.1.3. A mentally incapacitated member who is later determined to be mentally competent may revoke or change the SBP election within 180 days after such determination of competence.

4.0 ELECTION COVERAGE

4.1 Spouse and/or Child

4.1.1. A member may elect coverage at the maximum level or at a reduced amount with spouse's concurrence, if required, for:

4.1.1.1. An eligible spouse only;

4.1.1.2. An eligible spouse and dependent child(ren); or

4.1.1.3. Dependent child(ren) only.

4.1.2. Every retiring member who is married at retirement is automatically enrolled in SBP for full coverage unless the spouse concurs in writing with the member's election to decline participation in SBP, to elect a reduced annuity for the spouse, or to elect an annuity for a dependent child, but not for the spouse, before the first day of eligibility to receive retired pay. See subparagraph 4.1.4.

4.1.3. A member with an eligible spouse and dependent child on the date of retirement who has obtained the concurrence of their spouse:

4.1.3.1. Declines coverage is prohibited from electing into SBP, even after obtaining a new spouse, except under section 8.0;

4.1.3.2. Declines coverage for an eligible spouse, and chooses to elect coverage for child only, is prohibited from electing spouse coverage at a later date, even after obtaining a new spouse, except under section 8.0; or

4.1.3.3. Declines coverage for the member's dependent child, and elects coverage for spouse only, is prohibited from electing child coverage at a later date.

4.1.4. A married member who is eligible to provide SBP may not, without the concurrence of their spouse, decline participation in SBP, elect a reduced annuity for the spouse, or elect an annuity for a dependent child, but not for a spouse, unless the member establishes to the satisfaction of the Secretary concerned that:

4.1.4.1. The spouse's whereabouts cannot be determined, or

4.1.4.2. Due to exceptional circumstances, a requirement that the member seek the spouse's concurrence would otherwise be inappropriate.

4.1.5. A member with a dependent child, who was unmarried on the date of retirement, may elect spouse coverage upon subsequent marriage regardless of whether coverage was elected for their dependent child. The election must be received by the Secretary concerned within 1 year of the marriage date.

4.1.6. A member with an eligible spouse who did not have a dependent child on date of retirement later may elect coverage for a dependent child. The election must be received by the Secretary concerned within 1 year of the date of acquiring their first dependent child.

4.1.7. If a member elects to provide an SBP annuity for a former spouse or a former spouse and child after the member has remarried, the member's spouse must be notified of that election. The member may make this election without spousal concurrence.

4.2 Same-Sex Spouses

4.2.1. Any claims to SBP spouse coverage for same-sex spouses of eligible SBP participants for periods before June 26, 2013, are not valid as the Defense of Marriage Act was still the law and in effect prior to June 26, 2013. As a result, no SBP premiums for such coverage will be charged prior to June 26, 2013. Further, no SBP annuity payments for such coverage will be paid for deaths occurring before June 26, 2013.

4.2.2. Effective on June 26, 2013, a person who becomes eligible to participate under ***10 U.S.C. § 1448(a)(1)*** and is married to a same-sex partner has the SBP program applied as for any other married couple under 10 U.S.C. § 1448, including the requirements for spousal concurrence for less than full annuity coverage of the spouse.

4.2.3. A person who was married to a same-sex partner upon becoming eligible to participate in the plan prior to June 26, 2013, and who had married that same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under

10 U.S.C. § 1448(a)(3). Such person may not participate at less than maximum coverage described in 10 U.S.C. § 1448(a)(3) without the concurrence of the person's spouse unless they already had provided an annuity for a dependent child. If an election was not received on or before June 25, 2014, full spousal coverage was entered, and the member was responsible for payment of premiums effective from June 26, 2013.

4.2.4. A person who was not married upon becoming eligible to participate in the plan, but who married a same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(5). The election must have been received on or before June 25, 2014, or the person was prohibited by law from making such election.

4.2.5. Generally, a person who is a participant in the plan and is providing coverage under SBP for a spouse, who later does not have an eligible spouse beneficiary may, under 10 U.S.C. § 1448(a)(6), elect not to provide coverage for a new spouse in the event of a remarriage.

4.2.5.1. For a person who enters into a same-sex marriage after June 26, 2013, the election to discontinue participation under 10 U.S.C. § 1448(a)(6) must be made within 1 year of the remarriage. If a member does not discontinue participation, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective on the first anniversary of the marriage.

4.2.5.2. If the remarriage took place prior to June 26, 2013, the participant has 1 year from June 26, 2013, to elect out of SBP. If a member does not make such an election within 1 year of June 26, 2013, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective no earlier than June 25, 2014.

4.2.5.3. Any such person falling within the parameters of 10 U.S.C. § 1448(g), had 1 year from June 26, 2013, or the date of any marriage subsequent to June 26, 2013, to elect to increase the level of coverage under 10 U.S.C. § 1448(g).

4.2.6. A person who is married to a same-sex partner on June 26, 2013, and has insurable interest coverage under 10 U.S.C. § 1448(b) may terminate the insurable interest coverage as provided for in that section and, if eligible, elect spouse coverage under 10 U.S.C. § 1448(a)(5) as described in subparagraph 4.4.3.

4.3 Natural Person With Insurable Interest

An election for a natural person with an insurable interest may be made only when the member is not married and does not have any dependent children upon becoming eligible to participate. The Secretary concerned must receive the election before the first day of eligibility for retired pay. A member must elect full coverage when electing for a natural person with an insurable interest. If the member is retired for reasons of disability under ***10 U.S.C., Chapter 61***, refer to paragraph 7.3.

4.4 Former Spouse or Former Spouse and Child

When a member elects former spouse coverage, the member and the former spouse must complete and sign an election statement indicating whether the election is being made pursuant to the requirements of a court order or by a voluntary written agreement. If the member entered into a voluntary written agreement as a part of, or incident to, a proceeding of divorce, dissolution or annulment, the member must indicate on the written statement whether the agreement has been incorporated in, ratified, or approved by a court order. If the member has a spouse or child, a former spouse election prevents an annuity to that spouse or child (other than the child beneficiary under an election for a former spouse and child). If there is more than one former spouse, the member must designate which former spouse is to receive the annuity:

4.4.1. Upon Retirement (Retiring Members)

4.4.1.1. If a member becomes eligible to participate and has a former spouse and dependent child, who resulted from that marriage, member may elect former spouse or former spouse and child coverage.

4.4.1.2. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in SBP, an election for former spouse must take place at or before the member's retirement.

4.4.1.3. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in RCSBP (date of Notice of Eligibility (NOE)), an election for former spouse coverage must take place at or before the end of the 90-day period following receipt of the NOE.

4.4.1.4. If a member has a former spouse upon becoming eligible to participate but is not required by a court order or court-approved agreement to provide former spouse coverage, any subsequent court order that requires former spouse coverage will not be honored.

4.4.2. Following Retirement (Retired Members)

4.4.2.1. A member with spouse or spouse and child coverage may, within 1 year of date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child.

4.4.2.2. A member may elect coverage for a former spouse who the member acquired after becoming eligible for retired pay. The member and former spouse must have been married at least 1 year, or the former spouse must be the parent of a child or children born of that marriage in order for the former spouse to be an eligible beneficiary. For provisions regarding the effective date of former spouse coverage, see subparagraph 4.4.4.

4.4.3. Deemed Elections. Deemed elections are applicable in cases where a member enters, incident to a proceeding of divorce, dissolution, or annulment, into a written agreement to elect to provide an SBP annuity to a former spouse, and such agreement has been incorporated in,

ratified or approved by a court order, or has been filed with the court of appropriate jurisdiction in accordance with applicable state law. Deemed elections are also applicable in cases where the member is required by a court order to make a former spouse election. If such member fails or refuses to make such election, the member is deemed to have made such election if the Secretary concerned receives a completed DoD ***(DD) Form 2656-10***, SBP Former Spouse Request for Deemed Election, from a former spouse or the former spouse's attorney on behalf of the former spouse. A copy of the pertinent court order or agreement referring to the SBP coverage must accompany the DD 2656-10. See subparagraph 4.4.3.1. Effective September 27, 2008, use of the DD 2656-10 to make a deemed election is mandatory.

4.4.3.1. The former spouse will provide a copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect SBP for a former spouse or former spouse and child or an agreement to provide former spouse or former spouse child coverage must be issued on or after November 14, 1986. If the member was ordered by a court to elect former spouse coverage before November 14, 1986, a second court order, issued on or after November 14, 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new 1-year period during which a request for a deemed election may be filed.

4.4.3.2. The Secretary concerned must receive the request from the former spouse within 1 year of the date of the first court order or filing that:

4.4.3.2.1. Requires the member to make a former spouse SBP election, or

4.4.3.2.2. Shows that the member entered into a written agreement to elect to provide an SBP annuity to the former spouse. (See subparagraph 4.4.3).

If an election of former spouse coverage was agreed to or ordered by an earlier court order, a subsequent order or modification that merely restates the previous provision and imposes no new obligation on the member does not begin a new 1-year period. A subsequent court order holding a member in contempt of court for failing to fulfill the prior agreement is not the type of court order that can be used to begin a new 1-year period to deem an election.

4.4.3.3. No election may be deemed to have been made which could never have been made by the member concerned.

4.4.3.4. If a member dies before making an election, a former spouse's request, which is otherwise qualified, must be honored even if the date of the request is after the date of the member's death. However, if the request for a court order was initiated with the court after the member's death, the order will not be honored.

4.4.3.5. If a member has more than one former spouse, the first request for a deemed election received with complete documentation will be the one honored.

4.4.4. Death of Former Spouse. The National Defense Authorization Act (NDAA) Fiscal Year (FY) 2016, Public Law (PL) 114-92, section 641, effective November 25, 2015, amended the SBP law to allow for members to elect spouse coverage after the death of a former spouse.

4.4.4.1. Married on the Date of Death of Former Spouse. The following applies when a person who is married at the time of the death of the former spouse beneficiary and elects to provide coverage to their spouse:

4.4.4.1.1. The election must be received by the Secretary concerned within one year from the date of the death of the former spouse beneficiary;

4.4.4.1.2. The effective date of election will be the first day of the first calendar month following the death of the former spouse beneficiary;

4.4.4.1.3. The level of coverage on the annuity base amount cannot be changed; and

4.4.4.1.4. An election under this paragraph is irrevocable.

4.4.4.2. Marriage After Death of Former Spouse Beneficiary. The following applies when a person who married after the death of the former spouse beneficiary elects to provide coverage to their spouse:

4.4.4.2.1. The election must be received by the Secretary concerned within 1 year from the date on which that person marries;

4.4.4.2.2. The effective date of the election will be the first day of the first calendar month following the month in which the election is received by the Secretary concerned;

4.4.4.2.3. The level of coverage on the annuity base amount cannot be changed; and

4.4.4.2.4. An election under this paragraph is irrevocable.

4.5 Federal Civil Service Retiree

4.5.1. A member with SBP coverage who: (1) retires under the civil service retirement program; (2) waives military retired pay to combine civilian and military service credits; and (3) elects survivor coverage, at any level, under the civil service retirement, has SBP coverage suspended while the waiver is in effect. If the waiver is terminated for any reason, SBP coverage resumes concurrent with the resumption of retired pay. The type of coverage and level of participation, as adjusted by any changes in retired pay during the period of waiver, is as first

elected. If the retired service member dies while the waiver of military retired pay is in effect, no SBP annuity becomes due and payable to either the surviving spouse and/or child.

4.5.2. An election in SBP with concurrent cancellation of previous Retired Servicemen Family Protection Plan (RSFPP) coverage is without force or effect if retired pay previously was waived for civilian retirement and survivor coverage from the civilian annuity was elected.

4.5.3. A member who elects SBP coverage, and who does not waive military retired pay for civil service retirement, may have survivor coverage under both retirement plans.

4.5.4. Provisions in subparagraph 4.5.1 do not apply to a member who retired under ***10 U.S.C. § 12731*** or who retired due to a combat-incurred disability as determined by the service.

4.5.5. The survivor of a federal civil service employee who was awarded military retired pay based on any period of military service and whose death occurs before separation from civil service, will receive a survivor annuity computed using military service. The survivor annuity from civil service will be reduced by any military survivor benefits payable. The survivor may elect not to be covered by this provision, which automatically uses military service credit in computing the federal survivor annuity.

4.5.6. Except for participation in federal service survivor annuity programs, SBP coverage does not terminate when a member participates in other survivor benefit plans administered by the United States Government such as under the Foreign Service or Federal Judges Retirement systems.

5.0 ELECTION DATA

5.1 Elections by the Member

The ***DD Form 2656***, Data for Payment of Retired Personnel, ***DD Form 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, ***DD Form 2656-2***, Survivor Benefit Plan (SBP) Termination Request, ***DD Form 2656-6***, Survivor Benefit Plan Election Change Certificate, are available, for use by the member. Unless otherwise provided, elections in writing signed by the member, other than a request for termination, which contain all information necessary for establishing or declining coverage, are acceptable. Spousal concurrence of certain elections has been required since March 1, 1986.

5.1.1. Former Spouse Elections (Retiring Members). A member who is retiring and is electing former spouse coverage should complete the former spouse election on a DD Form 2656. In addition to the former spouse election, the member must also provide a separate written statement on a DD Form 2656-1 (when applicable), that is signed by the member and the former spouse certifying whether the former spouse election is pursuant to court order or a voluntary written agreement. Information concerning content of the separate written statement and the proper court order appears in paragraph 4.4.

5.1.2. Change in Election Coverage Spouse to Former Spouse (Retired Members). Members who are already retired should complete changes from spouse coverage to former spouse coverage on a DD 2656-1.

5.2 Deemed Elections Requested by the Former Spouse

A former spouse or former spouse's legal representative requesting the Secretary concerned to deem on his/her behalf must request the deemed election by completing the DD Form 2656-10. The DD Form 2656-10 must be accompanied by the decree of divorce, dissolution, or annulment and the first court order incident to the divorce, dissolution, or annulment that:

5.2.1. Requires the member to make a former spouse SBP election, or

5.2.2. Shows that the member entered a written agreement to elect to provide an SBP annuity to the former spouse.

Note: The first court order may be the decree of divorce, dissolution, or annulment. See subparagraph 4.4.3.

The DD Form 2656-10, the decree of divorce, dissolution, or annulment, and applicable court order must be provided. Information concerning content of the request by the former spouse or the former spouse's attorney and the statement from the clerk of the court, where necessary, appears in subparagraph 4.4.3.

5.3 Election Data Requirements

The election data requirements are:

5.3.1. Identification. Enter the member's name, social security number, birth date, and date of retirement.

5.3.2. Base Amount. The election form must specify full coverage, in lieu of a dollar amount, when maximum coverage is selected. When a reduced base amount is chosen, the dollar amount must be specified on the election form. The reduced base amount must not be less than $300. When retired pay is less than $300, the election form must indicate full coverage.

5.3.3. Beneficiary. Provide the name, birth date, and social security number for each beneficiary named.

5.3.3.1. If coverage includes a spouse, or former spouse, the member must provide the date of marriage and date of divorce, as applicable.

5.3.3.2. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the

member must provide a signed statement to show proof of financial benefit if the person designated is a first cousin or anyone more distantly related than a first cousin if such statement is requested.

5.3.3.3. If the beneficiary designation is for a former spouse, then, in addition to the former spouse election, the member must submit in writing whether the election is being made pursuant to a written agreement previously entered into voluntarily by the member as a part of or incident to a proceeding of divorce, dissolution, or annulment and (if so), whether that voluntary written agreement has been incorporated in, ratified or approved by, a court order. This information should be provided on a DD Form 2656-1.

5.3.4. Signature. The member must sign and date the election. If the document is signed with an "X", two impartial persons must witness the signature. Note: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

5.3.5. Spousal Concurrence. Written spousal concurrence is required when the member elects to decline coverage or provide the spouse with less than the maximum SBP coverage available, include electing child-only coverage, and when a member eligible for RCSBP declines coverage or elects coverage that provides less than a maximum immediate spouse annuity. The signature of the spouse must be notarized and must be dated on or after the member's election date. The requirement to have the spouse's signature notarized is not to suggest that the spouse has received additional counseling regarding the option being selected. It simply provides certification that the spouse signed the form and acknowledges the election made on the form.

5.3.5.1. If all requirements for an election needing the spouse's concurrence have not been satisfied prior to retirement, full spouse costs and coverage will be implemented, regardless of any request by the member to do otherwise. In such cases, when the member has requested any form of child coverage, full spouse and child coverage will be implemented. Any change in SBP election subsequent to retirement will be done through an administrative correction of records as permitted by law. The requirements for spousal concurrence do not affect any obligation or right of the member to provide coverage for a former spouse. If former spouse coverage is elected or deemed, the spouse's concurrence is not required; however, the spouse will be notified of that election.

5.3.5.2. The Secretary concerned may waive the requirement for spousal concurrence when the spouse's whereabouts cannot be determined or, when due to exceptional circumstances, requiring the member to seek the spouse's concurrence would otherwise be inappropriate. Exceptional circumstances, such as mental or physical incapacitation of the spouse, require appropriate documentation such as a physician's statement attesting to the spouse's incapacity. Exceptional circumstances will be evaluated on a case-by-case basis.

5.3.5.3. The Secretary concerned notifies the member's current spouse when a member who is eligible to provide an annuity to that spouse elects former spouse or former spouse and dependent child coverage.

5.3.5.4. The Secretary concerned notifies the affected beneficiary when a member elects to discontinue coverage for a former spouse or insurable interest beneficiary.

6.0 CHANGES IN ELECTION AND COVERAGE

6.1 Later-Acquired Spouse and/or Child

A member who acquires a new spouse and/or child after retirement must make an election within 1 year of the event with the exception that there is no time restriction on the election period for a change under subparagraph 6.1.2.5.

6.1.1. A member who is participating with spouse or spouse and child coverage and who does not have an eligible spouse beneficiary may, upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to have spouse coverage resumed. Unless a member elects not to cover the new spouse within 1 year after the marriage, spouse coverage automatically resumes at the first anniversary of the marriage.

6.1.1.1. The member may not add child coverage by virtue of remarriage alone if child coverage was previously bypassed; and

6.1.1.2. The level of SBP coverage may not be reduced nor may child coverage be eliminated.

6.1.1.3. SBP elections become effective when the new spouse becomes an eligible beneficiary, and any increase in premium, plus interest, has been paid. When the level of SBP coverage is increased, the member must pay the difference between the present premium and the premium that would have been incurred had the higher level of coverage been elected originally, plus interest. Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate approved by the DoD Board of Actuaries to calculate the retirement accrual costs. Interest is to be compounded monthly on the accumulated difference existing prior to any computation month. If payment of cost, plus interest is not completed before the spouse becomes an eligible beneficiary, the election becomes null and void and a refund of cost and interest and reinstatement of original election coverage occurs. Cost plus interest will be paid to member's estate should the member die before refund is completed.

6.1.1.4. If a member has spouse or spouse and child coverage and elects not to resume SBP participation for the spouse, the spouse must be notified. An election to terminate spouse coverage is irrevocable. If the member elects to change the level of spouse coverage to an amount less than full retired pay, the spouse must be notified.

6.1.1.5. Any newly acquired dependent child is automatically covered if child or spouse and child coverage was previously elected.

6.1.2. If, on date of retirement the member:

6.1.2.1. Has no eligible beneficiaries and does not elect to participate; the member may, within 1 year of the acquisition of a spouse or child, elect for that spouse and/or child. However, if the member does not elect spouse coverage within 1 year of acquiring their spouse and later has a child with that same spouse, the member cannot add the spouse coverage within 1 year from the birth of the child with that spouse; or;

6.1.2.2. Has no eligible spouse and elected for child only; the member may, within 1 year after marriage or remarriage, include the spouse with coverage previously elected for the child;

6.1.2.3. Has no eligible child and elected for spouse only; the member may, within 1 year of acquisition of a child, include the child with coverage previously elected for the spouse;

6.1.2.4. Has no eligible spouse and declines coverage for an eligible child; the member may, within 1 year of the acquisition of a spouse, elect for that spouse; or

6.1.2.5. Has elected coverage for a former spouse or former spouse and child, or has elected coverage for a natural person with an insurable interest; the member may later change the election to spouse and/or child, if not otherwise prohibited. See paragraph 6.2. The member is not required to change the election to spouse and/or child; however, if such a change is made, it permanently terminates the eligibility of the former spouse or the natural person with insurable interest. It is not necessary that maximum level coverage be elected for the spouse and/or child. See subparagraph 6.2.2 and paragraph 6.3, for additional information concerning changes in former spouse coverage.

* 6.1.2.6. Declining to elect spouse or child coverage for any of the situations described in subparagraphs 6.1.2.1 – 6.1.2.4 terminates eligibility for that spouse and/or child and any future spouse(s)/children, unless otherwise provided by law.

6.2 Change From Spouse or Spouse and Child

A member who elected spouse or spouse and child coverage may terminate that election for that spouse or spouse and child and provide an SBP annuity for a former spouse or former spouse and child, provided the child resulted from the member's marriage to that former spouse. If the member is married when the former spouse election is made, that spouse must be notified. See subparagraph 4.1.7. A former spouse may request that an election be deemed by the Secretary concerned (or designee).

6.2.1. Notification

The Secretary concerned must notify the former spouse of any changes to the former spouse election.

6.2.2. Changes to a Former Spouse Election

6.2.2.1. If a member was required to elect former spouse coverage by a court order, incident to a proceeding of divorce, dissolution, or annulment, the member may change to spouse or child coverage if the member furnishes, to the Secretary concerned (or designee) a certified copy of a court order that permits such a change. The court order, regular on its face, must modify the provisions of all previous court orders relating to the former spouse election so that the member is permitted to change the election. The member must certify to the Secretary concerned that the court order is valid and in effect. These same restrictions apply to the member who elected former spouse coverage pursuant to a written agreement that was incorporated in, or ratified or approved by, a court order.

6.2.2.2. In the case of a written agreement that has not been incorporated, ratified or approved by a court order, the member must furnish, a statement signed by the member and the former spouse that evidences the former spouse's agreement to an election change. The statement must be furnished to the Secretary concerned in a format prescribed by that Secretary. The member must certify that the statement is current and in effect.

6.3 Change to Former Spouse Coverage Under Insurable Interest

A member was allowed to change an election for former spouse coverage under the insurable interest category to former spouse coverage under the spouse category during the period November 8, 1985, through November 7, 1986. A member also could add child coverage to former spouse coverage provided the child was the result of the member's marriage to that former spouse and if the member was providing coverage for the former spouse under the spouse category. These election changes apply to elections effective before March 1, 1986.

6.4 Changed Retirement Eligibility

If a member elects the RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C. § 12731, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.

6.5 Mental Incompetency

The Secretary of the Military Department concerned may make an SBP or RCSBP election on behalf of a member who is declared incompetent by medical officers of the armed force concerned, by the Department of Veterans Affairs (VA), or by a court of competent jurisdiction. In the event the member is later declared competent by one of these authorities, the member may elect to revoke that election within the 180-day period following a determination of competency. There are no refunds of premiums paid for coverage during a period of declared incompetence. The Comptroller General has held the authority to make a SBP election is a personal choice that is a matter of the member's own choosing, and that authority cannot be delegated to an agent (such as through a Power of Attorney).

6.6 Correction of Administrative Error

The Secretary of the Military Department concerned (or designee) may correct any election or any change or revocation of an election when the Secretary considers it necessary to correct an administrative error. See Chapter 42.

7.0 DISCONTINUANCE OF PARTICIPATION

7.1 Discontinuance of SBP Participation on Second Anniversary

7.1.1. An SBP participant may choose to voluntarily discontinue SBP participation during a 1-year period which begins on the second anniversary of the date of commencement of retired pay. The date of commencement of retired pay is defined as the date that the retiree becomes entitled to retired pay. A recall to active duty following retirement will not alter this date.

7.1.2. An SBP participant who is eligible to discontinue participation must send a written request to the Defense Finance and Accounting Services (DFAS) on a DD 2656-2. A request for information or a request for termination that is not on a DD 2656-2 is not considered a valid request to discontinue.

7.1.2.1. A married participant may not discontinue spouse coverage without the spouse's written concurrence, unless it is established that the spouse's whereabouts cannot be determined, or that, due to exceptional circumstances, obtaining the spouse's concurrence would be inappropriate. In exceptional circumstances, such as mental or physical incapacitation of the spouse, DFAS requires the appropriate documentation such as a physician's statement, which attests to the spouse's mental or physical incapacitation. Additionally, the incapacity must exist continuously since the date of the member's request.

7.1.2.2. If the SBP participant is providing former spouse coverage based on a court order, an amended court order should accompany the request, even if the former spouse concurs with the request.

7.1.3. If termination is not otherwise prohibited by ***10 U.S.C. § 1448***, a spouse or former spouse who concurs in the request for termination is considered notified in accordance with the law. A spouse or former spouse who changes his/her mind after concurrence has 30 days from the date of the first request to submit a letter withdrawing their concurrence. If concurrence is withdrawn within 30 days, the request to withdraw from SBP participation is void. The concurrence of the former spouse is applicable even though the coverage may be currently in a suspended status due to the former spouse's remarriage. Child concurrence is not required when a member elects to discontinue SBP participation for child coverage.

7.1.4. DFAS must ensure that a natural person or former spouse who is not required to concur in the request for termination is notified of the termination of SBP coverage by sending a letter to such beneficiary at the address in the retired member's file.

7.1.5. A member's participation terminates on the first day of the month following the month in which DFAS receives a request for discontinuance. Any premiums deducted for periods on or after the effective date must be refunded and the member notified of the final action concerning termination of coverage.

7.1.6. A member may withdraw the request to discontinue participation within 30 days of having submitted such request to DFAS. The 30-day period begins on the date that DFAS considers the withdrawal request received. Generally, this is the received date stamped on the DD 2656-2 by DFAS.

7.1.6.1. To withdraw the request to discontinue SBP participation, the member must notify DFAS by a legible, signed, written notice. The request must identify the member by name and social security number and state that the member no longer wants to discontinue SBP participation. When available, the request should include a photocopy of the original DD 2656-2.

7.1.6.2. If the member withdraws a request to discontinue participation within the prescribed 30-day period, the member's participation will not be discontinued. If the withdrawal notice is received after the prescribed date, it will have no effect, and the member must be so notified within 30 days. If the member provides proof of the date of mailing and such date is favorable to honoring the member's withdrawal request, the date of mailing serves as the date submitted.

7.1.6.3. If the member effectively withdraws a request to discontinue participation, that member must be so notified within 30 days. If participation had already been discontinued, it must be reinstated as though no break in coverage existed. Premiums not collected or paid, or that were refunded will be collected from the member's retired pay and the member notified of the final action concerning participation.

7.1.7. Once participation is discontinued under this provision, no benefits may be paid in conjunction with the member's previous participation. No refund of any premiums properly collected will be made.

7.1.8. A member who discontinues SBP participation pursuant to this paragraph may not later resume coverage or elect SBP coverage upon acquisition of another class of beneficiary.

7.2 Voluntary Termination of Coverage

7.2.1. A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) may voluntarily terminate their participation in SBP.

7.2.2. A member considering termination of insurable interest coverage under RCSBP should contact the responsible agent at DFAS or the Military Service Reserve Component Personnel Center (or an appropriately determined office for non-DoD Uniformed Services).

7.2.3. A member who is eligible and wants to terminate coverage may send a written request to the responsible agent identified in subparagraph 7.2.2. The request, signed by the

member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

7.2.4. When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or actually is a request to terminate participation. In either case, the member will be mailed two fact sheets that explain the procedures for terminating participation, the advantages and disadvantages of participation, and the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

7.2.5. No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had RCSBP coverage. See Chapter 54, for recomputation of the original "add-on" portion of the RCSBP premium when member terminates coverage before age 60.

7.2.6. A member who wishes to withdraw the request to terminate participation must notify the Secretary concerned (or designee) using a legible, signed written notice to the member's responsible agent in subparagraph 7.2.2. The notice must identify the member's name and social security number and state that the member no longer wants to discontinue SBP participation. Such requests are handled in accordance with the provisions of subparagraphs 7.1.6.2 and 7.1.6.3.

7.2.7. The member may only resume SBP participation by electing coverage for a spouse or dependent child within 1 year of acquiring the family member.

7.3 Invalidation of Certain SBP Elections Made by Disability

7.3.1. The SBP elections for a natural person with an insurable interest, other than for a person who is a qualified dependent, is void for members who retired for reasons of disability under 10 U.S.C., Chapter 61, if they die within 1 year after the disability retirement date with the cause of death being related to the disability for which the member retired.

7.3.2. For voided election, SBP deducted from the member's retired pay is refunded to the person to whom the SBP annuity would have been paid pursuant to such election.

7.4 Withdrawal by a Totally Disabled Member

7.4.1. Any person who elects to participate in SBP with a service-connected disability rated by the VA as totally disabling and is so rated for 10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary concerned (or designee). The initial date for determining the 5- or 10-year period is the effective date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

7.4.1.1. The request for discontinuance must be with the written concurrence of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child, written concurrence may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

7.4.1.2. The Secretary concerned must furnish to each person requesting discontinuance a written statement of the advantages of participating and the possible disadvantages of discontinuing participation in the plan.

7.4.1.3. A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

7.4.1.4. Participation in the Plan and cost of SBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned.

7.4.1.5. If a member dies after the date that the request for withdrawal has been received by the Secretary concerned, but before the effective date of that request, the beneficiary is entitled to the annuity.

7.4.2. Upon the death of a person who has discontinued participation in the Plan who is a totally disabled member, a refund of SBP amounts deducted from retired or retainer pay without interest will be made to the widow or widower.

7.4.3. Any person who has discontinued participation in the Plan may again elect to participate if the VA reduces the disability rating to less than total and the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

7.4.3.1. Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on the DD 2656. Documentation attesting to the less than total disability rating must accompany the application.

7.4.3.2. If the member applies for resumption of participation, but dies before the effective date, the beneficiary is entitled to an annuity on the date the election would have been effective.

7.4.3.3. Resumption of participation is limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in Chapters 42 through 54.

8.0 OPEN SEASON PERIODS

8.1 Regular Recurring Open Season for Enrollment and Discontinuation

There are no regular recurring open season periods. Open seasons must be specifically prescribed by law. The most recent SBP open season, which was authorized by

section 643 of PL 117-263, began December 23, 2022, and ended January 1, 2024. This open season allowed eligible members to participate or discontinue participation. For this open season, an "eligible member" is a retired member or former member who, on December 22, 2022, were entitled to retired pay, or would be entitled to retired pay but for the member or former member was under the eligibility age to receive retired pay. In the absence of such a legislatively prescribed period, members may only enroll or disenroll as specified in this chapter.

8.2 NDAA FY 2023 SBP Open Season for Enrollment

The SBP Open Season allowed for eligible members who, on December 22, 2022, were not currently enrolled in SBP or RCSBP to enroll. For a member who enrolled during the SBP Open Season, the law generally required the member to pay retroactive SBP premium costs that would have been paid if the member had enrolled at retirement (or enrolled at another earlier date, depending on the member's family circumstances). See the ***Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season***, dated March 9, 2023.

8.3 NDAA FY 2023 SBP Open Season for Discontinuation

The SBP Open Season also allowed eligible members who were currently enrolled in either SBP or RCSBP to permanently discontinue their SBP coverage. The law generally required the covered beneficiaries to concur on the ***SBP and RCSBP Open Season Election to Discontinue Participation*** form in writing with the election to discontinue. Previously paid premiums will not be refunded. See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

*REFERENCES

CHAPTER 43: SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

1.0 - GENERAL

	DoD Instruction 1332.42, December 30, 2020
	10 U.S.C. § 1448(b)(3)(A)(ii)

2.0 - ELECTION OPTIONS

	10 U.S.C. § 1447(2)
	10 U.S.C. § 1448(a) and (b)
	DoD Directive 1332.27, paragraphs 201a, 201c, and 201d, January 4, 1974
2.3	10 U.S.C. § 1451
2.4.3	10 U.S.C. § 1452(c)(5)

3.0 - IRREVOCABLE ELECTIONS, CORRECTIONS, AND DISCONTINUED PARTICIPATION

	10 U.S.C. § 1452(g)
	10 U.S.C. § 1449
	10 U.S.C. § 1448(a)
	10 U.S.C. § 1454
3.1.3	10 U.S.C. § 1448(b)(1)(B)

4.0 - ELECTION COVERAGE

4.1.1	10 U.S.C. § 1448(a)
4.1.2	10 U.S.C. § 1448(a)
4.1.3	10 U.S.C. § 1448(a)(4)
	10 U.S.C. § 1454
4.1.4	10 U.S.C. § 1448(a)
	10 U.S.C. § 1458(a)
4.1.5	10 U.S.C. § 1448(a)(5)
4.1.6	10 U.S.C. § 1448
4.1.7	10 U.S.C. § 1448(b)(3)
4.3	10 U.S.C. § 1448(b)
4.3.2	10 U.S.C. § 1448(b)
4.3.3	10 U.S.C. § 1450(f)
4.4.4	PL 114-92, section 641, November 25, 2015
4.4.4.1.2	10 U.S.C. § 1448(b)(7)(B)(i) and (C)(i)
4.4.4.2.2	10 U.S.C. § 1448(b)(7)(B)(ii) and (C)(ii)

REFERENCES (Continued)

	PL 114-92, section 641, November 25, 2015
4.5.1	10 U.S.C. § 1450(d)
4.5.6	5 U.S.C. § 8332(c)

5.0 - ELECTION DATA

	PL 98-525, section 644, October 19, 1984
	10 U.S.C. § 1458(c)
5.1	10 U.S.C. § 1448(a)
5.3.5	DoDI 1332.42, December 30, 2020

6.0 - CHANGES IN ELECTION AND COVERAGE

	10 U.S.C. § 1450(f)
6.1.1	10 U.S.C. § 1448(a)(6)
6.1.2.4	10 U.S.C. § 1450(f)
6.1.2.6	DoDI 1332.42, December 30, 2020
6.2	10 U.S.C. § 1448(b)(4)
	10 U.S.C. § 1450(f)
6.5	Comp. Gen. B-135468 (August 19, 1959)
6.6	DoDI 1332.42, December 30, 2020

7.0 - DISCONTINUANCE OF PARTICIPATION

7.1	10 U.S.C. § 1448a
7.1.2	10 U.S.C. § 1448
7.1.3	10 U.S.C. § 1448(a)
7.2.1.2	10 U.S.C. § 1452(g)(3)
	10 U.S.C. § 1448(b)(1)
7.3	Office of the Under Secretary of Defense (Personnel and Readiness) Memo, April 27, 2004
7.4.2	10 U.S.C. § 1452(g)

8.0 - OPEN ENROLLMENT PERIODS

8.1	10 U.S.C. §1448
8.2	10 U.S.C. § 1452(g)
	PL 117-263, section 643, December 23, 2022
	10 U.S.C. § 12731

VOLUME 7B, CHAPTER 44: "SURVIVOR BENEFIT PLAN (SBP) - BENEFICIARIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2.2.2.	Revised section to add the definition of "recognized educational institution" for clarity.	Revision
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 44

SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

1.0 GENERAL

1.1 Purpose

The eligible beneficiaries under the SBP (also referred to as the Plan) are the spouse and/or dependent children, a former spouse and/or dependent children, or a natural person with an insurable interest, providing they meet certain eligibility requirements. The election, if required, must be received within the time period allowed. An individual may not receive more than one annuity as the surviving spouse or former spouse of different members (see Chapter 46); however, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity. For example, the child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

1.2 Authoritative Guidance

The pay policies and requirements established by the DOD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10 and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ELIGIBLE BENEFICIARIES

2.1 Spouse (Including the Spouse of a Common-Law Marriage)

2.1.1. If the spouse is married to a retiree on the date of retirement, the spouse is an eligible beneficiary. The spouse is automatically designated as the beneficiary even if the beneficiary data is not received before the date of retirement. However, the spouse is not automatically the beneficiary if prior to retirement the member elects, with the spouse's written concurrence, to not participate in SBP or to provide child, but not spouse coverage.

2.1.2. If the member elected spouse coverage at retirement and the member’s previous spouse has become ineligible for SBP due to death or divorce, the spouse who marries the member after the date of retirement is the eligible beneficiary. Spouse coverage is resumed upon the first anniversary of remarriage or birth of a child of that remarriage, whichever is earlier, unless the member elects not to resume spouse coverage within 1 year of the remarriage.

2.1.3. If the spouse marries the member after the date of retirement, and the member did not have a spouse at retirement and did not elect insurable interest coverage, the spouse is an eligible beneficiary only if the member elects to provide spouse SBP coverage within 1 year of the marriage. The spouse coverage is effective on the first anniversary of the marriage or birth of a child of that marriage, whichever is earlier.

2.1.4. If the spouse is married to a retiree at the time of retirement and the member elected spouse coverage, then divorced (and no former spouse coverage is established), and later remarried the same spouse, the spouse becomes eligible immediately upon remarriage provided spouse coverage was resumed. However, the member may elect to decline the resumption of spouse coverage within one year of remarriage.

2.1.5. If the spouse marries a retiree after the date of retirement (and spouse coverage is elected), then divorces (and no former spouse coverage is established), and later remarries the member, the spouse becomes eligible upon the first anniversary of remarriage or date of the birth of a child of that remarriage. However, the member may elect to decline the resumption of spouse coverage within one year of remarriage.

2.1.6. A spouse who is married to a member who dies in the line of duty while on active or inactive duty, or to a retirement eligible member regardless of the line of duty determination, is an eligible SBP beneficiary. See Chapters 46 and 54.

2.1.7. A member may change election coverage from a natural person with insurable interest to coverage for a spouse within 1 year of marriage. The spouse becomes an eligible beneficiary upon the first anniversary of the marriage or the date of birth of a child of that marriage, whichever is earlier, provided the member changes to spouse coverage. Until the spouse and/or child are eligible, the previously elected class of beneficiary remains eligible.

2.1.8. A member may change election coverage from a former spouse to coverage for a spouse in accordance with Chapter 43, paragraph 6.2 at any time following remarriage, provided the former spouse is still living at the time the Secretary concerned receives the member's election. The spouse becomes an eligible beneficiary on the date of the election receipt and the associated premium is effective on the first day of the month following receipt of election.

2.2 Children (Including Children of a Common-Law Marriage)

2.2.1. Child is an Eligible Beneficiary. The child is an eligible beneficiary only if the child is:

2.2.1.1. Unmarried and:

2.2.1.1.1. Under age 18 (including a child serving on active duty in the Uniformed Services);

2.2.1.1.2. At least 18 but under 22 and pursuing a full-time course of study in a recognized educational institution; or

2.2.1.1.3. Incapable of self-support because of a physical or mental incapacity, which existed before the child's 18th birthday or was incurred before age 22 while pursuing a full-time course of study; and

2.2.1.2. A child of the member, which includes:

2.2.1.2.1. A child determined by a paternity test or a court of competent jurisdiction to be a child of the member (documentation will be required to substantiate a claim);

2.2.1.2.2. An adopted child; or

2.2.1.2.3. A stepchild, foster child, or recognized natural child, if that stepchild, foster child, or recognized natural child lived with the retiree in a regular parent-child relationship.

2.2.2. Special Eligibility Rules for Child Seeking Full-Time Course of Study

2.2.2.1. A child whose 22nd birthday occurs before July 1st or after August 31st of a calendar year, and while regularly pursuing such a course of study or training, is considered to have become 22 years of age on the first day of July after that birthday.

2.2.2.2. The eligibility of a child over the age of 18 terminates if the child does not maintain a certified program of full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A recognized educational institution means the high school, trade school, state law compliant home school (effective May 8, 2013), technical or vocational institute, junior college, college, university, or comparable educational institution. The term also includes home schools that operate in compliance with the compulsory attendance laws of the states in which they are located, whether treated as private schools or home schools under state law. The term "home school" is limited to courses of instruction for grades kindergarten through 12 only. If the child resumes schooling as described, eligibility is reinstated (see Chapter 46).

2.2.3. Special Eligibility Rules for Foster Child. A foster child must have resided with the retiree at time of death, received over one-half of his or her support from the retiree, and not be cared for under a social agency contract.

2.2.4. Relatives or Grandchildren. A relative of the member (such as a grandchild) may qualify as an eligible child beneficiary if a foster parent/foster child relationship exists. Adoption of a grandchild is not required for the member to designate that child as an eligible child beneficiary.

2.2.5. Child of Former Spouse. A child of the member and the former spouse is an eligible child beneficiary, if the member elects former spouse and child coverage. If a member who elected spouse and child coverage later divorces, the child coverage continues after the divorce. However, if the coverage is changed to provide coverage for the former spouse only, the child coverage will not continue. The election of former spouse coverage will terminate the child coverage unless the new coverage elected includes both former spouse and child coverage.

2.2.6. Active or Inactive Duty. A child of a member who died on active or inactive duty is an eligible beneficiary provided:

2.2.6.1. There is no eligible former spouse established by a court order;

2.2.6.2. There is no eligible surviving spouse; or

2.2.6.3. The Service Secretary has determined the annuity is payable to the child(ren) in lieu of the surviving spouse. See Chapters 46 and 54.

2.2.7. Termination by Marriage. Child eligibility terminates by marriage of the child, regardless of whether the child is an incapacitated child entering into a valid marriage with another incapacitated individual. The termination of a child's marriage by death or divorce does not serve as a basis for reinstating child coverage, regardless of age or school attendance. An annulment of the child's marriage which renders the marriage void or invalid, or a judicial decree by a court of competent jurisdiction declaring the marriage void, may serve as a basis for reinstating child coverage.

2.2.8. Child Entering Active Duty. The child of a deceased member who is under 18 years of age and serving on active duty in a uniformed service is an eligible beneficiary until their 18th birthday even though they are provided pay, quarters, and subsistence by the Government.

2.2.9. Child Serving as a Cadet or Midshipman at Service Academy or Scholarship Student. The child of a deceased member who is under age 22 and serving as a cadet or midshipman at a service academy, or are enrolled in an institute of higher learning under a military scholarship program, is an eligible beneficiary even though they provided pay, quarters, and subsistence by the Government.

2.3 Spouse and Children

Eligibility requirements are as shown in paragraphs 2.1 and 2.2.

2.3.1. General. The spouse is the primary beneficiary with coverage passing to the children if the spouse remarries before age 55, dies, or otherwise becomes ineligible. If the spouse again becomes eligible due to a remarriage ending in death or divorce, the annuity to the spouse resumes.

2.3.2. Death on Active or Inactive Duty. If the annuity is payable because the member dies on active or inactive duty, and there is no eligible spouse or former spouse, the annuity will be paid to any dependent children. In the case of a surviving spouse and children, the Service Secretary may pay the annuity to the member's dependent children in lieu of an annuity to the spouse. See Chapters 46 and 56 and subparagraph 2.2.6.

2.4 Former Spouse

A former spouse is an eligible beneficiary if:

2.4.1. The former spouse was the member's former spouse when the member became eligible to participate in the Plan and the member elected the former spouse as beneficiary or the former spouse submits a valid deemed election (see Chapter 43); or

2.4.2. The former spouse was not the member's former spouse at the time the member became eligible to participate in the Plan, and the prior spouse election is changed to provide coverage for the former spouse or the former spouse submits a valid deemed election pursuant to Chapter 43. A former spouse acquired after the member became eligible to participate in the Plan may only be an eligible beneficiary if married to the member for at least 1 year or the parent of an issue of the marriage.

2.4.3. See Chapter 46, paragraph 3.1 if the annuity is payable because the member dies on active or inactive duty.

2.5 Former Spouse and Child

If coverage includes child, then the former spouse is the primary beneficiary with coverage passing to the children if the former spouse remarries before age 55, dies, or otherwise becomes ineligible. The child is an eligible beneficiary provided the conditions in subparagraph 2.2.1 are met and the child resulted from the member and former spouse's marriage.

2.6 Natural Person with Insurable Interest

An eligible natural person with insurable interest is:

2.6.1. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This category may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or stepchild, or any other person more closely related than cousin;

2.6.2. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree. Proof of financial benefit from the continuance of the life of the member is required for persons other than those listed in subparagraph 2.6.1; or

2.6.3. In the case of a member who dies on active or inactive duty and no other beneficiary is eligible to receive an annuity, a person who is, as determined by the Secretary concerned, a dependent of that member as defined in ***10 U.S.C. section 1072(2)***.

2.7 Special Needs Trust (SNT)

Service members and retirees who elect child coverage may direct payment of a SBP annuity for a dependent child to a SNT. If a SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child's surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate a SNT as beneficiary. A SNT is also known as a supplemental needs trust. A SNT is a legal instrument that can be established by certain individuals in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits which that person may be entitled to receive. To be an eligible beneficiary, the SNT must be for the benefit of a person considered disabled under ***42 U.S.C. § 1382c(a)(3)*** and in accordance with the SBP statute. The SNT must also comply with ***42 U.S.C. § 1396p(d)(4)***. See Chapter 46 for further information regarding qualifying a SNT as a beneficiary.

2.8 Exception

If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent.

REFERENCES

CHAPTER 44 – SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

1.0 – GENERAL

1.1	10 U.S.C. § 1447 10 U.S.C. § 1450(a) and (b)

2.0 – ELIGIBLE BENEFICIARIES

2.1.1	10 U.S.C. § 1448(a)(2)
2.1.2	Department of Defense Instruction (DoDI)1332.42, December 30, 2020
2.1.3	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
2.1.4	10 U.S.C. § 1448(a)(6) 10 U.S.C. § 1447(7) and (8) 53 Comptroller General (Comp Gen) 470 B-180407, January 16, 1974 53 Comp Gen 847, B-179018, May 10, 1974
2.1.6	National Defense Authorization Act (NDAA), FY 2017, Public Law (PL) 114-328, section 642 10 U.S.C. § 1448
2.1.7	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
2.1.8	10 U.S.C. § 1450(f)(1)(C)
2.2.2	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1447(11)
2.2.6	NDAA, FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
2.2.8	53 Comp. Gen. 420, B-178966, December 6, 1973
2.2.9	53 Comp. Gen. 420, B-178966, December 6, 1973
2.3	38 U.S.C. § 103 10 U.S.C. § 1448(d) 10 U.S.C. § 1448(f)
2.3.2	NDAA, FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
2.4	10 U.S.C. § 1408 38 U.S.C. § 103 10 U.S.C. § 1448(b)
2.5	10 U.S.C. § 1448(b)(4)
2.6	Comp Gen, B-179465, July 19, 1974 52 Comp Gen 973, B-178270, June 26, 1973 10 U.S.C. § 1448(d)(6)(A)
2.7	NDAA for FY 2015, PL 113-291, section 624

REFERENCES (Continued)

	10 U.S.C. §§ 1448 and 1450
2.8	Comp Gen B-187743, July 7, 1977

VOLUME 7B, CHAPTER 45: "SURVIVOR BENEFIT PLAN (SBP) PREMIUMS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated December 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision
8.5	Updated to include open enrollment period of December 22, 2022, through January 1, 2024, and renumbered subsequent subparagraphs.	Revision
References	Updated references where applicable.	Revision

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CHAPTER 45

SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide information on premiums for SBP coverage based on the type of coverage, as well as the computation and payment of these premiums.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 PREMIUM

2.1 Premium Coverage

The Survivor Benefit Plan was designed as a contributory plan. In return for protection of their dependents upon their death, participating retirees contribute premiums normally through deductions from their retired pay. The amount of the monthly premium is based on the type of coverage and the base amount (maximum or reduced), as elected by or on behalf of the member. The types of SBP coverage are natural person with an insurable interest (also referred to as natural interest person or NIP), spouse, spouse and child, child only, former spouse, and former spouse and child. Coverage may also be directed to a Special Needs Trust for the sole benefit of certain dependent children. SBP premiums normally increase at the same time, and by the same percentage, as do increases for retired pay or retainer pay.

2.2 Premiums Not Specified

All premiums not specified in this chapter are calculated by the DoD using assumptions (as to mortality and economic conditions) consistent with those approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. The Director of Military Compensation approves these calculations and resulting premiums. For more information, refer to the ***Office of the Actuary*** site.

2.3 Effective Date of Premium

See Table 45-2 or Table 45-3 as applicable.

2.4 Cost of Living Adjustment (COLA)

SBP premiums normally increase at the same time, and by the same percentage, that retired pay increases by COLA. When the payment of increased retired pay resulting from a COLA is delayed, the increase to SBP premiums will occur at the same time the retired pay is increased rather than the effective date of the COLA increase (or the date that the retired pay would have increased if the retired member was currently in receipt of retired pay).

3.0 BASIC SPOUSE/FORMER SPOUSE PREMIUM CALCULATION

3.1 Initial Premium Calculation

There are two methods for calculating the initial premium for the standard SBP annuity coverage for a spouse or former spouse. These methods are:

3.1.1. An amount equal to 6.5 percent of the base amount (see Chapter 42, paragraph 4.1), and

3.1.2. An amount equal to 2.5 percent of a threshold-amount plus 10 percent of the difference between the base amount and the threshold-amount. The threshold-amount is adjusted at the same time and by the same percentage as the average increase in basic pay. See paragraph 3.4. The original threshold-amount of $300 has been increased by the same percentage increase as basic pay since October 1, 1985.

3.2 Premium Calculation Before March 1, 1990

3.2.1. A person who became a member before March 1, 1990, or who is entitled to disability or non-regular (Reserve) retirement, is entitled to whichever method is more favorable as described in subparagraphs 3.1.1 and 3.1.2.

3.2.2. For a person who first participates in SBP for spouse or former spouse coverage before March 1, 1990, the initial premium was computed on a standard cost formula of 2.5 percent of the threshold-amount, plus 10 percent of the base amount in excess of the threshold-amount. The threshold-amount is increased as set out in paragraph 3.4.

3.2.3. If the individual first became a member of a uniformed service before March 1, 1990, is providing spouse coverage, and the SBP premium exceeds 6.5 percent of the base amount, the SBP premium was recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

3.3 Premium Calculation on or After March 1, 1990

Effective March 1, 1990, the initial SBP premium formula for spouse or former spouse coverage for a member who did not have a disability or non-regular (Reserve) retirement became 6.5 percent of the base amount as described in subparagraph 3.2.3.

3.4 Threshold-Amount Increase

The threshold-amount is increased by:

3.4.1. The same percentage as the increase in basic pay effective on or after October 1, 1985. The increase occurs at the same time. This applies to a retired member whose retired pay is computed on the basic pay rate in effect or after the effective date of such increase in basic pay; or

3.4.2. The same percentage as a COLA applied to the retired member's retired pay on or after October 1, 1985, if the retired member first participates in the SBP after the effective date of the COLA increase and after the effective date of the basic pay rates on which the retired member's retired pay is computed. This is in addition to the increase in subparagraph 3.2.1 and the increase occurs at the same time as the COLA increase.

4.0 COMPUTATION OF PREMIUMS

4.1 Spouse Only or Former Spouse Only

See Table 45-1, Rule 1.

4.2 Spouse and Child, Former Spouse and Child, or Child Only

If the SBP coverage is for spouse and child, former spouse and child, or child only, a formula must be applied against the base amount (or base amount times 55 percent before April 1983) to determine the charge for coverage of the child. The age of the youngest child is used to determine the premium. If there is an incapacitated child over 18 years of age and there also is a competent child over age 18 but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children, then age 17 is used to determine the premium. The premium can be determined from the SBP Factor Tables by contacting Defense Finance and Accounting Service-Cleveland (DFAS-CL), Retired and Annuitant Pay Directorate. A cost computation can be obtained by contacting an SBP counselor at the nearest military installation. See Table 45-1, Rules 2 and 3.

4.2.1. The following steps are used to compute the premium:

4.2.1.1. Determine the age of the:

4.2.1.1.1. Retired member, spouse, and child for spouse and child coverage;

4.2.1.1.2. Retired member, former spouse, and child for former spouse and child coverage; or

4.2.1.1.3. Retired member and child for child coverage;

4.2.1.2. Determine the cost factor from the appropriate SBP Factor Tables;

4.2.1.3. Multiply the base amount by the factor to determine the child premium; then

4.2.1.4. Add the child premium to the spouse (or former spouse) premium.

4.2.2. The following are examples of computing premiums:

Example 1: A member retires on February 1, 2018, with 20 years of active service. The gross retired pay is $1,000.00. The retired member elects maximum coverage for spouse and child. Birth dates are February 1, 1979 (retired member); June 2, 1983 (spouse); and May 1, 2009 (child).

Step 1. Compute ages. Six months or more is considered a full year. Note: Months are computed in 30-day increments for pay purposes only.

Retired	20180201	Spouse	20180201	Child	20180201
Member	19790201		19830602		20090501
	390000		340729		80900
	(39)		(35)		(9)

Step 2. Using the SBP Factor Table as determined by the Department of the Actuary to locate the combination of a retired member age 39, spouse age 35, and child age nine. A cost computation can be obtained by contacting the DFAS-CL, Retired and Annuitant Pay Directorate or by contacting an SBP counselor at the nearest military installation.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$65.00
Child premium:	$1,000.00	
	x .00001	
	$ .01	+$ .01
Total Premium:		$65.01

Example 2: The spouse in Example 1 becomes an ineligible beneficiary on March 3, 2019. Coverage changes to child only.

Step 1. Recompute the ages for retired member and child.

Retired member	20190303	Child	20190303
	19790201		20090501
	400102		91002
	(40)		(10)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40 and child age 10. The resulting factor is .0016.

Step 3. Determine total premium: $1,000.00 x .0016 = $1.60

Example 3a: The retired member elects spouse and child coverage (Example 1) at retirement on February 1, 2018. The spouse becomes an ineligible beneficiary (dies or divorces) and coverage changes to child only (Example 2) on March 3, 2019. The retired member marries a different spouse on May 14, 2019. The birth date for the new spouse is October 12, 1982. Spouse and child coverage resumes on May 14, 2020, unless the retired member elects not to resume spouse coverage. The new premium for spouse and child is effective on May 14, 2020. See Table 45-3, Rule 9 and Note 8.

Step 1. Recompute ages for retired member, spouse, and child.

Retired	20200514	Spouse	20200514	Child	20200514
Member	19790201		19821012		20090501
	410313		370702		110013
	(41)		(38)		(11)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 41, spouse age 38, and child age 11.

Steps 3 and 4. Determine the total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	× .00001	
	$ .01	+ $ .01
Total Premium		$ 65.01

Example 3b: The member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2) effective March 3, 2019. The retired member remarries on May 14, 2019. The birth date for the new spouse is October 12, 1982. Coverage would have resumed for the spouse and child on May 14, 2020, the first anniversary of the marriage; however, the spouse becomes the parent of issue by that marriage before the first anniversary. Coverage changes to spouse and child on the date the child is born of that marriage. The new premium is effective the first day of the month following the birth. See Table 45-3, Rule 9 and Note 8. Assume that the child is born March 27, 2019.

Step 1. Recompute ages for retired member, spouse, and child.

Retired	20190327	Spouse	20190327	Child	20190327
Member	19790201		19821012		20190327
	400126		360515		000000
	(40)		(36)		(00)

Step 2. The SBP Factor Table is used to locate the combination of a retired member age 40, spouse age 36, and child age 0.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	× .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	× .00001	
	$.01	+ $.01
Total Premium		$ 65.01

Example 4: The retired member elects spouse and child coverage at retirement on February 1, 2018 (Example 1). The retired member divorces on March 3, 2019, and coverage changes to child only. See Example 2 for recomputation. The retired member elects coverage for former spouse and child based on a court order dated June 2, 2019, and received June 28, 2019. The premium for the former spouse and the child is effective July 1, 2018. The ages are recomputed on the date the election is received.

Step 1. Recompute ages.

Retired	20190628	Former	20190628	Child	20190628
Member	19790201	Spouse	19830602		20090501
	390427		350026		090127
	(40)		(35)		(10)

Step 2. Use The SBP Factor Table to locate the combination of a retired member age 40, spouse age 35, and child age 10.

Step 3. Determine the premium as in Example 1.

4.3 Natural Interest Person (NIP)

In some cases, the insurable interest category may include former spouse. The premium formula for the insurable interest category is 10 percent of retired pay plus 5 percent for each full 5 years the individual designated is younger than the retired member. However, the total insurable interest premium cannot exceed 40 percent and must be based on full retired pay. Refer to Table 45-1, Rule 4.

5.0 COLLECTION AND PAYMENT OF PREMIUM

Members electing SBP coverage must pay a premium for such coverage. Premiums are collected either through reduction of retired pay, deductions from the retired member's Combat-Related Special Compensation (CRSC), or direct remittance.

5.1 Payments

5.1.1. When Retired Pay is Sufficient. A retired member who receives enough retired pay to cover the premiums for SBP has those premiums withheld from his or her retired pay.

5.1.2. When Retired Pay is Not Sufficient or Not Paid

5.1.2.1. Not Sufficient. In the case of a person who has elected to participate in SBP and who has been awarded both retired pay and CRSC under 10 U.S.C. § 1413a, if a deduction from the person's retired pay for any period cannot be made in the full amount required, there shall be deducted from the person's CRSC in lieu of deduction from the person's retired pay the amount that

would otherwise have been deducted from the person's retired pay for that period. (See Chapter 42, paragraph 4.5).

5.1.2.2. Not Paid. If a person who has elected to participate in SBP has been awarded retired pay and is not entitled to that pay for any period, that person must remit the premium in the amount that would otherwise have been deducted from his pay for that period, except to the extent that the required deduction is made pursuant to subparagraph 5.1.2.1.

5.2 Waiver of Retired Pay

5.2.1. For any period in which the retired member is not receiving retired pay because of non-entitlement to or waiver of such pay or the pay received is not enough to cover the total cost of coverage, the payments are to be deducted from the retired member's CRSC or the retired member must remit the amount due to DFAS-CL. Premiums are due on the effective date of coverage. For example, member retires June 1; the first payment is due June 1, for the period June 1-30. A retired member who waives full retired pay for Veterans Affairs (VA) disability compensation may pay the premium by direct remittance or by deduction from the VA disability compensation payments (see Chapter 12, subparagraph 2.7.1).

5.2.2. If the retired member waives participation in the military SBP and elects participation in the civil service SBP, and the civil service waiver later becomes ineffective for any period for any reason, previous participation in the military SBP is resumed and military SBP premium is due from the retired member.

5.3 Emergency Officer's Retired List (EORL)

A retired member on the EORL may pay premiums by direct remittance or by deduction from EORL payments.

5.4 Active-Duty Recall

If a retired member is recalled to active duty for more than 30 days after a break in service, the retired member does not pay the premium while on active duty.

5.5 Active Judicial Duty

The retired member remains an SBP participant while on active judicial duty and is required to pay the SBP premiums while military retired pay is suspended.

6.0 SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

6.1 No Eligible Beneficiary

Premiums are suspended for spouse or former spouse coverage when there is no longer an eligible beneficiary. Premiums are also suspended for child coverage when there is no eligible child beneficiary (see Chapter 54 for Reserve Component Survivor Benefit Plan (RCSBP) child coverage).

6.2 School Nonattendance

If the SBP premium was adjusted or discontinued based on school nonattendance of the child beneficiary, the premium is adjusted retroactively to the first day of the month after the child resumed school attendance.

6.3 Premium Changes

The premium changes when:

6.3.1. Coverage is for spouse and child (or former spouse and child) and the last dependent child is no longer an eligible beneficiary. The premium for coverage is changed to spouse (or former spouse) only. The child coverage is suspended. See Table 45-3, Rule 8; or

6.3.2. Coverage is for spouse only, the covered spouse is no longer eligible, and the retired member remarries. Within 1 year after the retired member's remarriage, the retired member may:

6.3.2.1. Resume coverage;

6.3.2.2. Elect not to resume spouse coverage; or

6.3.2.3. Increase the base amount up to and including full retired pay for spouse or spouse and child coverage. The retired member may increase the base amount at any increment up to full coverage. An increase in level of coverage will result in an increased premium. When level of coverage is increased upon remarriage, a retired member must pay for premiums as if that level of spouse coverage had always been in effect. The retired member must pay for premiums which would have been charged had this level of coverage always been in effect less the amount of premiums already paid by the retired member. In addition, this amount owed will be charged with interest. Full coverage is based on full retired pay which means the spouse will receive 55 percent of the retirement pay. If lesser coverage is selected, then the spouse will receive 55 percent of the elected base amount. See Table 45-3, Rule 6;

Note: If no action is taken, coverage will resume at the same amount on the first day of the month following the first anniversary of the new marriage.

6.3.3. Coverage is for spouse and child and the spouse is no longer eligible or the coverage is for former spouse and child and the former spouse is no longer eligible. See Table 45-3, Rule 7, for computation for the child premium.

6.3.4. Coverage is for spouse at the time of the retired member's retirement (on or before March 21, 1974, for a pre-September 21, 1972, retired member), and the retired member subsequently divorces and then remarries that former spouse. The premium is effective the first day of the month following the remarriage, unless the remarriage is the first day of the month, then the premium is effective on the date of marriage;

6.3.5. Coverage is for spouse after date of retirement and the retired member subsequently divorces and then remarries that former spouse. The premium of coverage is resumed the first day of the month following the first anniversary unless the remarriage is the first day of the month, then the premium resumes on the first day of the first anniversary;

6.3.6. Coverage is for spouse or spouse and child and is changed to former spouse under Chapter 43. In the case of a person required to make the election by reason of a court order or the filing of which is after October 16, 1998, then the premium is effective the first day of the month after the date of that court order or filing. See Table 45-3, Rule 10; or

6.3.7. Coverage for spouse begins after the death of a covered former spouse. Upon electing coverage for a spouse after the death of a covered former spouse, the retired member may not increase or decrease the amount of coverage. The retired member must have been:

6.3.7.1. Married for at least 1 year on the date of former spouse's death. If the retired member had been married for at least 1 year on the former spouse's date of death, and the retired member makes a spouse election within 1 year of the former spouse's death, premiums will resume on the first day of the month following the death of the former spouse.

6.3.7.2. Married within the 1-year period preceding the date of death of the former spouse. If the retired member married within the 1-year period preceding the date of death of the former spouse and the retired member makes a spouse election within 1 year of the former spouse's death, premiums will resume on the first day of the month following the first anniversary of the marriage; or

6.3.7.3. Married after the death of the former spouse. If the retired member marries after the former spouse's date of death, and the retired member makes a spouse election within 1 year of the marriage, premiums will resume on the first day of the month following the first anniversary of the marriage.

6.4 Premium Termination

The SBP premium terminates for a NIP under the following circumstances:

6.4.1. When the beneficiary dies;

6.4.2. When the retired member terminates coverage for the NIP; or

6.4.3. On the date a spouse or child acquired after retirement becomes the eligible beneficiary if the retired member elected coverage for such spouse or child. The SBP premium is terminated as of the date shown in Table 45-4. See Chapter 43, section 7.0 for more information on termination procedures.

6.5 Voluntary Termination

If a retired member voluntarily discontinues SBP participation under Chapter 43, the premium terminates on the effective date of the election, which is the first day of the month following the date of the receipt of the request. Any premium deducted for periods on or after such effective date must be refunded and the retired member notified of the final action concerning termination of coverage.

6.6 Other Suspension and Termination Situations

See Table 45-4 for other suspension and termination of premium situations.

7.0 DELINQUENT SBP PREMIUMS

Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually and based on assumptions approved by the DoD Board of Actuaries for the Valuation of the Military Retirement Fund. Any delinquent Retired Serviceman's Family Protection Plan (RSFPP) premiums existing on date of conversion to SBP continue with interest, until paid. Upon the death of a retired member, any delinquency, plus interest, is collected from the annuitant's benefits before payment of any annuity will commence.

8.0 PAID-UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

8.1 Paid-Up Premiums

8.1.1. Premiums for SBP participation are permanently paid up (no further reductions to retired pay or remittances) when a retired member attains age 70 and has paid 360 months of premium payments.

8.1.2. A retired member who became an SBP participant or increased the base amount coverage during April 1, 1992, through March 31, 1993, was required to pay the basic SBP premium and an additional premium, which was a percentage of the basic premium determined by the actuary. The additional premium accounted for the premiums the retired member would have paid if the

retired member had elected SBP at the earliest possible date. A retired member who paid the additional premium received credit towards the paid-up 360 months based upon the additional premium paid.

8.2 Coverage in Effect October 2008

Effective with the retired pay entitlement and SBP coverage in effect for the month of October 2008, SBP premium reductions will no longer be made if the retired member is a qualified SBP participant described in paragraph 8.3. Deposits of monthly SBP premiums made by an SBP participant during a period when the participant is not entitled to retired pay qualify as premium reductions.

8.3 Birthday Month

A retired member is a qualified participant for purposes of paid-up SBP coverage if the retired member is age 70 or older whose retired pay has been reduced for SBP coverage for 360 months or more. If the retired member's 70th birthday occurs later than the 360th month for which the retired member paid SBP premiums, no SBP premiums will be required for the month in which the member reaches age 70, regardless of the day on which that occurs in the month.

8.4 Effective Date

The first payment that can be affected is the payment for the period of retired pay entitlement beginning October 1, 2008 (due November 3, 2008).

*8.5 Open Season Buy-In Premium

8.5.1. A retired member who elected or changed SBP coverage during the open enrollment periods March 1, 1999, through February 29, 2000, and October 1, 2005, through September 30, 2006, was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium was due and payable in a lump sum payment at the time the retired member filed the election. A retired member who paid the lump sum, buy-in premium received credit toward the 360 months as if the retired member's retired pay had been reduced monthly for SBP premiums.

8.5.2. A retired member who elected SBP coverage during the open enrollment period of December 23, 2022, through January 1, 2024, was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium is the total amount by which the retired pay of the person would have been reduced if the person had elected to participate in the SBP at their first opportunity plus interest on such amount plus any additional amount necessary to protect the actuarial soundness of the DoD Military Retirement Fund. The buy-in premium was due and payable at the time a member filed an election to enroll in SBP, though members may have elected to pay a portion of the premium in installments over a 12-month period.

9.0 TAXABILITY OF PREMIUMS

A retired member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the Internal Revenue Service. No reduction against the taxable income can be given for interest paid on the delinquent premiums.

10.0 INCOME EXCLUSION

For federal income tax purposes, premiums for SBP/RSFPP coverage are excluded from taxable income when they are directly withheld from the retired member's gross retired pay. Only premiums directly withheld from the retired member's pay qualify for this exclusion.

Table 45-1. Computation of SBP Premium on Establishment

RULE	If beneficiary is	the formula is
1	spouse or former spouse (spouse category)	6.5 percent of the base amount (Note 1) or 2.5 percent of the threshold-amount (Note 2), as adjusted, plus 10 percent of the remaining base amount. If gross retired pay is less than the threshold-amount, use 2.5 percent of gross retired pay.
2	spouse (former spouse-spouse category) and child (Notes 3 and 4)	determined under Rule 1, plus an additional premium for child computed by applying the factor from the SBP Factor Table against the base amount. See section 4.0 for examples.
3	child only (Notes 3 and 4)	shown in the SBP Factor Table, based on the ages of the retired member and youngest dependent child, against the base amount. See section 4.0 for example.
4	NIP or former spouse (NIP category)	10 percent of the retired member's gross retired pay if the age of the beneficiary is equal to or greater than retired member's age. If the beneficiary's age is less than retired member's age, the formula is 10 percent of the retired member's gross retired pay, plus an additional 5 percent of the gross retired pay for each full 5 years that the beneficiary is younger than retired member. Six months or more is not counted as an additional year. Total premium may not exceed 40 percent of gross retired pay.

NOTES:

1. Retired members who first became a member of a uniformed service on or after March 1, 1990, and receive a regular retirement will have their spouse premium computed under the flat-rate formula of 6.5 percent of the base amount. The following retired members are entitled to spouse premium computation under the formula that provides the lesser premium:
   a. A retired member who is entitled to retired pay based on disability;
   b. A retired member who is entitled to retired pay based on a non-regular service retirement; or
   c. A retired member who first became a member of a uniformed service before March 1, 1990.
2. The threshold-amount is subject to indexing equal to the percentage increases for active-duty basic pay rates.
3. Do not recalculate premiums when a child different from the child first established as the youngest child becomes the youngest eligible child.
4. For a dependent child the age of the youngest child is used in the formula. Exception: Use age 17 for an incapacitated child over 18 years of age when there is a competent child also over 18, but younger than the incapacitated child, or there is an incapacitated child over age 22 who is eligible for SBP benefits and there are no other eligible children.

Table 45-2. Effective Date of Premium - Initial Election

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month following			
		retirement	election by the Secretary of the Military Department concerned	receipt of the election	the first anniversary of the marriage
1	spouse, spouse and child, child only, or NIP (pre-September 21, 1972, retired member)			X	
2	spouse, spouse and child, child only, or NIP (post-September 21, 1972, retired member)	X			
3	no dependents, later marries (Note 1)				X (Note 4)
4	no dependents, later acquires dependent child (Note 1)			X (Note 2)	
5	no dependents, later marries and acquires dependent child (Note 1)			X (Note 3)	X (Note 5)
6	been declared mentally incompetent (Secretary may make election)		X		
7	former spouse (post-September 7, 1982, retired member) or former spouse and child (post-February 28, 1986, retired member)	X (Note 6)			

Notes:

1. Retired member must elect within 1 year of marriage or acquiring dependent child.
2. Compute the child premium using the ages of the retired member and the youngest child as of date of receipt of the election.
3. The child only premium is established and continues until the first of the month following the first anniversary of the marriage. Compute child only premium using the ages of the retired member and youngest child on date of receipt of the election. When the spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute the new premium using the ages of the retired member, spouse, and the youngest child on the date the spouse becomes an eligible spouse beneficiary.
4. If the first anniversary is on the first day of the month, the premium is charged for that month.
5. If a child is born of that marriage before the first anniversary, the premium for spouse and child coverage is effective the first of the month following the birth of the child. If the birth or anniversary is the first day of the month, the premium is charged for that month.
6. The effective date of the premium for an election for a former spouse election made from September 8, 1982, through January 31, 1983, is February 1, 1983.

Table 45-3. Effective Date for Change of Premium

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month			
		following receipt of election.	following family status change.	following first anniversary of (re)marriage.	after the loss of eligibility or October 1, 1976, whichever is later.
1	spouse, no child, later acquires child (Notes 1 and 2)	X			
2	no spouse, child only, later acquires spouse (Notes 1, 7 and 8)			X	
3	NIP (or former spouse), later marries (Notes 1, 7, 8 and 11)			X	
4	NIP (or former spouse), later acquires child (Notes 1, 3, 8 and 11)	X			
5	NIP (or former spouse), later acquires spouse and child (Notes 1, 4, 7, 8 and 11)	X (child)		X (spouse)	
6	spouse, loses spouse, remarries (Notes 1, 7, 8 and 9)			X	
7	spouse and child (or former spouse and child), loses spouse (or former spouse), premium is recomputed for child (Notes 5 and 9)				X
8	spouse and child (or former spouse and child), loses child (Note 6)		X		X
9	(a) Spouse and child, loses spouse, premium recomputed for child, retired member later marries (Notes 4, 7, 8 and 11) (b) Spouse or spouse and child, divorces and changes to former spouse and child, loses former spouse, premium recomputed for child, retired member later marries (Note 12) (c) Former spouse and child, loses former spouse, premium recomputed for child, retired member later marries and was not married at retirement (Note 13)		X (child only until first anniversary)	X	X

Table 45-3. Effective Date for Change of Premium (Continued)

RULE	If on the date of election (pre-September 21, 1972, retired member) or date of retirement (post-September 21, 1972, retired member), the retired member has	the effective date of premium is first day of the month			
		following receipt of election.	following family status change.	following first anniversary of (re)marriage.	and after the loss of eligibility or October 1, 1976, whichever is later.
10	spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child	X			
11	former spouse or former spouse and child, loses former spouse, changes coverage to spouse or spouse and child	X			
12	elected former spouse deemed by Secretary concerned (Note 14).				
13	been declared mentally incompetent but later adjudged competent may, within 180 days, change a Secretarial election	X			

Notes:

1. Retired member must elect within 1 year of (re)marriage or acquiring the dependent child or child. If the election change is from former spouse coverage to spouse coverage, there is no time limitation on the election period so long as the former spouse is still living. If the retired member elects to change from former spouse to spouse coverage after 1 year of remarriage, the coverage is effective on the date of election receipt and the associated premium is effective on the first day of the month after election receipt.
2. Compute premium for additional child using ages of retired member, spouse, and youngest child as of date of receipt of election.
3. Compute premium for child using ages of retired member and youngest child as of date of receipt of election.
4. Child only premium is effective until the first of the month following the first anniversary of the (re)marriage. Compute child only premium using ages of retired member and youngest child on the date of receipt of the election or on the day after the date spouse eligibility is lost (Rules 5 and 8). When spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute child premium using ages of retired member, spouse, and youngest child on date spouse becomes an eligible spouse beneficiary.
5. Compute child only premium using ages of retired member and youngest child as of the first date following the date the spouse (or former spouse) became an ineligible beneficiary or October 1, 1976, whichever is later. If eligibility was lost the first day of the month, the child only premium begins the following month.
6. If the retired member gives exact date of loss of last dependent child, the change in premium is effective the first of the month following date provided. If the exact date is not given, use first day of the month after receipt of notification.

Table 45-3. Effective Date for Change of Premium (Continued)

7. The premium for spouse coverage is effective on the first day of the month following the birth of the child of that marriage if earlier than first anniversary of the marriage.
8. If birth or anniversary is the first day of the month, the premium is effective that month.
9. Before enactment of PL 94-496, October 14, 1976, the deduction for spouse premium continued past the date spouse became an ineligible beneficiary.
10. The retired member must make election within 1 year of the date of a decree of divorce, dissolution, or annulment of marriage to spouse. Election for former spouse only may not be effective before September 24, 1983 (earliest day for premium is October 1, 1983). Election for former spouse and child may not be effective before March 1, 1986 (earliest date for premium is March 1, 1986).
11. An election to terminate coverage for a NIP premium, a former spouse, a spouse or spouse and child must be done in accordance with Chapter 43.
12. If a retired member elects former spouse (or former spouse and child) coverage, and if the retired member is married at the time the former spouse dies, the retired member may elect spouse coverage within 1 year of the death of the former spouse (10 U.S.C. § 1448(a)(7)(B)(ii)).
13. If a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the former spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).
14. The effective date of premium and coverage is on the later of: (a) retired member's retirement date; (b) the first day retired member could have voluntarily made such an election; or (c) the first day of month after the effective date of court order involved.

Table 45-4. Suspension and Termination of Premium

RULE	If a retired member	the premium is	with an effective date of the	and the retired member is
1	is deceased	terminated	date of the retired member's death.	
2	is recalled to active duty for more than 30 days	suspended	day before entry on active duty	not required to remit premium for coverage while on active duty.
3	waives retired pay for a civil service retirement	suspended	waiver as furnished by retired member	provided coverage elected under civil service retirement.
4	is removed from the Temporary Disability Retired List (TDRL) and retired pay is terminated (Note 1)	terminated	removal from the TDRL	not entitled to a refund of prior premiums.
5	elected for child and the last dependent child is no longer an eligible beneficiary (Note 2)	terminated	first of the month after loss of eligibility (Notes 3 and 4)	due a refund from first of month after loss of eligibility (Note 5).
6	who has been declared mentally incompetent is restored to competency and, within 180 days, revokes election made on his or her behalf	terminated	first of month after receipt of election	not due a refund for period of coverage.
7	elected for spouse (or former spouse) and spouse (or former spouse) becomes an ineligible beneficiary	suspended	first day of month after that in which spouse (or former spouse) became an ineligible beneficiary.	
8	elected coverage for a NIP (or former spouse in NIP category) who dies before the retired member	terminated	last day of month in which beneficiary dies.	
9	elected coverage for a NIP (not a former spouse) and retired member discontinues participation from the Plan (see Chapter 54, section 7.0 for the Reserve Component Survivor Benefit Plan participant).	terminated	first day of month after receipt of request.	

Table 45-4. Suspension and Termination of Premium (Continued)

RULE	If a retired member	the premium is	with an effective date of the	and retired member is
10	discontinues participation between the second and third anniversary of the date of retirement	Terminated	first day of month after receipt of request.	
11	is age 70 and has paid 360 monthly premiums	Terminated	later of: (a) The premium for October 2008; (b) First day of the month after the 360th monthly premium; or, (c) The first day of the month after the retired member reaches age 70.	
12	elected former spouse coverage (or former spouse coverage was deemed) after retirement or eligibility to participate and former spouse dies, and retired member did not change former spouse to spouse coverage while former spouse was still living (Note 6)	Terminated	last day of the month in which the beneficiary dies	no longer a participant in the SBP.
13	discontinues SBP participation due to a qualifying VA disability rating	Terminated	first day of the month following receipt of the retired member's request	not entitled to a refund of prior premiums. (However, after the member's death, prior premiums may be payable to a surviving spouse depending on the circumstances).

Notes:

1. If the retired member returns to active duty and is subsequently retired, a new election must be made. Any election in effect while on TDRL is void.
2. A child is no longer an eligible beneficiary when he or she dies, marries, is between ages 18 and 22 and not attending school, or has reached age 22 (see Note 3).

Table 45-4. Suspension and Termination of Premium (Continued)

3. A student whose 22nd birthday occurs before July 1st or after August 31st of any calendar year is considered age 22 on July 1st after that birthday and the premium is discontinued.
4. When the birthday is the first day of the month, the premium terminates the first day of that month.
5. If the retired member gives the exact date of loss of last dependent child, the cost is terminated the first of the next month. If the exact date is not given, use the first day of month after receipt of notification.
6. Once an election from spouse or spouse and child is changed to former spouse or former spouse and child, all previous coverage under the Plan terminates (10 U.S.C. § 1448(b)(3)). In that instance, if the retired member remarries, an election from former spouse coverage to spouse coverage can only be made while the former spouse is still living. However, if a retired member elects former spouse or former spouse and child coverage at the time the retired member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the retired member becomes eligible to participate and remarries after the spouse dies, the retired member may elect spouse coverage within 1 year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).

*REFERENCES

CHAPTER 45 - SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

1.0 - GENERAL

1.1	10 U.S.C. § 1452(h)
1.2	10 U.S.C. § 1452 DoD Instructions (DoDI) 1332.42, June 23, 2009 Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memorandum (Memo), June 1, 2005

2.0 – PREMIUM

	10 U.S.C. § 183 10 U.S.C. § 1465 DoD Directive (DoDD) 1332.27, June 26, 2003 DoDI 1332.42, June 23, 2009 PL 102-190, section 653, December 5, 1991 OUSD P&R Memo, June 1, 2005 OUSD P&R Memo, August 1, 2005

5.0 – COLLECTION AND PAYMENT OF PREMIUM

	10 U.S.C. § 1452 10 U.S.C. § 1452(d)(1) 10 U.S.C. § 1452(d)(2) PL 114-328, section 643, December 23, 2016
5.1	DoDI 1332.42, June 23, 2009
5.2 & 5.3	10 U.S.C. § 1452(d) 10 U.S.C. § 1452(e) Comp Gen B-212481, February 2, 1984 Comp Gen B-244827, September 9, 1992
5.5	Comp Gen B-252391, October 22, 1993

6.0 - SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

6.1	10 U.S.C. § 1452(a)(3), (b)(2) DoDI 1332.42, June 23, 2009
6.2	10 U.S.C. § 1452 65 Comptroller General (Comp Gen) 767, B-221945, August 4, 1986
6.3	10 U.S.C. § 1448(a)(6)

*REFERENCES (Continued)

	10 U.S.C. § 1448(a)(7)
	10 U.S.C. § 1448(b)(3)
	10 U.S.C. § 1450(f)(3)
	10 U.S.C. § 1452
6.3.3	10 U.S.C. § 1450(f)(1)(C)
6.3.4 & 6.3.5	Comp Gen B-195349, January 10, 1980
	Defense Office of Hearings and Appeals, Case No. 96070219
6.4	10 U.S.C. § 1452(c)(3)
6.8	10 U.S.C. § 1452(a)(4)(B)
	10 U.S.C. § 1452(h)
	PL 104-201, section 635, September 23, 1996
	DoDI 1332.42, paragraph 13.L, June 23, 2009

7.0 - DELINQUENT SBP PREMIUMS

	DoDI 1332.42, June 23, 2009

8.0 – PAID-UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

	PL 105-261, section 641, October 17, 1998
	10 U.S.C. § 1436a
	PL 108-375, section 645, October 28, 2004
	PL 106-65, section 654, October 5, 1999
8.5	10 U.S.C. § 1452(j)
	OUSD P&R Memo, November 6, 2006
8.5.2	10 U.S.C. § 1452(g)
	PL 117-263, section 643, December 23, 2022
	10 U.S.C. § 12731

Table 45-1 Computation of SBP Premium on Establishment

Rules 1-4	10 U.S.C. § 1452
	DoDD 1332.27, January 4, 1974, Chapter 5
Notes 1-4	10 U.S.C. § 1452
	62 Comp Gen 553, B-210053, July 13, 1983

Table 45-2 Effective Date of Premium - Initial Election

Rule 1	10 U.S.C. § 1448
Rule 2	10 U.S.C. § 1448
Rule 3	10 U.S.C. § 1448
Rule 6	Comp Gen B-226018, March 18, 1987
Rule 7	10 U.S.C. § 1448(b)(4)

*REFERENCES (Continued)

Note 1	10 U.S.C. § 1448(a)(5)
Note 3	57 Comp Gen 847, B-192127, September 25, 1978
Note 4	57 Comp Gen 847, B-192127, September 25, 1978
Note 6	Comp Gen B-226018, March 18, 1987

Table 45-3 Effective Date for Change of Premium

Rules 2 & 3	10 U.S.C. § 1448
Rule 6	10 U.S.C. § 1448
Rules 7-9	57 Comp Gen 847, B-192127, September 25, 1978,
Rule 10	10 U.S.C. § 1448(b)
Rule 11	10 U.S.C. § 1448(b)
Rule 12	10 U.S.C. § 1449
Note 1	10 U.S.C. § 1448(a)(5)
	10 U.S.C. § 1450(f)(1)(C)
Notes 2-5	57 Comp Gen 847, B-192127, September 25, 1978
	62 Comp Gen 553, B-210053, July 13, 1983
Note 7	57 Comp Gen 847, B-192127, September 25, 1978
Note 8	48 Comp Gen 167
Note 10	10 U.S.C. § 1448(b)(3)
Note 14	10 U.S.C. § 1448
	10 U.S.C. § 1450

Table 45-4 Suspension and Termination of Premium

Rule 2	10 U.S.C. § 1452(d)
Rule 3	10 U.S.C. § 1452(e)
Rule 4	10 U.S.C. § 1448(c)
Rule 5	62 Comp Gen 553, B-210053, July 13, 1983
Rule 6	10 U.S.C. § 1449
Rule 7	10 U.S.C. § 1452
	PL 99-661, section 645, November 14, 1986
	PL 94-496, October 14, 1976
Rule 8	10 U.S.C. § 1452
	PL 94-496, October 14, 1976
Rule 10	10 U.S.C. § 1448a
Rule 12	PL 108-375, section 644, October 28, 2004
Note 1	53 Comp Gen 971
	10 U.S.C. § 1448(c)
Notes 2 & 3	10 U.S.C. § 1447(5)

VOLUME 7B, CHAPTER 46: "SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
2.0	Removed references to Dependency and Indemnity Compensation (DIC) since it is repealed effective January 1, 2023. Updated in-text citations.	Revision
3.2	Updated and added clarification for "Qualified Annuitants."	Revision
5.0	Removed details as the DIC offset has been repealed. Provided instruction for finding archived rates.	Revision
12.0	Renamed and provided updated instruction for the verification of certain annuitants prior to August 2023.	Revision
13.0	Renamed and provided updated instruction for the verification of certain annuitants effective August 2023.	Revision
16.0	Relocated the legislative changes from section "1.0 General" to a new section "16.0 Legislative Changes."	Revision
Table 46-1	Updated to reflect repeal of DIC.	Revision
Table 46-4	Reinserted the "Taxability of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan – Nonresident Annuitants Residing Outside of the United States."	Addition
References	Updated references as needed.	Revision

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CHAPTER 46

SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

1.0 GENERAL

1.1 Overview

The SBP provides a monthly annuity of up to 55 percent of the annuity base amount with a cost-of-living adjustment (COLA), to an eligible spouse or children. The monthly annuity for a natural person with an insurable interest, which also includes a COLA, is 55 percent of the amount of the gross retired pay after the cost of participation is subtracted.

1.2 Purpose

The purpose of this chapter is to provide information for those eligible to receive annuities, how they are paid, and the amounts to be paid.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), including Titles 10, 26, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*2.0 ANNUITIES

2.1 Eligible Annuitants

2.1.1. Spouse or Former Spouse Only. The surviving spouse or former spouse may be eligible. The surviving spouse and former spouse cannot both be simultaneously eligible for the same annuity. For amounts payable prior to January 1, 2023, the SBP annuity for the eligible surviving or former spouse may be reduced by a percentage of Dependency and Indemnity Compensation (DIC) if the annuity was payable on behalf of the same member. See section 16.0 for recent legislative changes.

2.1.2. Child Only. If there is more than one eligible child, the annuity is paid in equal shares.

2.1.3. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse as long as eligibility exists. If the surviving spouse or former spouse dies, remarries before age 55, or otherwise loses eligibility, the annuity is paid to the child annuitant(s). An election for the former spouse and child includes only the children that resulted from the member/former spouse marriage. The annuity amount for the spouse or former spouse is shown on Table 46-l. The annuity for children is divided into equal shares.

2.1.4. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by, or on behalf of, the member. The initial annuity amount is 55 percent of the member's gross retired pay less the SBP premium cost at the time of member's death.

2.2 Payment of Annuity

2.2.1. Payments in General. Payment of an SBP annuity is not automatic. Before any claim for an annuity can be considered, it is necessary for the claimant to submit a claim in writing. The claim must minimally contain a signature and an address. Before the annuity can be paid, the claimant must submit a ***DD Form 2656-7, "Verification for Survivor Annuity***." The information on that form allows Defense Finance and Accounting (DFAS) to verify information necessary to start annuity payments.

The SBP annuity is paid monthly to the eligible annuitant. The SBP payment is effective the first day after the death of a member unless death occurs on the 30th day of a 31-day month. In that case, the annuity starts on the first day of the next month. Annuity payments end effective the last day of the month before the month in which the annuitant becomes ineligible.

2.2.1.1. Payments subject to offset:

2.2.1.1.1. When the payment of premiums is in arrears, no annuity may be paid until the unpaid premiums, with interest accrued at the rate approved by the DoD Board of Actuaries under ***10 U.S.C. § 1465*** for the purpose of determining the retirement accrual cost, has been recovered. See ***Office of the Actuary*** and subparagraph 6.2.3. For the establishment and collection of a debt for unpaid SBP premiums, see Volume 16, Chapter 2.

2.2.1.1.2. Debts to the United States or any of its instrumentalities incurred by the annuitant may be offset from the annuity.

2.2.1.2. Debts of a deceased member, other than for delinquent premiums, are not the responsibility of the annuitant and may not be offset involuntarily against the annuity.

2.2.1.3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

2.2.1.4. If the Secretary of the Military Department concerned (or designee) determines that a participating member is presumed dead, the annuity accrues from the first day after retired or retainer pay was suspended or would have been suspended had the member been in receipt of pay on the basis that the member is missing.

2.2.1.5. Checks are not mailed to an annuitant living in a currency-blocked country. See ***Title 31, Code of Federal Regulations (CFR), section 211.1*** for specific conditions for withholding the delivery of checks to addresses outside the United States.

2.2.2. Third Party Payees

2.2.2.1. Trustees in Bankruptcy. The annuity may be paid on behalf of an annuitant to a trustee in bankruptcy pursuant to an order of the bankruptcy court in a proceeding under ***Chapter 13 of the Bankruptcy Code*** since such proceeding is voluntary.

2.2.2.2. Incapacitated Annuitants. An annuity may be paid to a third party on behalf of an incapacitated annuitant only if the third party has been appointed as guardian, custodian, or other fiduciary pursuant to a state court order or has been designated a representative payee under subparagraph 2.2.3. Otherwise, the annuity may be paid only to the annuitant unless the annuitant has been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist. If the annuity cannot be paid directly to the annuitant or to a third party, amounts will remain unpaid and credited on account until the annuitant is determined to be competent or until a third party has been properly appointed to receive the annuity on behalf of the annuitant. The annuity payment will still be treated as income to the annuitant. Regardless of whether the Representative Payee is a trustee (unless a trustee of Special Needs Trust as described in subparagraph 2.2.3.6), an Internal Revenue Service (IRS) Form 1099, Miscellaneous Income, will be issued in the annuitant's name.

2.2.2.3. Power of Attorney. An eligible annuitant who is physically or mentally incapacitated (but who has not been determined to be mentally incompetent by a state court, physician, or psychologist) may accept assistance from a person holding a power of attorney in completing (including the signature element) and filing the annuity application form. Benefit payments based on an annuity application signed by the person holding the power of attorney must be made payable directly to the annuitant.

2.2.2.4. Minor Child Annuitants. An annuity for a minor child is paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child as the custodian, or to a representative payee of the child. An annuity may be paid directly to the child when the child is considered to be of majority age under the law in the state of residence. The child is considered an adult for annuity purposes and a custodian or legal fiduciary is not required. See Appendix H for age of majority by state.

2.2.2.5. Surety Bonds. In cases where it appears necessary to protect the annuitant, the Secretary of the Military Department concerned may require a person receiving payments on behalf of the annuitant to provide a surety bond in an amount sufficient to protect the interests of the annuitant. The payee may pay for such bond(s) out of the SBP annuity. This is part of the periodic financial accounting by the payee. The Secretary of the Military Department concerned will determine the amount necessary in the surety bond(s) based on the amount of the SBP annuity payable. A surety bond ordinarily will not be required if the payee is a close family member or a government or financial institution.

2.2.2.6. Special Needs Trusts (SNT). A special needs trust is also known as a supplemental needs trust. A SNT is a legal instrument that can be established in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits that the disabled

individual may be entitled to receive. The NDAA for FY 15, PL 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an SBP annuity for a dependent child to an SNT. An SNT is a legal instrument specifically designed for the benefit of a person considered disabled under ***42 U.S.C. § 1382c(a)(3)***. State law governs an SNT. In accordance with the SBP statute, an SNT must also comply with ***42 U.S.C. § 1396p(d)(4)***. If an SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child's surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate an SNT as beneficiary. The following documentation is required to establish an SNT as beneficiary:

2.2.2.6.1. A written statement of the decision to have the annuity paid to the SNT;

2.2.2.6.2. An attorney's SNT Certification, or, in the case of a pooled trust, a copy of the non-profit organizations' agreement to handle the trust; and

2.2.2.6.3. The name and tax identification number for the SNT by or before the time the beneficiary applies for their annuity. Certified SNT paperwork must be submitted to the following Defense Finance and Accounting Service (DFAS) address:

DFAS
U.S. Military Annuitant Pay
8899 East 56th Street
Indianapolis, IN 46249-1300

There are two types of SNTs that comply with 42 U.S.C. § 1396p(d)(4), a "First-Party SNT" prepared in compliance with 42 U.S.C. § 1396p(d)(4)(A), and a "Pooled Trust" prepared in compliance with 42 U.S.C. § 1396p(d)(4)(C).

2.2.2.6.3.1. First-Party SNT. A First-Party SNT is a type of SNT that is established by a disabled dependent child's parent, grandparent, legal guardian, or a court for the benefit of the disabled dependent child. Transfers into a First-Party SNT do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(A).

2.2.2.6.3.2. Pooled Trust. A pooled trust is a type of SNT established by a non-profit organization, with individual beneficiaries creating accounts within the larger trust. Thus, the assets of many people with special needs are "pooled." Transfers into a pooled trust, like transfers into a First-Party SNT, do not prevent a person with special needs from accessing government benefits. See 42 U.S.C. § 1396p(d)(4)(C).

2.2.2.7. Accounting. Any person receiving payment on behalf of the annuitant is required to maintain and, upon request by the Secretary of the Military Department concerned, provide a periodic accounting of expenditures and investments of amounts paid to the payee. If the payee is a close family member or a government or financial institution, a periodic

accounting will not be required, but may be requested. In situations where a periodic accounting is required, it ordinarily will be submitted annually, unless the Secretary of the Military Department concerned determines that a more frequent submission is required.

2.2.2.7.1. Final financial reporting will be required upon the loss of a beneficiary's eligibility, a change of representative payee, or the determination later that an annuitant is competent to manage their financial affairs.

2.2.2.7.2. Major expenditures (i.e., those in excess of $1,000 or the value of the annuity for 1 year, whichever is less) from the payee's bank account for the annuitant require prior written approval by the Secretary of the Military Department concerned.

2.2.2.7.3. If the Secretary of the Military Department concerned has evidence to suggest that the annuity funds have been or are being misused by the payee, the annuity may be suspended. An investigation will be conducted to determine if a new payee should be appointed or if payments may be resumed to the payee.

2.2.3. Representative Payee. The SBP annuity due a minor who is a mentally incompetent, or otherwise legally disabled person for whom a guardian or other fiduciary has not been appointed may be paid to a representative payee who, in the judgment of the Secretary of the Military Department concerned, is responsible for the care of the annuitant. The representative payee is required to spend or invest the amount paid on behalf of the annuitant solely for the benefit of the annuitant. The representative payee must certify that SBP payments received on the annuitant's behalf are used for the annuitant's benefit.

2.2.3.1. An annuitant is determined to be incompetent if the Secretary of the Military Department concerned receives an actual determination of incompetency made either by a state court or by a physician or psychologist. A representative payee will not be established solely on the basis of a letter from a third party that an annuitant is incapable of handling financial affairs. The annuitant will be notified of actions being taken to make a determination of incompetency and will be provided an opportunity to review the evidence being considered. The annuitant will also have the opportunity to submit additional evidence before a determination is made.

2.2.3.2. If a court order provides for payment of a fee to the representative payee, or if the Secretary of the Military Department concerned determines that payment of a fee is necessary in order to obtain the fiduciary services of a representative payee, a monthly fee will be allowed. In such circumstances, a fee of 4 percent of the monthly SBP annuity will be allowed, unless a court order dictates a lesser fee. In the case of a spouse or former spouse annuitant, the fee will be no more than 4 percent of the adjusted annuity (gross annuity less any DIC offset). Any court order that provides for a fee in excess of 4 percent will be limited to 4 percent. The representative payee will be notified of the fee percentage allowed. The fee is not a separate payment mailed to a representative payee, but can be withheld by the representative payee from the monthly annuity payment. The fee is part of the periodic financial accounting by the representative payee.

2.2.3.3. The selection of a representative payee will be made on the basis of the individual annuitant's circumstances. Generally, the order of preference for appointing a representative payee is:

2.2.3.3.1. Spouse,

2.2.3.3.2. Son or daughter or legally adopted son or daughter,

2.2.3.3.3. Brother or sister,

2.2.3.3.4. Parents,

2.2.3.3.5. Head of federal or state institution,

2.2.3.3.6. Trustee of a private trust, or

2.2.3.3.7. Any other individual whose appointment appears to be in the best interest of the annuitant.

Note: If more than one person or institution requests to be named the representative payee of the annuitant, the Secretary of the Military Department concerned will determine which applicant is a more appropriate payee.

2.2.3.4. In addition to SBP annuity payments (including payments to Minimum Income Widows covered under section 15.0), annuity payments under the Uniformed Services Contingency Option Act Retired Serviceman Family Protection Plan (RSFPP), and Reserve Component (RC) RCSBP may also be made to a representative payee.

2.2.3.5. The representative payee will be required to submit an Annuitant Foreign Address Update for Mailed Check (FAUMC) and/or a Survivor Benefit Plan-Marital Status Update (SBP-MSU) as specified in section 12.0 or 13.0.

2.2.3.6. An annuity paid to a person on behalf of the annuitant in accordance with these provisions discharges the obligation of the United States for the payment to the annuitant in the amount of the annuity paid.

2.2.4. Rounding. Monthly annuities, if not a whole dollar, are rounded to the next lower whole dollar (for example, if a monthly annuity is calculated to be $500.99 the annuity paid will be $500).

2.2.5. COLA

2.2.5.1. Normally, SBP annuities increase at the same time and by the same percentage that retired pay increases. Exception: When the payment of increased retired pay due to a COLA is delayed by law, the increased annuity due to a COLA is not delayed. The COLA applies to the monthly gross annuity amount before any reductions, such as DIC.

2.2.5.2. See subparagraph 15.2.1 regarding COLA for the minimum income widow annuity.

2.3 More than One Annuity

A spouse or former spouse who is a potential SBP or RC-SBP beneficiary due to marriages to more than one member who participated in SBP may not receive a double SBP benefit and must choose which annuity to receive. Therefore, a surviving spouse may not receive more than one annuity concurrently as:

2.3.1. The surviving spouse of two different members;

2.3.2. The surviving former spouse of two different members; or

2.3.3. The surviving spouse of one member and also the surviving former spouse of a different member.

Example 1: An individual is the surviving spouse of a member and the surviving former spouse of a different member. The individual may only receive one annuity. In that circumstance, the surviving spouse must choose which annuity to receive. However, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity.

Example 2: A child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

3.0 DEATH OF MEMBER ON ACTIVE DUTY

3.1 Active Duty Deaths

3.1.1. SBP Benefits. SBP benefits under this section may be payable as provided in section 1.0 for:

3.1.1.1. A member who dies while on active duty after:

3.1.1.1.1. Becoming eligible to receive retired pay;

3.1.1.1.2. Qualifying for retired pay, except that the member has not applied for or been granted that pay; or

3.1.1.1.3. Completing 20 years of service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years); or

3.1.1.2. A member who dies on active duty in the line of duty on or after September 10, 2001. Active duty includes members on active duty for annual training. Reserve members on active duty are included whether or not their orders specify a period of more than 30 days. Limited benefits may be payable under this section when the death is not in the line of duty in the case of a member who is eligible to receive retired pay prior to the date of death.

3.1.2. Death in the Line of Duty. If the member was on active duty at the time of death and death is in the line of duty, the death qualifies for SBP benefits under this section.

3.1.3. Death is Not in the Line of Duty

3.1.3.1. If the member was on active duty and retirement eligible at the time of death, as described in paragraph 3.1 and death is not in the line of duty, the SBP base amount is equal to the member's retired pay. The retired pay is computed as if the member were retired for length of service under applicable law of the respective service of the deceased member.

3.1.3.2. If the member was not on active duty, or was on active duty but was not eligible for retired pay and death is not in the line of duty, the member's death does not qualify for SBP benefits.

*3.2 Qualified Annuitants

The annuity payment will be made based on the following priority:

3.2.1. Former Spouse Based on a Court Order or a Deemed Election. The annuity is payable to a former spouse if any of the following three circumstances exist:

3.2.1.1. The member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to be a participant in the Plan and that court order or spousal agreement was entered into prior to the member's death; or

3.2.1.2. Prior to the member's death, the member made an election to provide an annuity to a former spouse; or

3.2.1.3. The Secretary receives a written request from the former spouse prior to the member's death that the member be deemed to have made an election to provide an annuity to a former spouse and the request meets the requirements of 10 U.S.C. §1450(f)(3).

Note: A court order (or modification of a prior court order) that is entered after a member's death that requires an already deceased member to provide an annuity to a former spouse is not effective to permit payment of an annuity to a former spouse or to change the annuity from a spouse to a former spouse.

3.2.1.4. If, pursuant to subparagraph 3.2.1.1, the member was required under a court order or agreement to provide an annuity to a former spouse at the time of death, then the annuity is payable to the former spouse and no payment may be made to a surviving spouse. In

this circumstance the former spouse is not required to have submitted a request pursuant to 10 U.S.C. §1450(f)(3). Pursuant to 10 U.S.C. §1448(d)(3)(B), the issuance of the court order or spousal agreement alone is sufficient. If there are multiple court orders ordering the member to elect former spouse SBP coverage, the court order with the earliest date will take precedence.

3.2.2. Current Spouse. The annuity is payable to a surviving spouse unless the annuity is payable to a former spouse.

3.2.3. Child. The annuity is payable to the dependent children of the member when:

3.2.3.1. There is no eligible former spouse and either there is no eligible surviving spouse or the surviving spouse later dies; or

3.2.3.2. For a member who dies on or after October 7, 2001, but before January 1, 2023, the Secretary of the Military Department concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent children instead of paying an annuity to the surviving spouse.

3.2.3.3. Effective January 1, 2023, if after consultation with the surviving spouse, the service previously determined it was appropriate to provide an annuity for the dependent child(ren) of the member instead of the surviving spouse, the annuity will be restored to the surviving spouse if still eligible. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.

3.2.4. Insurable Interest Deemed Election. If no annuity is payable under subparagraphs 3.2.1, 3.2.2, or 3.2.3, the Secretary of the Military Department concerned may pay an annuity to a natural person with an insurable interest in the member, if the person is a dependent of the member as defined in ***10 U.S.C. § 1072(2)***.

3.3 Annuity Amount

3.3.1. Qualified Death in the Line of Duty. The SBP base amount is equal to the higher of the retired pay of the member based on length of service, or the retired pay as if the member retired with a total (100 percent) disability equal to 75 percent of the appropriate retired pay base. The annuity is computed at 55 percent of the SBP base amount. For members of the RC who die while serving on active duty, the retired pay base will be computed as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty.

3.3.2. Qualified Death Not in the Line of Duty. The SBP base amount will be computed as if the member retired for length of service based on the final basic pay or high-36 average as applicable. However, for members who elected to receive the Career Status Bonus (see Volume 7A, Chapter 66), the SBP base will be computed using the Reduced Retirement (REDUX)

method with the prescribed reduced COLA. The annuity is computed at 55 percent of the SBP base amount.

3.3.3. Insurable Interest Deemed Election. If an annuity is payable pursuant to subparagraph 3.2.4., the SBP base amount is equal to retired pay computed as if the member retired with a total (100 percent) disability, which is equal to 75 percent of the appropriate retired pay base, less the cost of participation. The annuity is computed at 55 percent of the SBP base amount.

3.4 Line of Duty Determination

3.4.1. Purpose. For the purpose of determining eligibility for SBP benefits, a member's death will generally be considered to have occurred in the line of duty unless the death:

3.4.1.1. Occurred while the member was not serving on active duty;

3.4.1.2. Was the result of the member's own intentional misconduct or willful negligence; or

3.4.1.3. Occurred during a period of unauthorized absence.

3.4.2. Investigation to Determine the Cause of Death. The Military Services will conduct an investigation and make a written finding as to whether a member's death was in the line of duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it also must address whether the death was caused by the member's own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

3.5 Responsibilities

3.5.1. Military Services. The Military Services must review the death of each member who died on active duty to ascertain whether the death was in the line of duty and whether there are any qualified survivors entitled to an SBP annuity. The Military Services will inform DFAS-CL of their line of duty determinations using the ***DoD (DD) Form 1300***, Report of Casualty; section 10 of the ***DD Form 261***, Report of Investigation Line of Duty and Misconduct Status; or any other form authorized under individual Service regulations. All in the line of duty determinations must be supported by a written finding describing the circumstances of death that support the line of duty determination.

3.5.2. DFAS-CL. DFAS-CL does not require a copy of the written finding, only an official communication from the Military Service to indicate the Military Service's determination that death is in the line of duty, i.e., "YES" or "NO." Once DFAS-CL receives the determination, they will compute and pay SBP annuities to qualified survivors for qualified deaths.

4.0 DEATH OF MEMBER ON IN-ACTIVE DUTY TRAINING (IDT)

An RC member who dies from injuries or illness incurred or aggravated while performing IDT is entitled to coverage under the SBP program if the death is determined to have occurred in the line of duty. See Chapter 54.

*5.0 DIC OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

5.1 DIC

A multi-year phase-out of the DIC offset of SBP annuities began on January 1, 2021. Effective January 1, 2023, the DIC offset was fully phased out. See section 16.0 for details regarding the phase-out periods and corresponding offset amounts. See ***FMR Archives*** for details regarding prior DIC offset and SBP premium refund policy.

5.2 SSIA

Prior to January 1, 2023, a surviving spouse who was entitled to ***DIC*** under 38 U.S.C. § 1311 and who was not collecting the full amount of SBP due to receipt of DIC may be entitled to SSIA. See 10 U.S.C. § 1450(m). Effective January 1, 2023, SSIA was fully phased out. See FMR Archives for details regarding prior years.

6.0 CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT

6.1 General Causes of Overpayment

Generally, SBP annuity overpayments are caused by:

6.1.1. Failure to reduce an annuity by the amount of DIC;

6.1.2. Non-termination of annuity because of ineligibility;

6.1.3. Erroneous computation;

6.1.4. Insufficient or untimely information; or

6.1.5. A determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary of the Military Department concerned previously determined that the member was presumed dead.

6.2 General Reasons for Suspension of Payment

Generally, payments are suspended for:

6.2.1. Non-receipt of a SBP-MSU or FAUMC;

6.2.2. Non-receipt of verification of school attendance;

6.2.3. An annuitant will not receive annuity payments while there are still premiums owed on the SBP account. Once all premiums (with interest accrued at the rate approved by the DoD Board of Actuaries under 10 U.S.C. § 1465 for the purpose of determining the retirement accrual cost) that are owed have been recouped, payment of the annuity will commence/recommence;

6.2.4. Adjustment of the annuity due to administrative error; and/or

6.2.5. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. Once suspended, payments can be reinstated. See paragraph 11.2.

7.0 LIABILITY AND OVERVIEW OF ANNUITANT INDEBTEDNESS

The annuitant is liable for debts created from the overpayment of an annuity. The member is liable for any indebtedness created because annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under ***10 U.S.C. § 2774*** or ***10 U.S.C. § 1453***. If the member dies before such payments are fully recovered, the annuitant may be liable for the indebtedness if such annuitant was the recipient of the annuity payments made under the presumption of death. See Volume 16, Chapter 2 for the collection of member's indebtedness.

8.0 LIQUIDATION OF DEBT

8.1 Debt Liquidation

Upon discovery of an overpayment, the annuitant must be provided with due process notice in accordance with Volume 16, Chapter 2, or in other regulations pertaining to debt collection found elsewhere. The due process notice must include the amount of the debt and the method in which the overpayment is being, or may be, liquidated.

8.2 Direct Remittance

The annuitant may liquidate the overpayment by making direct remittance to DFAS-CL.

8.3 Reduced DIC

The Veteran's Affairs (VA) may reduce DIC and remit the amount collected to DFAS-CL.

8.4 Reduced SBP Annuity

DFAS-CL may reduce later SBP annuity payments.

9.0 WAIVER OF INDEBTEDNESS

9.1 Request a Waiver of Indebtedness

When applicable, DFAS-CL advises the annuitant of the right to request a waiver of indebtedness. The right to request a waiver does not constitute removal of the responsibility for repayment of the debt. If a waiver request is granted, repayment of the debt is not required.

9.2 Receipt of Waiver Request

Collection action is not routinely suspended pending waiver determination. If requested, the waiver determination will be made under the standards found in Volume 16, Chapter 4. Refund of an amount withheld before receipt of a request for a waiver is not authorized. When a waiver is granted, any amount collected after the receipt of the waiver request is refunded to the annuitant.

10.0 TERMINATION OF ANNUITY

10.1 Time of Termination

Entitlement to an SBP annuity terminates effective as of the first day of the month in which eligibility is lost. The annuity is terminated immediately if a determination is made by the Secretary of the Military Department concerned (or designee) that a participating member is alive after it was previously determined that the member was presumed dead.

10.2 Reasons for Termination

The SBP annuity is terminated when:

10.2.1. The spouse or former spouse (spouse category) annuitant remarries before age 55 or dies. If the member also provided coverage for children, the full annuity is payable, in equal shares, to the remaining eligible dependent children effective on the first day of the month in which the spouse or former spouse dies or remarries;

10.2.2. The child annuitant(s) lose eligibility because of:

10.2.2.1. Child's attaining age 18 and not pursuing a full-time course of study;

10.2.2.2. Marriage or death of child annuitant;

10.2.2.3. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. This termination is not automatic; an annuitant will be given an opportunity to submit rebutting evidence. This annuity may be reinstated; see paragraph 11.2;

10.2.2.4. Termination of student status (child over age 18 and under age 22). If the student reaches age 22 before July 1 or after August 31 of a calendar year, the child's annuity

terminates on the first of July after the student's 22nd birthday. If a student reaches age 22 between July 1 and August 31 (inclusive) of a calendar year, the student loses eligibility and the annuity terminates on the first day of the month in which the age of 22 was reached; or

10.2.2.5. Reinstatement of a spouse or former spouse (spouse category) annuity following divorce or annulment;

10.2.3. A natural person with an insurable interest dies. The termination is final because there are no provisions for designating a contingent survivor annuitant; or

10.2.4. The Secretary of the Military Department concerned (or designee) determines that a participating member is alive after it was previously determined that the member was presumed dead.

10.3 Death of Annuitant

For the payment of any unpaid annuity amounts, see Chapter 31.

11.0 REINSTATEMENT OF ANNUITY

11.1 Reinstatement of Spousal Annuity

11.1.1. Remarriage Before Age 55 Terminated by Death of Spouse. Reinstatement of the annuity is effective the first day of the month in which the death occurs. If annuity entitlement from the terminated marriage exists, the spouse or former spouse may not receive both annuities but must elect the one desired. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

11.1.2. Remarriage Terminated by Divorce or Annulment. Reinstatement of the SBP annuity is effective the first day of the month in which the marriage terminated by divorce or annulment. Legal review is appropriate if discrepant information or annotations result in doubt or if the divorce or annulment was granted by a court in a foreign country. If the spouse or former spouse elects to receive the annuity that had formerly been terminated, the annuity is updated by any COLA increases that occurred after termination.

11.1.3. Loss of DIC Entitlement Because of Remarriage Between Ages 55 and 57. For periods prior to January 5, 2021, the annuity is reinstated effective as of the date of the loss of the DIC entitlement, adjusted to reflect all COLAs. Effective January 5, 2021, 38 U.S.C.§ 103(d)(2)(B) was amended by reducing the DIC remarriage provision from age 57 to 55.

11.2 Reinstatement of Child Annuity

11.2.1. Reinstatement of Annuity to Incapacitated Annuitant. An annuity to an incapacitated child over 18 years of age may be reinstated upon the recurrence of the original

disability rendering the annuitant incapable of self-support, or if the annuitant furnishes evidence that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular personal needs.

11.2.2. Child Resumes School Attendance. The child's eligibility for an annuity that was terminated for school nonattendance is reinstated effective the first day of the month that the child resumes school attendance.

11.2.3. Child's Marriage Terminated by Annulment. An annulment of a child's marriage which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating a child's eligibility for annuity prospectively from the date of the judicial decree. The termination of a child's marriage by death or divorce does not serve as a basis for reinstatement of annuity eligibility.

*12.0 ELIGIBILITY VERIFICATION PRIOR TO AUGUST 1, 2023

12.1 Certificate of Eligibility (COE)

Effective August 1, 2023, the annual COE was replaced by the SBP-MSU. See ***FMR Archives*** to reference previous COE policy. See section 13.0 for details on SBP-MSU.

12.2 Report of Eligibility (ROE)

Effective August 1, 2023, the annual ROE was replaced by the Foreign Address Update for Mailed Check - Annuitants (FAUMC- Annuitants). See FMR Archives to reference previous ROE policy. See section 13.0 for details on SBP-MSU.

*13.0 ANNUAL ELIGIBILITY VERIFICATION EFFECTIVE AUGUST 1, 2023

13.1 SBP-MSU

The ***SBP-MSU*** replaces the COE effective August 1, 2023. The SBP-MSU is required annually to confirm the marital status and continued eligibility for the SBP. In general, the SBP-MSU is due the first day of the month of the annuitant's birthday.

13.1.1. Affected Annuitants:

13.1.1.1. A spouse or former spouse under the age of 55.

13.1.1.2. A child annuitant between the ages of 14 and 17 who have not been documented as being incompetent.

13.1.1.3. An annuitant who has been determined incapable of managing their affairs who receives payments through either a court-ordered legal representative or representative payee.

13.2 FAUMC - Annuitants

The ***FAUMC-Annuitants*** replaces the ROE effective August 2023. It is a requirement for any annuitants receiving a check in the mail outside the United States if they do not need to submit a School Certification or an SBP-MSU. In general, the FAUMC is due the first day of the month of the annuitant's birthday.

13.2.1. Affected Annuitants:

13.2.1.1. Spouse and former spouse annuitants aged 55 and over receiving a check in the mail outside the U.S.

13.2.1.2. Child SBP Annuitants under 14 years of age receiving a paycheck in the mail to a foreign address.

13.2.1.3. Child SBP Annuitants documented as incapacitated under age 14 years and receiving a paycheck in the mail to a foreign address.

13.2.1.4. Spouse and former spouse annuitants documented as incapacitated will need to fill out the SBP-MSU form regardless if they are receiving mail inside or outside of the U.S.

13.3 School Certification

A ***DD Form 2788, Child Annuitant's School Certification*** and a Child Annuitant's Certification for Previous Attendance Letter are required annually to confirm full-time school attendance and marital status for continued eligibility for the Survivor Benefit Plan. In general, the School Certification and Child Annuitant's Certification for Previous Attendance Letter are due the first day of the month the annuitant's school year ends.

13.3.1. Affected Annuitants:

13.3.1.1. Student Child SBP Annuitants turning 18.

13.3.1.2. Student Child SBP Annuitants ages 18-22.

13.4 Failure to Return Annual Eligibility Verification

If the annuitant fails to return completed verification when it is due, DFAS will suspend payment until a properly completed document is received.

13.5 Annuity Mailing Address

All completed annuitant verification forms must be sent by mail, fax, or upload to:

Mail:	Defense Finance and Accounting Service U.S. Military Annuitant Pay 8899 E 56th Street Indianapolis, IN 46249-1300
Annuitant/Survivor Fax:	1-800-982-8459
askDFAS upload:	***askDFAS***

Note: The Director, DFAS or designee may temporarily suspend annual eligibility verification requirements when a Federal or State disaster, a pandemic, or any other natural emergency is declared. The Director, DFAS, or designee may also determine the amount of time of the suspension. The action to suspend annual eligibility verification takes into consideration audit and risk management protocols including the ability to validate the identity of the annuitant from other government sources.

14.0 TAXABILITY OF ANNUITIES

14.1 Taxability of SBP Annuity Payments

SBP annuity payments are taxable for Federal income tax purposes. See ***IRS Publication 525*** for exceptions. In the case of a representative payee receiving an annuity payment on behalf of an annuitant, the income is attributable to the annuitant and an Internal Revenue Service (IRS) Form 1099 will be issued in the annuitant's name.

14.2 Taxability of SBP Cost Refunds

A refund of SBP costs (i.e., SBP premiums), resulting from an administrative error, correction of records, or award of DIC may or may not be taxable income to the member or the annuitant. The taxability of an SBP cost refund depends on the source from which it is made, as discussed in this section (also see Table 46-3). The SBP cost refund:

14.2.1. Constitutes taxable gross income to the retired member or the annuitant when it includes premium deductions taken from the retired member's taxable retired pay in order to pay for the cost of SBP coverage;

14.2.2. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's direct remittance payments (by check or electronic mechanism, i.e., Pay.gov or Electronic Fund Transfer) to pay for the cost of SBP coverage; and

14.2.3. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's VA disability compensation or by deduction from nontaxable military disability retired pay.

14.3 Federal Income Tax Withholding (FITW)

14.3.1. Monthly or Periodic Payments. Monthly or periodic SBP annuity payments are treated as income for FITW purposes. An annuitant, however, may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, DFAS-CL will withhold on the basis of "married, three exemptions." The annuitant may use Form W-4P, Withholding Certificate for Pension and Annuity Payments, or any substitute form furnished by DFAS.

14.3.1.2. Annuitants Who are US Citizens. An annuitant who is a U.S. citizen may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, DFAS-CL will withhold on the basis of the default rate established under the Secretary of Treasury and published by the IRS. The annuitant may use Form W-4P, Withholding Certificate for Pension and Annuity Payments, or any substitute form furnished by DFAS.

14.3.1.3. Foreign Annuitants. In order for an annuitant who is a citizen of a country other than the United States to receive the SBP annuity they must provide DFAS an Individual Tax Identification Number (ITIN). If the annuitant is a citizen of the United States and another country (dual) they may provide their SSN. If an SSN is provided, the rules in subparagraph 14.3.2 apply.

14.3.1.4. SBP Annuity Payments. The SBP annuity paid to foreign annuitant is still subject to Federal Income Tax Withholding. The required withholding rate set by the IRS is 30%. There are certain countries who have a lesser rate due to tax treaties (see Table 46-4). In order to qualify for the lesser rate for those countries, the annuitant must file a W-8BEN with DFAS.

14.3.2. Notice Requirements. DFAS-CL must advise the annuitant of the withholding requirement, as well as the right to elect that no tax be withheld, when making the first monthly or periodic payment to the annuitant. Thereafter, DFAS-CL must provide annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke an election, or request any rate of withholding.

14.3.3. Lump-Sum (One-Time) or Non-Periodic Distribution Payments

14.3.3.1. SBP Cost Refunds. An SBP cost refund is a refund of premiums rather than a distribution of benefits. As a non-periodic distribution, an SBP cost refund is subject to FITW at the rate of 10 percent. The annuitant, however, may elect no withholding of FITW. The annuitant has the right to make an FITW election for this refund separately from any election already in operation for all other SBP annuity payments.

14.3.3.2. Other. Retroactive SBP annuity payments paid in a lump sum constitute periodic distributions and are subject to the tax withholding rules of subparagraph 14.3.1. Likewise, if the lump-sum payment of an SBP annuity is the result of administrative error or delay

in the start of an annuity, the payment is treated as a periodic payment subject to the withholding rules of subparagraph 14.3.1.

14.4 Income Exclusion

14.4.1. Consideration for Contract. The SBP annuitant is entitled to an income exclusion when, upon the death of the participant member, the "consideration for contract" has been excluded in whole from the member's gross income. The member's survivor receiving the annuity may exclude from gross income such annuity payments received until the total exclusion equals the portion of the "consideration of contract" not previously excluded from the member's taxable income. DFAS-CL will accomplish the applicable direct reduction in taxable income for the annuitant and report the residual amount as taxable income on the annuitant's IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc. Contact the IRS for further assistance.

> Example: When a member dies, and $1,000 of the total "consideration for contract" was not excluded from the member's non-disability retired pay, DFAS-CL will report the taxable annuity less $1,000, and the surviving spouse will use this reported residual amount in his or her income-tax computation for the calendar year.

14.4.2. Direct-Cost Payments. The tax-free benefit on SBP premiums is not available to members who waived military retired pay to receive disability compensation from the VA. See Chapter 12. Instead, upon the member's death, the annuity paid to the member's survivor may qualify to be exempt from Federal income tax until the amount excluded equals the total of the member's direct-cost payments, as explained in paragraph 14.2.

14.5 Amount of Annuity Subject to Federal Estate Tax

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. DFAS-CL may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate can contact the IRS for further assistance.

14.6 State Taxation

The IRS Form 1099-R information is furnished to the appropriate state tax authority regardless of whether SBP annuities are subject to state inheritance or income tax. The method of calculating such tax depends upon the laws of the state concerned.

15.0 MINIMUM INCOME WIDOW/SURVIVING SPOUSE

15.1 Eligibility Criteria

An annuity under the minimum income widow/surviving spouse provision of the SBP law (see Chapter 42) is payable to surviving spouses who meet all of the following conditions:

15.1.1. The surviving spouse is not otherwise entitled to an annuity under other provisions of the SBP, or to DIC from the VA;

15.1.2. The surviving spouse is eligible for a widow's non service-connected death pension from the VA;

15.1.3. The surviving spouse has annual income from all sources (including amount of RSFPP annuity entitlement, but excluding the amount of VA pension), as determined by the VA, that is less than the annual income rate in Appendix R. If the surviving spouse previously was denied an annuity because of income in excess of income limitations, entitlement may exist upon notice from the widow or from the VA that his or her current yearly income, as determined by the VA, is less than the income limitation; and

15.1.4. The surviving spouse is a person who, on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, a surviving spouse of a person who was entitled to retired or retainer pay when he or she died. Remarriage by the surviving spouse bars entitlement to an annuity under this provision of law unless the remarriage is terminated by an annulment. If there are questions as to whether an annuity should be reinstated after an annulment, refer the matter to the appropriate legal office.

Note: The DD 1885, Survivor Benefit Plan – Minimum Income Claim, and DD 1895, Request for Veterans Administration Pension and Annual Income Information, are used in administering the minimum income widow annuity. These forms are not currently available electronically. Hardcopies may be obtained by contacting the ***DoD Forms Management Program*** office.

15.2 Amount of Annuity

The maximum annuity payable is shown in Appendix R. The VA determines the yearly entitlement and advises DFAS-CL. This amount is prorated by DFAS-CL and is paid on a monthly basis.

15.2.1. The amount of the annuity is neither rounded nor increased to reflect retired pay COLA however, the annual income rates (Appendix R) is increased by the same amount and has the same effective date whenever there is an increase in the limitation on annual income for the purposes of eligibility for pension benefits.

15.2.2. The annuity is subject to Federal income tax.

15.2.3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

15.3 Effective Date of Entitlement

The effective date of entitlement is the date on which the requirements of law are met, subject to the 6-year statute of limitations.

15.4 Annuitant, Mentally or Physically Incapacitated

15.4.1. If, for any reason, a minimum income surviving spouse is mentally or physically incapable of applying for or negotiating the payment of the annuity, a court-appointed guardian may act on his or her behalf. If no guardian has or will be appointed, the person having care, custody, and control of the incapacitated annuitant is authorized to act on his or her behalf.

15.4.2. An FAUMC is required when the annuitant receives payments through foreign postal channels, or through a third party if the annuitant is incapacitated. See section 13.0.

15.4.3. The yearly certificate of continued eligibility is not required.

15.5 Changes and Termination

Changes in the amount of the annuity payable or termination of the annuity must be in accordance with the effective date of change or termination as shown by the VA. If termination is due to death of the annuitant, entitlement ceases as of the first day of the month in which death occurs. Any amounts that are due and payable at the time of annuitant's death may, upon receipt of a properly executed and documented claim, be paid to the person living on the date of the annuitant’s death who is the highest in the order of precedence. See Chapters 30 and 31.

15.6 Reopened Claim

DFAS-CL will reestablish an annuity that has been temporarily suspended because of the excessive income or net worth of the surviving spouse as of the first day of the month in which the surviving spouse meets the income level for an annuity as determined by the VA. Notification of any change in income is the responsibility of the surviving spouse.

15.7 Causes of Overpayment

The following are possible causes of overpayments of an annuity, but such list is not exhaustive:

15.7.1. The minimum income annuity for the surviving spouse was not timely terminated when his or her annual income exceeded the applicable rates shown in Appendix R;

15.7.2. Erroneous computation; or

15.7.3. Insufficient or untimely information.

15.8 Liability

The annuitant is liable for debts caused by overpayment of the annuity. The annuity may not be used as an offset against an indebtedness incurred by the member. The debt may be liquidated by:

15.8.1. The annuitant by making direct remittance to DFAS-CL;

15.8.2. The annuitant authorizing the VA to reduce the pension and remitting the amount collected to DFAS-CL; or

15.8.3. DFAS-CL by reducing later annuity payments to minimum income widows.

15.9 Waiver of Indebtedness

The request for waiver consideration is handled under the provisions of section 9.0.

*16.0 LEGISLATIVE CHANGES

16.1 Public Law (PL) 114-328, Section 642 for Fiscal Year (FY) 2017

Effective December 23, 2016, PL 114-328, Section 642 of the National Defense Authorization Act (NDAA) for FY 2017, amended Title 10, U.S.C, §§ 1448, 1450, and 1451. The amendments expanded entitlement to the SSIA and updated the amount of the annuity payable and the processes for paying an annuity to the survivors of RC members who die in the line of duty and RC members who die after completing the years of service to be eligible for a non-regular retirement. See Chapter 54.

16.2 PL 116-92, Section 622 of the NDAA for FY 2020,

PL 116-92, Section 622 of the NDAA for FY2020, signed into law on December 20, 2019, amended 10 U.S.C. §1450(c). This legislation created a multi-year phase out of the SBP-DIC offset, beginning in FY 2021, as follows:

16.2.1. For amounts payable for all periods prior to and including the period ending on December 31, 2020, the full amount of DIC paid by the VA to the surviving spouse and former spouse will continue to offset the SBP. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.2. For amounts payable for the period beginning on January 1, 2021, but ending on December 31, 2021, two-thirds of the amount of DIC paid by the VA to the surviving spouse or former spouse will offset the SBP annuity amount. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.3. For amounts payable for the period beginning on January 1, 2022, but ending on December 31, 2022, one-third of the amount of DIC paid by the VA the surviving spouse or former spouse will offset the SBP annuity. The spouse or surviving spouse will continue to receive SSIA, if eligible.

16.2.4. For amounts payable for all periods beginning on or after January 1, 2023, there will be no reduction.

Example: A surviving spouse who is entitled to a $1,200 SBP annuity and $1,500 DIC paid by VA, will continue to have his or her SBP fully offset in 2020. Because DIC is greater than the amount of SBP, it results in a net SBP payment of $0 after offset for all months of 2020. Beginning in 2021, this same spouse would receive a $200 SBP payment, because only $1,000 of the $1,500 DIC paid by VA (i.e., two-thirds of the $1,500 amount of DIC) would be used to offset the SBP. In addition, this spouse would receive SSIA because he or she remains subject to the SBP-DIC offset. In 2022, this same surviving spouse would receive $700 for SBP, because only $500 DIC paid by VA (i.e., one-third of the $1,500 amount of DIC) would be used to offset the SBP. This spouse would remain eligible for SSIA. In 2023, the offset is lifted and the surviving spouse receives both SBP and DIC in full. In 2023, SSIA is no longer payable.

16.2.5. The SBP annuity is restored on January 1, 2023, to any eligible surviving spouse for whom the service previously determined it was appropriate to provide an annuity for the dependent child(ren) of the member instead of the surviving spouse in accordance with subparagraph 3.2.3.

16.2.6. Effective January 1, 2023, SSIA is discontinued.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
1	in a retired status	the member elected to participate in the program	was married to member on date of election or on date of retirement and is married to member at time of member's death (Note 1)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
2	in a retired status	the member elected to participate in the program	was married to member a minimum of 1 year at time of member's death (Note 3)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
3	in a retired status	the member elected to participate in the program	is the parent of a "living issue" of the marriage which occurred after the date of retirement (Note 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
4	in a retired status	the member became eligible and elected to participate on or after September 8, 1982	is the former spouse of a member when member became eligible or the former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Note 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
5	on active duty	the member's death was found to be in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay base to which member would have been entitled had they been retired for a 100 percent disability on the date of death	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
6	on active duty and was entitled to retired or retainer pay,	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service	N/A effective January 1, 2023.
7	on active duty and qualified for retired pay but had not yet applied for or been granted such pay or after completing 20 years of active service, but before member is able to retire as a commissioned officer because member has less than 10 years of active commissioned service (Note 7)	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service, in the case of a member who first became a member before September 8, 1980, use the rate of basic pay in effect for the grade in which serving at time of death, unless, as determined by the Secretary of the Military Department concerned, the member would have been entitled to be retired in a higher grade	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
8	while eligible to provide an RC annuity but: (a) before being notified of retirement eligibility, or (b) during the 90-day period beginning when member receives notification of retirement eligibility	the member had not made an RCSBP election	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service	N/A effective January 1, 2023.
9	before becoming eligible to provide an RC annuity	the member's death is in the line of duty from injuries or illness incurred or aggravated while performing IDT (Note 9)	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service	N/A effective January 1, 2023.

*Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (Notes 2 and 6)	and is offset by (Notes 9, 10 and 11)
10	and retired from both military and civil service	the member elected to participate in the program and did not waive military service for civil service purposes	is the spouse or former spouse of a member when member became eligible or the spouse or former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Notes 1, 2, 3, and 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.
11	and retired from both military and civil service	the member elected to participate in the program and waived military retired pay for civil service purposes, but did not elect survivor coverage at any level under the civil service retirement	is the spouse or former spouse of a member when member became eligible or the spouse or former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (Notes 1, 2, 3, and 4)	55 percent of base amount of coverage on date of member's death	N/A effective January 1, 2023.

Notes:

1. For a member married to the same spouse at time of retirement and date of death, the statute does not require that an intervening divorce be followed by 1 year of remarriage immediately before date of death.
2. An annuity ends for a spouse of former spouse if remarried before age 55. If the annuity is terminated because of remarriage, it is to be reinstated if the new marriage ends.
3. Minimum requirement for a marriage is 1 year.
4. "Living issue" means the "issue by that marriage" or a child of such marriage who dies shortly after birth (such child's birth is the criterion, not the duration of the child's life).
5. If member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to participate in the SBP or if a member has made an election to provide former spouse annuity, the Secretary of the Military Department concerned may not pay the annuity to the surviving spouse.
6. All SBP monthly annuities if not a multiple of $1, is rounded to the next lower multiple of $1.
7. If the "forgotten widow" is entitled to an SBP annuity resulting from a subsequent marriage to a member, the individual may not receive the two annuities, but must elect in writing which to receive. The annuity for a "forgotten widow" is effective December 1, 1980.
8. An offset for DIC must be removed if, prior to January 5, 2021, an annuitant remarries subsequent to their 57th birthday. DIC offset must be removed when an annuitant remarries after 55 on or after January 5, 2021.
9. The Secretary of the Military Department concerned may determine, after consulting with the surviving spouse, if it is more advantageous to pay the annuity to the child instead of the spouse due to the DIC offset of spouse SBP. See 10 U.S.C. § 1448(f)(1) and (2), and Chapter 54 for additional information. Effective January 1, 2023, the option for a surviving spouse of a member who dies on active or inactive duty, in consultation with the Secretary concerned to transfer the annuity to a surviving child was discontinued. An eligible surviving spouse, who previously elected to transfer the annuity to a surviving child or children under the provisions of 10 U.S.C. § 1448(d)(2)(B), will have their eligibility restored. If the surviving spouse is ineligible to receive SBP, the annuity shall continue to be paid to the eligible child or children, unless and until the spouse regains SBP eligibility.
10. See 10 U.S.C. § 1448(f) for additional information.

11. Per the NDAA for FY 2020, SBP-DIC offset was phased out over multiple years beginning in FY 2021 and was fully phased out beginning January 1, 2023. See section 16.0 for specific details regarding the phase out.

Table 46-2. Refund of Monthly Premium for SBP Effective January 4, 1994

REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE JANUARY 4, 1994 (See Note)

The refund of premiums due a spouse or former spouse is determined using the following defined values:

Current Basic Premium (CBP): The actual current premium amount for the basic SBP spouse coverage elected by the member. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.

Current Recalculated Premium (CRP): The implied current premium associated with recalculated SBP basic annuity as reduced due to receipt of DIC. This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.

Total Premiums (TP): The Total Premiums paid by the member for basic SBP. (Lump sum open-enrollment buy-in premiums are not refundable). This does not include any premiums for child coverage, SSBP premiums, or interest charges. This amount may be obtained from historical pay files pertaining to the member and/or from a file of total spouse premiums to be produced under the Director of Compensation, Office of the Deputy Assistant Secretary of Defense (Military Personnel Policy) by the DoD Actuary and the Defense Manpower Data Center in coordination with DFAS-CL.

Premium Refund (PR): This is the premium refund amount. The premium refund is determined according to the following formula:

PR = (1 - CRP/CBP) X TP

For example: Member is a retired O-5, deceased July 1, 1993.
Data is for June 1994.

Retired Pay:	$2,297.00
Current Basic Premium (CBP):	149.31
SBP Spouse Annuity: .55 X 2,297 =	1,263.00 (Note 1)
DIC Annuity:	750.00 (Note 2)
Recalculated SBP Annuity	1,263.00 - 750.00 = 513.00
Implied Base Amount = $513.00/.55	= 932.73
Current Recalculated Premium (CRP)	= 60.63
Total Premiums (TP) from Data Files	= 10,153.08

Premium Refund (PR) is:

PR = (1 - 60.63/149.31) X 10,153.08
= (1 - .4060679) X 10,153.08
= .5939321 X 10,153.08 = 6,030.24

Table 46-2 is effective January 4, 1994 for deaths which occurred on or after January 1, 1993.

Notes:

1. SBP Spouse Annuity amount is rounded down.
2. Per the NDAA for FY 20, SBP-DIC offset was be phased out over multiple years beginning on FY 21 and was fully phased out beginning January 1, 2023. See section 16.0 for specific details.

Table 46-3. Taxability of SBP Cost Refunds

RULE	If the source of refunded cost is for	then it is taxable to the	
		member	annuitant
1	premium deductions from taxable retired pay	yes (Note 1)	yes (Note 2)
2	premiums paid from VA Disability compensation or premiums deducted from nontaxable military disability retired pay	no (Note 3)	no (Note 4)
3	premiums paid directly by member	no (Note 5)	no (Note 6)

Note:

1. Under ***26 U.S.C. § 122***, amounts deducted from military retired pay to fund an SBP annuity are excluded from income. Had the deducted amount been paid directly to the member instead, it would have been fully taxable. Consequently, refunded costs that were taken from military retired pay constitute gross income to the member.
2. Under ***26 U.S.C. § 691***, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from military retired pay would have been gross income to the member, it is also gross income to the annuitant.
3. VA disability compensation is exempt from taxation, as shown in ***38 U.S.C. § 5301***. Under certain circumstances, military disability retired pay is also nontaxable, as shown in ***26 U.S.C. § 104***. If the deducted amount had been paid directly to the member instead, it would have been exempt from taxation. Consequently, refunded costs that were taken from VA disability compensation or nontaxable military disability retired pay are also exempt from taxation.
4. Under 26 U.S.C. § 691, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from VA disability compensation or from nontaxable military disability retired pay would have been excluded from the gross income of the member, it is excluded from the gross income of the annuitant.
5. Amounts paid directly by the member to fund the SBP annuity were subject to tax before they were paid by the member. Direct payments by the member do not result in any tax benefit to the member. Consequently, refunds of premiums that were directly paid by the member constitute a nontaxable return of capital and do not constitute gross income.
6. Because the refund would have been a return of capital in the hands of the decedent (and would not have been includible in the decedent's gross income), it is also a return of capital to the decedent's beneficiary (and is not includible in the gross income of the beneficiary of the decedent).

*Table 46-4. Taxability of Survivor Benefit Plan/Retired Serviceman's Family Protection Plan – Nonresident Annuitants Residing Outside of the United States

RULE	If the SBP annuitant resides in the country of	and	then the SBP annuity is	at the rate of
1	Australia, Austria, Barbados, Cyprus, Czech Republic, Egypt, Greece, Israel, Kazakhstan, Morocco, New Zealand, Norway, Pakistan, Romania, Russia, Slovak Republic, South Korea, Sweden, Trinidad & Tobago, Tunisia, and Ukraine	is a citizen of the country in which residing	not taxable (note)	N/A
2	Bangladesh, Belgium, Bulgaria, China, Denmark*, Estonia, Finland, France, Germany, Hungary, Iceland, India, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Portugal, South Africa, Slovenia, Spain, Switzerland, Thailand, Turkey, United Kingdom, and Venezuela	is a national of the country in which residing	not taxable (note)	N/A
3	Bangladesh, Belgium, Bulgaria, China, Denmark*, Estonia, Finland, France, Germany, Hungary, Iceland, India, Ireland, Italy, Jamaica, Japan, Latvia, Lithuania, Luxembourg, Malta, Mexico, Netherlands, Portugal, South Africa, Slovenia, Spain, Switzerland, Thailand, Turkey, United Kingdom, and Venezuela	is not a national of the country in which residing	taxable	30 percent
4	Canada	N/A	taxable	15 percent
5	South Africa	is a national of the country in which residing	not taxable (note)	N/A
6	South Africa	is not a national of the country in which residing	taxable	15 percent
7	Any country not listed above	N/A	taxable	30 percent

Note:
In order to claim entitlement to exemption from taxation based upon a tax convention or Treaty, a nonresident alien annuitant is required to file IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting).

*If the SBP annuitant is a national of or a resident of these countries, then the SBP annuity is not taxable.

*REFERENCES

CHAPTER 46 SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES

1.0 – GENERAL

	10 U.S.C. § 1450

2.0 – ANNUITIES

2.1	10 U.S.C. § 1450
2.1.2	10 U.S.C. § 1450(a)(3)
2.1.3	10 U.S.C. § 1447(7)-(10) 10 U.S.C. § 1450(b)
2.1.4	DoD Instruction (DoDI) 1332.42, December 30, 2020
2.2	10 U.S.C. §1450(b) DoDI 1332.42, December 30, 2020
2.2.1	DoDI 1332.42, December 30, 2020 GAO Principles of Appropriations Law (1994), § 12-16
2.2.1.1.1	10 U.S.C. § 1465
2.2.1.4	65 Comptroller General (Comp Gen) 260, B-222190, February 17, 1987
2.2.1.5	61 Comp Gen 245, B-205176, February 8, 1982 31 CFR 211.1
2.2.2.1	10 U.S.C. § 1455 DoDI 1332.42, December 30, 2020
2.2.2.2 & 2.2.2.3	66 Comp Gen 340, B-226018, March 18, 1987 10 U.S.C. § 1455
2.2.2.6	10 U.S.C. §§ 1448, 1450, and 1455 DoDI 1332,42, December 30, 2020
2.2.3	10 U.S.C. § 1455(d)
2.2.4	10 U.S.C. § 1451(g)(2)
2.3	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1450(b) Croteau v. United States, 823 F.2d 539 (Fed. Cir. 1987)

3.0 – DEATH OF MEMBER ON ACTIVE DUTY

3.1	10 U.S.C. § 1448(d)
3.2	10 U.S.C. § 1448(d)

REFERENCES (Continued)

3.2.1	Department of Hearings and Appeals, Appeals Board Reconsideration decision 2019-CL-012301.2 (June 25, 2019)
3.2.3.2	10 U.S.C. § 1448(d)(2)(B)
3.2.3.3	PL 116-92, Section 622, NDAA FY 2020
3.2.4	10 U.S.C. § 1448(d)(6)(A)
3.3	10 U.S.C. § 1451(c)
3.3.1	10 U.S.C. § 1407(c)(3) 10 U.S.C. § 1451(c)
3.3.2	10 U.S.C. § 1401a(b)(3)
3.3.3	10 U.S.C. § 1448(d)(6)(B)

4.0 – DEATH OF MEMBER ON INACTIVE-DUTY TRAINING (IDT)

4.1	10 U.S.C. § 1448(f)(1)(B) DoDI 1332.42, December 30, 2020

5.0 – DEPENDENCY AND INDEMNITY COMPENSATION (DIC) OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

5.1	10 U.S.C. § 1450(c) 38 U.S.C. § 1311(e) PL 116-315, Section 2009 Office of the Under Secretary of Defense, Personnel and Readiness, October 22, 2009
5.2	38 U.S.C. § 1311 38 U.S.C. § 5110(d) 38 U.S.C. § 5111(a) 10 U.S.C. § 1450(c) 63 Comp Gen 536, B-21446, August 20, 1984 10 U.S.C. § 1451(c) PL 116-92, Section 622, NDAA FY 2020 DoDI 1332.42, December 30, 2020
5.2.2	10 U.S.C. § 1450(e) 10 U.S.C. §1450(k) 61 Comp Gen 287, B-203380, March 2, 1982
5.2.3.1	10 U.S.C. § 1450(k) 61 Comp Gen 287, B-203380, March 2, 1982 54 Comp Gen 838, B-181712, April 7, 1975
5.2.3.2	10 U.S.C. § 1450(k) 31 CFR 901.2
5.2.4	56 Comp Gen 482, B-186504, April 6, 1977
5.2.5	10 U.S.C. § 1450(m)

REFERENCES (Continued)

5.3	PL 108-375, Section 644, October 28, 2004
6.0 – CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT	
6.1.5	10 U.S.C. § 1450(l)(3)
7.0 – LIABILITY	
	10 U.S.C. § 1450(l)(3)
8.0 – LIQUIDATION OF DEBT	
8.1	31 CFR 901
9.0 – WAIVER OF INDEBTEDNESS	
9.1	10 U.S.C. § 1453
9.2	10 U.S.C. § 1453 54 Comp Gen 249, B-182704, July 2, 1976 Comp Gen B-185466, August 19, 1976
10.0 – TERMINATION OF ANNUITY	
10.2.2	10 U.S.C. § 1450
10.2.3.1 & 10.2.3.2	10 U.S.C. § 1447(11)
10.2.3.4	10 U.S.C. § 1447(11)
10.2.3.5	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1450(b)
10.2.5	10 U.S.C. § 1450(1)(3)
11.0 – REINSTATEMENT OF ANNUITY	
11.1 – 11.3	10 U.S.C. § 1450(b) and (k) 38 U.S.C. § 103
12.0 –ELIGIBLITY VERIFICATION PRIOR TO AUGUST 2023	
	DoDI 1332.42, December 30, 2020 10 U.S.C. § 1447(11)
13.0 – ANNUAL ELIGIBILITY VERIFICATION EFFECTIVE AUGUST 2023	
	PL 117-81, Section 605, NDAA FY 2022
13.2 & 13.3	44 Comp Gen 208, A-3551, October 12, 1964

REFERENCES (Continued)

14.0 – TAXABILITY OF ANNUITIES

14.1	26 U.S.C. § 3405
14.2	26 U.S.C. § 3402(o)(3)
14.3	26 U.S.C. § 3405(a)(1) and (2) and (4) 26 CFR 35.3405-1T(b-8) 26 C.F.R. 31.3405(a)-1
14.4	26 U.S.C. § 101 26 CFR 1.122-1(b) 26 CFR 1.122-1(d) IRS Publications 575 and 939
14.5	IRS Publication 950

15.0 – MINIMUM INCOME WIDOW/SURVIVING SPOUSE

15.1.4	10 U.S.C. § 1448
15.2	10 U.S.C. § 1448 10 U.S.C. § 1450(i) 42 U.S.C. § 659
15.3	31 U.S.C. § 3702
15.5	10 U.S.C. § 1450(b)
15.6	54 Comp Gen 493, B-180545, December 17, 1974
15.8	54 Comp Gen 493, B-180545, December 17, 1974

16.0 – LEGISLATIVE CHANGES

	10 U.S.C. § 1448 10 U.S.C. § 1450(m) 10 U.S.C. § 1451 PL 114-328, Section 642, NDAA FY 2017 PL 116-92, Section 622, NDAA FY 2020

Table 46-1 – ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE

Rule 1	10 U.S.C. § 1447
Rule 2	10 U.S.C. § 1448(a)
Rule 4	10 U.S.C. § 1448
Rule 6	10 U.S.C. § 1451(c)(1)(A)(ii)
Rule 7	10 U.S.C. § 1451(c)(3)
Rule 10	10 U.S.C. § 1448(f)
Note 10	10 U.S.C. § 1448(f)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 47: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 48: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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CHAPTER 49: "ARCHIVED"

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CHAPTER 51: "ARCHIVED"

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CHAPTER 52: "ARCHIVED"

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FINANCIAL MANAGEMENT REGULATION

CHAPTER 53: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 54: "RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
6.4 6.5 6.6	Updated Open Enrollment Periods section with the SBP open enrollment and disenrollment period authorized by section 643 of Public Law 117-263.	Revision
References	Updated references.	Revision

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CHAPTER 54

RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

1.0 GENERAL

1.1 Purpose

This chapter provides information for RCSBP. RCSBP extends eligibility to the Survivor Benefit Plan (SBP) to Reserve Component members who completed the years of service to be eligible to receive retired pay but have not yet reached retirement age. RCSBP allows members to provide an annuity based on their retired pay to qualified survivors.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.). Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS OF SPECIALIZED TERMS

2.1 Base Amount

The dollar amount selected by the member upon which the SBP premium and the annuity are calculated. A member may elect a full base amount or a reduced base amount. See paragraph 4.3 for base amount elections.

2.2 Date of Receipt of Election for RCSBP

The date of the receipt of the election by the member's records custodian, or the date of postmark on the envelope in which the records custodian received the election when the election intent may be prejudiced.

2.3 Date of Retirement

The first day the member is entitled to receive retired pay or the first day the member would have received pay if alive at retirement age.

2.4 The 90-Day Period

The 90-day period in which the member must complete an election for RCSBP begins on the date that the member receives notification that the member has completed the requisite years of service to be eligible for retired pay at a later age (usually age 60).

2.5 Eligible for Retired Pay

A member becomes eligible for non-regular retired pay upon completion of 20 qualifying years of satisfactory service. Often notification is provided by letter referred to as the "20-year letter" because it notifies the member that he or she has served the requisite years of service to be eligible for retired pay, but is not yet entitled to receive the pay because of his or her age. See Chapter 1, subparagraph 2.8.6.

2.6 Eligible to Participate in RCSBP

The date the member receives notice of eligibility for retired pay except for not having reached the age for entitlement to retired pay (usually age 60).

2.7 Entitled to Retired Pay

A person who has completed the requisite service and reached the requisite age (usually age 60) is entitled to receive retired pay for non-regular service.

2.8 Member

A member of a Reserve Component.

2.9 RCSBP

The RCSBP is a benefit plan that enables members who served in the Reserve Components to leave a benefit called an "annuity." An annuity is a monthly payment that normally lasts the lifetime of the beneficiary after the member passes away. The amount of the monthly payment is a percentage of the retired pay, and that percentage depends upon the election the member made when the member signed up for RCSBP.

2.10 SBP

The SBP is for members of the Uniformed Services. NOTE: SBP (see Chapter 42) and RCSBP share many of the same terms. Chapter 42, section 2.0 provides additional terms not specifically defined in this section.

2.11 SBP Premium

SBP Premium is the combination of the "Standard Premium," the "Reserve Component Premium," and the "Survivor's Annuity Premium Deduction."

2.12 Standard Premium

Standard Premium is the reduction in retired pay made to provide the member with SBP coverage for the period after a member becomes entitled to retired pay. The Standard Premium is

described in Chapter 45. It is distinct and separate from the Reserve Component Premium and the Survivor's Annuity Premium Deduction which are described in paragraphs 2.13 and 2.14.

2.13 Reserve Component Premium

When a Reserve member participates in the RCSBP after first becoming eligible based on 20 qualifying years of satisfactory service, coverage for the member's survivors commences but premiums are not paid until the member first becomes actually entitled to retired pay (usually age 60). Note: See also Chapter 1, subparagraphs 3.8.6.1 through 3.8.6.5 which reduces the eligibility age below 60 years of age for a reservist to receive retirement pay. At that time, reductions in the member's retired pay are made that are specifically related only to the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. These reductions are the Reserve Component Premium. They are made after the member begins receiving retired pay for the RCSBP coverage that was provided before the member received retired pay. They are distinct from the Standard Premium (in paragraph 2.12) which are reductions made for the SBP coverage that is provided after the member becomes entitled to retired pay. They are also distinct from the Survivor's Annuity Premium Deduction.

2.14 Survivor's Annuity Premium Deduction

When an RCSBP participant dies, any annuity payable to a survivor is reduced for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. This reduction is unique to RCSBP coverage. The DoD Office of the Actuary, herein referred to as the Actuary, sets the rate of the reduction of the survivor's annuity and the rate is currently set at .0001 of the base amount. The reduction in the annuity is known as the Survivor's Annuity Premium Deduction. The Survivor's Annuity Premium Deduction is distinct from the Standard Premium and Reserve Component Premium described in paragraphs 2.12 and 2.13.

2.15 Reserve Components

The following is a listing of the Reserve Components:

2.15.1. The Army National Guard of the United States,

2.15.2. The Army Reserve,

2.15.3. The Navy Reserve,

2.15.4. The Marine Corps Reserve,

2.15.5. The Air National Guard of the United States,

2.15.6. The Air Force Reserve, and

2.15.7. The Coast Guard Reserve.

3.0 ELIGIBLE BENEFICIARIES

Eligible beneficiaries under the RCSBP include spouse, child, former spouse, and natural person with an insurable interest. Members eligible to participate in RCSBP may elect coverage in one of the following coverage categories: spouse; spouse and child; child only; former spouse; former spouse and child; natural person with an insurable interest; or Special Needs Trust (SNT).

3.1 Spouse (Including the Spouse of a Common-Law Marriage)

A spouse is an eligible beneficiary if he or she:

3.1.1. Was married to the member on the date that the member became eligible to participate in RCSBP and was continuously married to the member through the date when the member died;

3.1.2. Married the member after the date the member became eligible to participate in RCSBP and, as set forth in Section 6.0:

3.1.2.1. The member had a spouse at the time the member became eligible to participate in RCSBP and elected spouse coverage;

3.1.2.2. The original spouse became ineligible due to divorce or death;

3.1.2.3. The member did not choose within one year of the marriage to not elect coverage for the new spouse and has no eligible former spouse beneficiary (i.e., defaulted to resuming spouse coverage); and

3.1.2.4. The spouse and member were continuously married for at least one year on the date the member died or the spouse is a parent of a child from that marriage.

3.1.3. Married to the member after the date the member became eligible to participate in RCSBP and, as set forth in Section 6.0:

3.1.3.1. The member had elected to participate in RCSBP when eligible (Option B or Option C);

3.1.3.2. The member had no spouse at the time of becoming eligible for RCSBP, but after marrying the spouse, the member elected spouse coverage within one year of the marriage (or, where former spouse coverage had been previously elected, within one year of the former spouse's death if occurring after the marriage, as set forth in Section 6.2); and

3.1.3.3. The spouse and member were continuously married for at least one year on the date the member died or the spouse is a parent of a child from that marriage.

3.1.4. Married to a member who completed the years of service required to be eligible for a non-regular service retirement but died before receiving notice of eligibility or during the 90-day period and had not made an RCSBP election.

3.2 Children (Including Children of a Common-Law Marriage)

Children are eligible beneficiaries if they are:

3.2.1. Children of a member who elected child coverage when he or she initially became eligible to participate in RCSBP. Note: Child age requirements are described in Chapter 44, paragraph 2.2;

3.2.2. Children of a member who elected child coverage within one year of first acquiring a dependent child after initially becoming eligible to participate in RCSBP;

3.2.3. Children of a member who died after meeting years of service requirements for a non-regular retirement, but before being notified of retirement eligibility or during the 90-day period immediately following such notification without having made an RCSBP election; or

3.2.4. Children of a member who elected spouse and child or former spouse and child coverage, if the spouse or former spouse dies, remarries before age 55 or otherwise becomes ineligible. If former spouse coverage is in place, only the child(ren) who resulted from the marriage to the former spouse are eligible beneficiaries.

3.3 Former Spouse

The former spouse is an eligible beneficiary if he or she:

3.3.1. Is the member's former spouse when the member becomes eligible to participate in RCSBP and was elected as the beneficiary by the member or an election of former spouse coverage was deemed to have been made by the Secretary concerned upon timely request by the former spouse;

3.3.2. Was not the member's former spouse when the member became eligible to participate in RCSBP and a prior spouse election is changed to provide coverage for a former spouse in accordance with subparagraph 7.2.3. A former spouse must have been married to the member for at least one year or be a parent of a child born of the marriage; or

3.3.3. Was the former spouse for whom coverage was provided under the insurable interest category for an election made before November 8, 1985. The former spouse will remain an eligible beneficiary following a remarriage, unless the remarriage is to a member who is providing the former spouse coverage.

3.4 Natural Person With Insurable Interest

A member may make an election for a natural person with an insurable interest only when there is no eligible spouse or dependent child(ren). A member must elect gross retired pay as the base amount under an election for a natural person with an insurable interest. Pursuant to 10 U.S.C. § 1448(b), any Reserve member who is not married and does not have a dependent child, may elect to provide RCSBP coverage for a natural person with an insurable interest. Additionally, a member

who is unmarried but who has one dependent child may provide coverage for that child under the insurable interest provision. The natural person with an insurable interest is an eligible beneficiary if the beneficiary that member designated is:

3.4.1. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This may include parents, stepparents, grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, a dependent or non-dependent child or step-child, or any other person more nearly related than a cousin; or

3.4.2. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member may be required.

3.5 Special Needs Trust (SNT)

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015, Public Law (PL) 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an annuity for a dependent child to an SNT. See Chapter 46.

3.6 Same-Sex Spouses

See ***DoD Instruction (DoDI) 1332.42***, Section 4.3(d), December 30, 2020 and Chapter 43, paragraph 4.2.

4.0 ELECTION TO PARTICIPATE

4.1 90-Day Period

Any member who is notified of his or her completion of the years of service required for retired pay eligibility for non-regular retirement may elect to participate in RCSBP before the end of the 90-day period. A member who is married or has a dependent child, and who receives notice of eligibility for retired pay, after January 1, 2001, is automatically an immediate participant in RCSBP unless the member elects (with spousal concurrence, if required) not to participate or to defer the decision or delay coverage before the end of the 90-day period. See subparagraph 5.2.7.

4.2 Annuity Options

A member electing to participate must designate an immediate election, a deferred election, or indicate a decision to delay the election until reaching retirement age. These are described as Options A, B, or C.

4.2.1. Option A. The member defers a survivor annuity election or declines coverage until retirement age. There is no coverage for the years between becoming eligible for retirement and

reaching retirement entitlement age. If a member dies before reaching retirement age, no survivor annuity is payable. At retirement age, regardless if that age is before age 60, the member may elect to participate in SBP as any other member becoming entitled to retired pay. If a married member chooses Option A, spousal concurrence is required. See subparagraph 5.2.7.

4.2.2. Option B. The member elects to provide a deferred survivor annuity that begins on the date that the member would have attained the age of 60, or on the day after the member's death, whichever is later. If a married member chooses Option B, spousal concurrence is required. See subparagraph 5.2.7.

4.2.3. Option C. The member elects to provide an immediate survivor annuity beginning on the day after the member's death, whether before or after reaching retirement age.

4.3 Base Amount

A member who receives a 20-year notification of eligibility and who elects to participate in RCSBP must elect to cover:

4.3.1. One hundred percent of retired pay or a given dollar amount which is greater than or equal to $300, but less than 100 percent of retired pay;

4.3.2. One hundred percent of retired pay, if member's full retired pay computed as of the effective date of election, is less than $300.00;

4.3.3. One hundred percent of retired pay, if the member elects to cover a dollar amount greater than 100 percent of his or her retired pay as of the effective date of election; or

4.3.4. An elected dollar amount of retired pay, but which is not less than $300.00. However, any dollar election is converted to a percentage of retired pay as of the effective date of the election. A member who elects less than full base amount should be advised that his or her election will be converted to a percentage of retired pay as would be payable if he or she were of retirement age on the date the RCSBP election becomes effective. The base amount is that same percentage of retired pay regardless of the changes in the retired pay that may occur because of pay rate increases, additional points accumulated, promotion or longevity step increases. Note: Spousal concurrence is required when member elects spousal coverage for less than the maximum coverage. See subparagraph 5.2.7.1.

5.0 ELECTION DATA

5.1 RCSBP Election Certificate

The ***DoD (DD) Form 2656-5***, Reserve Component Survivor Benefit Plan (RCSBP) Election Certificate, is required for making an RCSBP election and is also required if the member defers the election under Option A in subparagraph 4.2.1.

5.2 Contents of DD 2656-5

The contents of the election document should show:

5.2.1. The member's name, Social Security number, date of birth, and date of retirement (if known);

5.2.2. If participating, the member has elected coverage for:

5.2.2.1. Spouse and/or children,

5.2.2.2. Former spouse or former spouse and children, or

5.2.2.3. Natural person with an insurable interest (at maximum level of coverage only);

5.2.3. If participating, the member has elected coverage amount or percentage;

5.2.4. If participating, the member's election must contain an election for Option B or Option C. See subparagraphs 4.2.2 or 4.2.3;

5.2.5. If participating, the member's designated beneficiary. Show the name, birth date, and Social Security number for each beneficiary named. If the coverage includes spouse, the member must furnish the date of marriage. Show the address and relationship when the beneficiary is a natural person with an insurable interest. For a natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than a cousin;

5.2.6. The member must sign and date the election. The member's signature must be witnessed. The witness may not be the member's spouse or beneficiary. The witness should not be a minor, but minority of a witness will not necessarily invalidate the member's election. In the event a member is unable to complete his signature and instead makes his mark (such as an "X"), two disinterested persons must witness the election form. An addendum to the DD 2656-5 will suffice in such situations. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law; and

5.2.7. Spousal concurrence in certain elections is a requirement. The spouse signature must appear on the DD 2656-5, the spouse's signature must be notarized, and the spouse must sign after the member has signed the form. If the spouse and member are not co-located, exception to the use of the DD 2656-5 to record the concurrence may be approved in accordance with DoDI 1332.42, Subsection 4.2.a.(3).

5.2.7.1. A retirement eligible Reserve member who elects RCSBP spouse coverage for less than maximum coverage when the member becomes eligible to participate must obtain the concurrence of the spouse in writing. With respect to members who receive notification of retired pay eligibility pursuant to ***10 U.S.C., Chapter 1223*** after January 1, 2001, a retirement eligible

Reserve member must obtain the concurrence of the spouse in writing. Spousal concurrence is required if the member declines coverage (Option A), elects deferred coverage (Option B), elects coverage for spouse at less than the maximum level, or elects coverage for a dependent child but not for the spouse. Without spousal concurrence, an election for less than maximum coverage is invalid.

5.2.7.2. If a member marries during the 90-day period (see paragraph 4.1), spousal concurrence is not required, but the spouse must be notified of the member's election. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

5.2.7.3. If former spouse coverage is elected or deemed, the spousal concurrence is not required; however, a reasonable attempt will be made to notify the spouse of the former spouse coverage. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

5.2.7.3.1. To elect former spouse coverage, the member must complete a ***DD Form 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage. If the member elects former spouse coverage, the election must include information setting forth whether the election was made pursuant to the requirements of a court order, or a voluntary written agreement previously entered into by the member as part of, or incidental to, a proceeding of divorce, dissolution, or annulment, and, if so, whether such agreement was incorporated, ratified, or approved by a court order.

5.2.7.3.2. In order for a former spouse to deem an election, the former spouse must, within one year of the date of the court order involved, complete and send a ***DD Form 2656-10***, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and a copy of the court order, regular on its face, which requires the former spouse SBP election, or which incorporates, ratifies, or approves the voluntary, written agreement of such a person or a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable State law. A deemed election will fail unless both the DD 2656-10 and a copy of the court order or written agreement are received in accordance with the applicable instructions in the form.

6.0 CHANGES IN ELECTION AND COVERAGE

In some circumstances, a member may make a change in RCSBP election or coverage after first becoming eligible for RCSBP (at the time of receiving notice of eligibility (NOE) of meeting service requirements for a non-regular retirement) and making an initial election. See DoDI 1332.42, Section 4.4.

6.1 Later-Acquired Spouse and/or Child

6.1.1. Remarriage of Participating Member. If a member participating in RCSBP with spouse or spouse and child coverage loses the spouse beneficiary through death or divorce, the member may, within one year of remarriage, increase the level of coverage up to and including full-retired pay if a reduced base amount was previously elected, or elect not to resume spouse coverage (child coverage, if previously elected, remains irrevocable). If a member takes no action, spouse coverage will automatically resume upon the one-year anniversary of the remarriage at the coverage amount originally elected. If the member elects not to resume spouse coverage or provides spouse coverage at a less-than-maximum level, the spouse must be notified. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

6.1.2. Marriage Where No Spouse at NOE. A member who had no eligible spouse at NOE (and was not required to elect former spouse coverage) and later marries may elect RCSBP spouse coverage as follows.

6.1.2.1. Member Participating. If the member elected to participate in RCSBP at NOE (i.e., elected Option B or C for a child or insurable interest), the member may elect to add spouse coverage to child coverage or terminate an insurable interest beneficiary coverage in favor of spouse coverage. The election must be made on a DD Form 2656-6 and received within one year of the marriage. The level of coverage cannot be changed. The member is not required to have the concurrence of the new spouse to elect not to add spouse coverage. Failure to make the election within one year terminates eligibility for that spouse and any subsequent spouse. See section 6.3 regarding spouse elections where a former spouse election was made and the former spouse subsequently dies.

6.1.2.2. Member Not Participating. If the member deferred the SBP election and declined RCSBP coverage for a child at NOE (i.e., elected Option A), the member cannot elect RCSBP coverage for the spouse upon marriage. The one-year election requirement in subparagraph 6.1.2.1 does not apply. The member cannot elect to cover the spouse until making an election for SBP coverage upon reaching the age of eligibility to receive retired pay. Once reaching eligibility age, the member may not without the concurrence of the spouse elect- (i) not to participate in the Plan; (ii) to provide an annuity for the spouse at less than the maximum level; or (iii) to provide an annuity for the dependent child but not for the spouse.

6.1.2.3. Member Not Participating Because There Was Neither a Spouse Nor a Dependent Child at NOE. If the member had neither a spouse nor a dependent child at NOE and made no election to participate in RCSBP at NOE, the member may elect to participate with spouse coverage. The election must be made on a DD Form 2656-6 and received within one year of the marriage. Failure to make the election within one year terminates eligibility for that spouse and any subsequent spouse. The decision to cover or not cover the new spouse is the member's unilateral decision; the new spouse is not required to concur.

6.1.3. Dependent Child After NOE. A member who had no eligible dependent child at NOE, but subsequently has a dependent child, may elect RCSBP child coverage as follows.

6.1.3.1. Member Participating. A member already participating in RCSBP (i.e., election Option B or C at NOE for a spouse) may elect to add child coverage using a DD Form 2656-6. The election must be received within one year of acquiring the dependent child. The level of coverage cannot be changed. Failure to make the election within one year terminates eligibility for that child and any subsequent child.

6.1.3.2. Member Not Participating. If the member deferred the SBP election and declined RCSBP coverage for a spouse at NOE (i.e., elected Option A), the member cannot elect RCSBP coverage for the newly acquired child and must wait to make an election for SBP coverage upon reaching the age of eligibility to receive retired pay. The one-year election requirement in subparagraph 6.1.3.1 does not apply.

6.1.3.3. Member Not Participating Because There Was Neither a Spouse Nor a Dependent Child at NOE. If the member had neither a spouse nor a dependent child at NOE and made no election to participate in RCSBP at NOE, the member may elect to participate with child coverage. The election must be made on a DD Form 2656-6 and received within one year of acquiring the child. Failure to make the election within one year terminates eligibility for that child and any subsequent child.

6.1.3.4. Member Who Had a Dependent Child at NOE. A member who had a dependent child at NOE and who did not elect child coverage at that time cannot later elect child coverage for subsequent dependent children. Except as provided for in subparagraph 6.1.3.2, a member with no dependent child at NOE who subsequently acquires a dependent child and does not elect child coverage within one year may not later elect child coverage for subsequent dependent children unless otherwise provided by law.

6.2 Former Spouse or Former Spouse and Child Elections

6.2.1. General Rules.

6.2.1.1. A former spouse election prevents an annuity to the member's current spouse and child (other than a child beneficiary under a former spouse and child election).

6.2.1.2. If the member is married at the time of the former spouse election, a reasonable attempt must be made to notify the spouse of the member's election for the former spouse. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

6.2.2. Former Spouse Elections When the Member Becomes Eligible to Participate.

6.2.2.1. A member who has a former spouse and/or dependent child when becoming eligible to participate may elect former spouse or former spouse and child coverage provided the child is the result of the member-former spouse marriage.

6.2.2.2. If there is no court order or voluntary written agreement requiring the member to elect former spouse coverage in place at the time the member makes the election, the former spouse's ability to retain former spouse coverage could be affected at a later date.

6.2.3. Former Spouse Elections After the Member Becomes Eligible to Participate but Before the Member Meets Age Requirements.

A member who elected spouse or spouse and child coverage when becoming eligible to participate in the RCSBP, may within one year of the date of the decree of divorce, dissolution, or annulment of that marriage, change that election to provide the RCSBP annuity to the former spouse or the former spouse and child.

6.2.4. Deemed Former Spouse Elections.

Upon written request of a former spouse or their legal representative, the Secretary concerned may deem an election for former spouse coverage when a member is ordered by a court or voluntarily enters into a written agreement, incidental to a proceeding of divorce, dissolution, or annulment, to elect former spouse SBP coverage, and the agreement has been incorporated in, or ratified or approved by the court, and the member fails or refuses to make the election. The provisions for deemed former spouse elections for SBP coverage contained in Chapter 43, paragraph 5.2 apply to RCSBP deemed former spouse elections.

6.3 Electing Spouse Coverage Upon Death of Covered Former Spouse

In accordance with Section 1448(b) of Title 10, U.S.C., as amended by Section 641 of Public Law (PL) 114-92, a retiree who is participating in SBP or RC-SBP with former spouse coverage, may, upon the death of that former spouse, elect to cover his or her spouse under certain conditions described in subparagraph 6.4.1 through 6.4.3.

6.3.1. Remarried Before Death of Former Spouse on or After November 25, 2015.

6.3.1.1. If the covered participant was married to a new spouse before the death of his or her former spouse, the participant may elect to cover his or her spouse if the former spouse died on or after November 25, 2015.

6.3.1.2. The election to cover the new spouse must be made by the participant in writing to the Secretary concerned within 1 year of the death of the former spouse. Coverage is not automatic.

6.3.1.3. The covered participant may not change level of coverage already in place.

6.3.1.4. Coverage for the new spouse is effective as of the first day of the first month following the month of the death of the former spouse beneficiary, or the first anniversary of the marriage, whichever is later.

6.3.2. Remarried After Death of Former Spouse on or After November 25, 2015.

6.3.2.1. If the covered participant marries a new spouse after the death of his or her former spouse, the participant may elect to cover his or her spouse if the former spouse died on or after November 25, 2015.

6.3.2.2. The election to cover the new spouse must be made by the participant in writing to the Secretary concerned within 1 year of remarriage. Coverage is not automatic.

6.3.2.3. The covered participant may not change the level of coverage.

6.3.2.4. Coverage for the new spouse is effective as of the first day of the first month following the month in which the election is received by the Secretary concerned, or the first anniversary of the marriage, whichever is later.

6.3.3. Special Provisions When the Former Spouse Died Before November 25, 2015.

6.3.3.1. In the case of a covered participant who was already remarried before November 25, 2015, and whose former spouse beneficiary died before November 25, 2015, there is a 1-year window to designate the new spouse as beneficiary, in accordance with PL 114-92. The enrollment window for such participants ended on November 24, 2016. While the level of coverage was required to remain the same, the effective date of coverage depended on how long the covered participants was married to the new spouse in relation to the death of the former spouse:

6.3.3.1.1. If the covered participant was married to the new spouse for at least 1 year at the time of the death of the former spouse, the effective date of spouse coverage is the first day of the first month after the death of the former spouse.

6.3.3.1.2. If the covered participant married the new spouse within the year immediately before the death of the former spouse, or after the death of the former spouse, the effective date of spouse coverage is the first day of the first month following the first anniversary of the remarriage.

6.3.3.2. If the former spouse died before November 25, 2015, but the covered participant was not yet married to the new spouse as of November 25, 2015, that covered participant has 1 year from the date of marriage to elect coverage for the new spouse. Coverage is not automatic.

*6.4 Regular Recurring Open Season for Enrollment and Discontinuation

From time to time, Congress approves limited “open enrollment periods” during which time persons who are not participating are allowed to enroll in the plan and persons who are participating are allowed to disenroll. There are no regular recurring open season periods. Open seasons must be specifically prescribed by law and each open season is unique to the law

establishing the open season. In the absence of such a legislatively prescribed period, members may only enroll in the plan as specified in this chapter.

The most recent RCSBP open season, which was authorized by ***Section 643 of PL 117-263***, began December 23, 2022, and ended at midnight (EST) on January 1, 2024, and allowed eligible members to participate or discontinue participation. For this open season, an "eligible member" was a retired member or former member who, on December 22, 2022, was entitled to retired pay, or would be entitled to retired pay but for the member or former member being under the eligibility age to receive retired pay.

*6.5 NDAA FY 2023 SBP Open Season for Enrollment

The 2023 SBP Open Season allowed for eligible members who, on December 22, 2022, were not currently participating in SBP or RCSBP to enroll. For a member who enrolled during the SBP Open Season, the law required that the member responsible to pay retroactive SBP premium costs that would have been paid if the member had enrolled at retirement (or enrolled at another earlier date, depending on the member's family circumstances). See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

Note: The terms "participating" includes those retired members who previously elected to participate in SBP and have not terminated participation in any way allowed under 10 U.S.C. Ch 73), even if they no longer have an eligible beneficiary. This can occur when a beneficiary who was previously elected undergoes a life change. For example, a (previously elected) child beneficiary may reach adulthood, a (previously elected) spouse beneficiary may obtain a divorce, or a (previously elected) beneficiary may die. Unless otherwise terminated under one of the provisions allowed by law (e.g., electing to discontinue participation under the provisions of 10 U.S.C. § 1448a), an SBP participant without an eligible beneficiary is placed in a "suspended" status. As participants (even in a suspended status), such members are not eligible to make an election to enroll during the 2023 open season. Reference: Deputy Assistant Secretary of Defense for Military Personnel Policy memorandum "Clarification of Policy — 2023 Survivor Benefit Plan Open Season" of November 6, 2023.

*6.6 NDAA FY 2023 SBP Open Season for Discontinuation

The 2023 SBP Open Season also allowed eligible members who are currently enrolled in either SBP or RCSBP to permanently discontinue their SBP coverage. The law required the covered beneficiaries to concur on the SBP and RCSBP Open Season Election to Discontinue Participation form in writing with the election to discontinue. Previously paid premiums will not be refunded. If a reserve member discontinued their RCSBP coverage before receiving retired pay, then upon receiving retired pay, they are still responsible for paying premiums for the period in which they had coverage. The cost would be the rate charged based on the member and their beneficiary's age, pro-rated to the amount of time they had RCSBP coverage. See the Implementing and Procedural Guidance for Section 643 of PL 117-263, December 23, 2022, Survivor Benefit Plan Open Season, dated March 9, 2023.

7.0 IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

7.1 90-Day Period

Elections filed during the 90-day period referred to in paragraph 4.1 are generally irrevocable unless revoked before the expiration of the 90-day period.

7.2 Exceptions

Exceptions to the general rule on irrevocability occur under the following circumstances:

7.2.1. The member discontinues participation as a totally disabled member as described in Chapter 43, paragraph 7.4.

7.2.2. A mentally incapacitated member is later determined to be mentally competent and revokes or changes the RCSBP election within 180 days after such determination of judgment. See Chapter 43, subparagraph 3.1.3;

7.2.3. The member elected less than maximum coverage without spousal concurrence and the member fails to establish to the Secretary of the Military Department concerned (or designee) that spousal concurrence was not required, either because the spouse's whereabouts cannot be determined or other exceptional circumstances prevent obtaining the spouse's concurrence. In this instance, the member's election is invalid. See subparagraph 5.2.7.1;

7.2.4. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

7.2.5. A member may change the beneficiary election to provide former spouse coverage or to remove former spouse coverage as described in section 6.0 and Chapter 43, section 6.0; or

7.2.6. The member voluntarily terminates RCSBP coverage for a natural person with an insurable interest who is not a former spouse.

7.3 Changed Retirement Eligibility

If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility, the RCSBP election remains effective until the member actually retires under the law. A member may at that time make a new election as any other retiring member.

8.0 PREMIUMS

The Government does not subsidize the cost of providing RCSBP coverage under the immediate or deferred annuity option, but the members and beneficiaries who potentially will benefit

from the coverage share the cost. The cost to the retiree, known as the Reserve Component Premium, is in the form of an additional deduction from his or her retired pay beyond the Standard Premium. The RCSBP, unlike SBP, requires a reduction in the survivor annuity. That reduction, known as the Survivor's Annuity Premium Deduction, begins when the survivor begins to receive an annuity. The Reserve Component Premium and the Survivor's Annuity Premium Deduction increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustments.

9.0 RCSBP COST RATE TABLES

The Actuary provides RCSBP rate tables to reflect military-specific death rates, to include remarriage and divorce rates and to incorporate dynamic actuarial assumptions. The tables are built on a "years younger or older than member" concept. The ages at the nearest birthday to date of election receipt are used. When ages expressed in years are the same, the table is determined by comparing months and days. Note: The tables for child only rates use the ages of the member and child; not years younger or older. If a member elects spouse and child or former spouse and child, the premium is based only on the member and spouse ages in the RCSBP cost tables; i.e., there is no cost for the child coverage.

10.0 CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR'S ANNUITY PREMIUM DEDUCTION

10.1 Premium Description

The SBP Premium consists of a Standard Premium, Reserve Component Premium, and a Survivor's Annuity Premium Deduction. The Standard Premium is the reduction in retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The Reserve Component Premium is the reduction in retired pay made for the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. The Survivor's Annuity Premium Deduction is a premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The premiums described in paragraph 10.2 pertain only to the Reserve Component Premium and the Survivor's Annuity Premium Deduction. The method to compute the Standard Premium may be found in Chapter 45. The amount of the Reserve Component Premium depends on the type of beneficiary option elected, the annuity type elected, and the ages of the member and the beneficiary.

10.2 Calculating the Premiums Based on RCSBP Coverage Amount

10.2.1. The member must elect a given dollar amount or full retired pay as the base amount. Convert any dollar election to a percentage of gross retired pay as of the effective date of an election to guarantee full indexing in proportion to member's retired pay.

10.2.2. Address questions to the Actuary about the methods and assumptions used to determine the RCSBP rate in calculating the Reserve Component Premium. Go to ***http://actuary.defense.gov/*** and select "Contact Us" and then "Survivor Benefit Plan."

10.2.3. The following table serves as an example for calculating the premium based on the RCSBP coverage amount:

Information at RCSBP election:	Calculation:
Member's age =	52
Spouse's age =	45
Election type	Option C – Immediate Annuity, Spouse Coverage
Member's elected monthly base amount =	$300.00
Member's estimated current monthly retired pay =	$1,000.00
Ratio =	300/1000 = .30 (30 percent)
Eight years later:	
Member's monthly retired pay at age 60 =	$2,000.00
Member's base amount at age 60 =	.30 (30 percent) x $2,000.00 = $600.00
RCSBP rate from RCSBP table =	.0161
Reserve Component Premium at age 60 =	$9.66 ($600.00 x .0161)
Survivor's Premium rate (determined by Actuary)	.0001
Survivor's Annuity	$330.00 (.55 X $600.00)
Survivor's Annuity Premium	$0.03 (.0001 X $330.00)

10.2.3.1. If the dollar amount elected by the member as the base amount exceeds 100 percent of the member's retired pay on the effective date of the election, the base amount is 100 percent of the monthly retired pay. If the given dollar amount is less than 100 percent of gross retired pay, but greater than $300.00 when computed against the retired pay, use the ratio against the gross retired pay entitlement at age 60, assuming the member has met age and service requirements.

10.2.3.2. To calculate the Reserve Component Premium, multiply the member's base amount at age 60 by the ratio of the elected base/retired pay of .30 (30 percent) and then by the applicable rate from the Actuary RCSBP table for the election and coverage type, here of 1.61 percent. See also subparagraph 10.2.2. The example in subparagraph 10.2.3 provides the member's base amount at age 60 as $600.00 ($2,000.00 x .30). Therefore, the Reserve Component Premium would be computed as follows: $600.00 x .0161 = $9.66.

10.2.3.3. To calculate the Survivor's Annuity Premium Deduction, first multiply the member's base amount by .55 to compute the Survivor's Annuity, next multiply the Survivor's Annuity amount by the rate of .0001. The example in subparagraph 10.2.3 provides the calculation for the survivor's annuity and the survivor's annuity premium. Therefore, the survivor's annuity would be $600 x .55 = $330 and the Survivor's Annuity Premium would be $330.00 x .0001 = $0.03.

11.0 INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

11.1 Beginning Date

If a member has eligible beneficiaries, the Reserve Component Premium begins on the first day of the month after the member meets the age and service requirements necessary to be entitled to non-regular retired pay even if the member meets those age and service requirements before age 60. The payment of premiums will be required if the member chose Option B or Option C from paragraph 4.2. If the member meets the age and service requirements on the first day of the month, the premium is effective that month. If the member specifies a retirement date which is after the date the member meets age and service requirements, or if the member delays application for retirement, the premium is retroactive to the date that the member meets age and service requirements.

11.2 Member's Death

If a member who elected RCSBP (Option B or Option C) dies before reaching the age required to receive retired pay, the Survivor's Annuity Premium Deduction for the pre-eligibility age coverage begins with the immediate or deferred annuity as an actuarial reduction of the survivor's annuity.

11.3 Coverage Change

In some instances, a member may change the type of coverage before retired pay and premiums begin. See section 6.0 for allowable election changes. The initial premium for election changes is effective on the first day of the month after the member meets age and service requirements (or, if the member meets age and service requirements on the first day of the month, the premium is effective that month).

12.0 RESERVE COMPONENT PREMIUM

12.1 Changes in Reserve Component SBP Coverage

A change in the type of Reserve Component SBP coverage elected can impact the Reserve Component Premium that will be deducted from a member's retired pay. There are an extensive number of possible changes available under the law depending on changes to a member's individual family circumstances. The most prevalent election options and changes, and the impact of those elections and changes are reflected in Tables 54-1 and 54-2. Note: The premium deduction rules reflected on those tables pertain only to the Reserve Component Premiums.

12.2 RCSBP Premium Deductions

The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. Tables 54-1 and 54-2 do not reflect the Standard

Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. Chapter 45 provides the method to compute the Standard Premium. The tables also do not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay.

12.3 RCSBP Premium Deductions for Qualifying Reservist Retired Pay Before Age 60

Pursuant to ***10 U.S.C. § 12731(f)***, after January 28, 2008, the eligibility age for non-regular retiree's to receive retired pay may be reduced below 60 years of age. When this happens, a reduction factor at Figure 54-1 is applied to the RCSBP premium. See also Chapter 1, subparagraph 3.8.6.

13.0 DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

Effective December 23, 2016, section 642 of the NDAA for FY 2017 amended 10 U.S.C. §§ 1448, 1450, and 1451. The amendments changed the calculation of SBP annuities paid to the survivors of Reserve Component members who die in the "line of duty" while performing IDT to align that benefit with the annuity paid to the survivors of Reserve Component members who die on active duty. Additionally, the amendments allow the payment of an RCSBP annuity in certain circumstances to dependent children of covered Reserve Component members who die in the line of duty on IDT or after completing the years of service required for a non-regular retirement and clarifies how retired pay is calculated for those Reserve Component members who die after completing the years of service but prior to notification or prior to electing RCSBP coverage. See also Table 54-3 and Table 54-4.

13.1 Entitlement

A Reserve Component member who dies from injuries or illness incurred or aggravated while performing IDT in which the death is determined to have occurred in the line of duty is entitled to automatic coverage under the SBP program whether or not the member is retirement eligible.

13.1.1. Death in the Line of Duty

13.1.1.1. The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. A member who is determined to have died in the line of duty is one who is in an authorized duty status and whose death is determined not to be the result of his or her own intentional misconduct or willful negligence. A member is considered to be in a duty status as set forth in ***37 U.S.C. § 204(g)(1)***. The finding must describe the circumstances under which the member died.

13.1.1.2. In accordance with PL 114-328, the survivor of a Reserve Component member who died in the line of duty while performing IDT will receive an RCSBP annuity calculated as if the member was a fully-disabled retiree on the date of his or her death. Survivors of Reserve Component members who died in the line of duty on IDT prior to December 23, 2016, are entitled to prospective recalculation of future benefits beginning December 23, 2016, or the date the survivor annuity commenced, whichever is later. Note: These calculations are not retroactive for any payments made prior to December 23, 2016.

13.1.2. Not in the Line of Duty Death Prior to Retirement Eligibility. The death of a Reserve Component member who is not retirement eligible and whose death is determined to have occurred "not in the line of duty" does not qualify under this section.

13.1.3. Not in the Line of Duty Death After Retirement Eligibility But Before Notification. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty," and who had completed 20 qualifying years of satisfactory service but had not yet been notified of such completion as required by 10 U.S.C. §12731(d), is eligible for an RCSBP annuity. The annuity is computed based upon that member's or former member's years of service in accordance with 10 U.S.C. § 12733.

13.1.4. Not in the Line of Duty Death Within 90 Days of Notification. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty" after completing 20 qualifying years of satisfactory service and within 90 days of notification of such completion as required by 10 U.S.C. § 12731(d) but before making an RCSBP election is eligible for an SBP annuity. The annuity is computed based upon that former member's years of service in accordance with 10 U.S.C. § 12733.

13.2 Qualified Annuitants

In order of precedence, qualified annuitants are former spouse by court order, current spouse, and children.

13.2.1. Former Spouse by Court Order. The annuity is payable to the former spouse if the member was required under a court order or spousal agreement to provide an annuity to the former spouse upon becoming eligible to participate in the RCSBP or if the member has made an election to provide an annuity to the former spouse. No deemed election under subparagraph 6.2.4 is necessary.

13.2.2. Surviving Spouse. The annuity is payable to the current surviving spouse unless the annuity is payable to the former spouse.

13.2.3. Dependent Children

13.2.3.1. In the case the surviving spouse becomes ineligible to receive an annuity, the Secretary concerned may pay an annuity to the dependent children of that person under 10 U.S.C. §§ 1448(f)(2) and 1450(a)(2).

13.2.3.1.1. For deaths occurring prior to December 23, 2016, dependent children were not considered eligible annuitants if a surviving spouse lost entitlement to an annuity for a reason other than death. Note: Pursuant to NDAA FY 2017 and PL 114-328, December 23, 2016, dependent children became eligible annuitants if the surviving spouse lost entitlement to an annuity for reasons other than death.

13.2.3.1.2. For deaths occurring on or after December 23, 2016, if the annuity was suspended because the spouse became ineligible due to remarriage, that annuity may resume and be paid to a dependent child or children, if any. These payments may resume no sooner than December 23, 2016, or the date the annuity suspended, whichever is later.

13.2.3.2. If, in consultation with an eligible surviving spouse who has an eligible dependent child or children, the Secretary concerned determines it is more appropriate for the dependent child or children to receive the RCSBP annuity rather than the surviving spouse, the RCSBP annuity may be paid directly to a dependent child or children in lieu of payment to the eligible spouse.

13.3 Line of Duty Determination

The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. For the purpose of determining eligibility for SBP benefits, a service member's death will be generally considered being in the line of duty unless:

13.3.1. The death occurred while the member was not serving on IDT;

13.3.2. The death was the result of the member's own intentional misconduct or willful negligence; or

13.3.3. The death occurred from injuries or illness incurred or aggravated during a period of unauthorized absence.

14.0 ANNUITY AMOUNT

14.1 General

14.1.1. RCSBP Annuity. Compute the amount of RCSBP annuity payable to a surviving spouse, former spouse, or dependent child beneficiary in the same manner as the SBP (see Chapter 46) except that the annuity amount is 55 percent of the difference between the base amount and the cost of the Survivor's Annuity Premium Deduction. Compute the monthly annuity for a natural person with an insurable interest or former spouse (insurable interest category) as 55 percent of the member's retired pay as reduced by both the Insurable Interest premium (which continues for the lifetime of the annuitant) and the Survivor's Annuity Premium Deduction. The Actuary determines amount of the Survivor's Annuity Premium Deduction. See section 10.0. Round monthly RCSBP annuities, if not a multiple of $1.00, to the next lower multiple of $1.00.

14.1.1.1. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the immediate annuity option, Option C, the initial annuity amount is payable beginning immediately following death and is computed on the basis of what the member's retired pay would have been on the date of the member's death using the basic pay rates on that date. Note: If a member retires before age 60 pursuant to 10 U.S.C. § 12731, and subsequently dies before what would have been his 60th birthday, the initial annuity amount is payable beginning immediately following death.

14.1.1.2. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the deferred annuity option, Option B, the initial annuity amount is payable beginning the first day of the month following the date the member would have attained the age of 60. Compute the initial annuity amount based on the retired pay the member would have received at age of eligibility.

14.1.2. RCSBP Annuity - Death in Line of Duty. An annuity paid to the survivor of a member who died or who dies in the line of duty while performing IDT will be 55 percent of the retired pay the member was or would have been entitled to on the day the member died, computed as if the member was retired with a total (100 percent) disability under 10 U.S.C. § 1201.

14.1.3. Age 62 Offset. Prior to March 31, 2008, a spouse or former spouse incurred a reduction of RCSBP at age 62 because of entitlement to Social Security benefits. The age 62 offset was eliminated effective April 1, 2008.

14.2 Eligible Annuitants and Amounts

14.2.1. Spouse or Former Spouse. See Chapter 46, Table 46-1. The RCSBP annuity may be less than 55 percent, depending on the Survivor's Annuity Premium Deduction, which is deducted in determining the annuity amount.

14.2.2. Children Only. If there is more than one eligible child, pay the annuity in equal shares. The annuity for children is not subject to Dependency and Indemnity Compensation (DIC) offset.

14.2.3. Spouse and Child or Former Spouse and Child. Pay annuity to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55, or otherwise become ineligible, pay the annuity to the child annuitants. A former spouse and child election includes only the children of the member's marriage to the former spouse. See also Chapter 42 for definition of a surviving spouse.

14.2.4. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by or on behalf of the member. The annuity is not transferable to another person.

14.3 Payment of Annuity

The provisions in Chapter 46 for making annuity payments to representative payees also apply to the RCSBP program.

15.0 OFFSETS TO THE ANNUITY

See Chapter 46 for DIC offsets paid to a surviving spouse by the Department of Veteran Affairs. Public Law (PL) 116-92, Section 622 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, signed into law on December 20, 2019, amended 10 U.S.C. § 1450(c). This legislation created a multi-year phase out of the SBP-Dependency Indemnity Compensation (DIC) offset, beginning in FY 2021. Note: The information in Chapter 46, excluding the minimum-income annuitant material, applies to the RCSBP annuitant.

16.0 TAXABILITY OF ANNUITY

The provisions of Chapter 46 regarding the taxability of annuities also apply to annuities under RCSBP.

Figure 54-1. RCSBP Reduction Factors

Age	Spouse	Child
59	.8516	.8739
58	.7216	.7635
57	.6080	.6657
56	.5097	.5803
55	.4259	.5052
54	.3554	.4402
53	.2967	.3835
52	.2477	.3340
51	.2066	.2904
50	.1722	.2516

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waited to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 10.0.

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
1	Spouse Coverage	the spouse upon whom the initial election was based is still an eligible spouse beneficiary	full spouse premium deductions will be made until the earlier of: (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.
2	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no spouse premium deductions will be made for spouse coverage previously provided before the spouse died, subject to Note 1 where the member remarried.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
3	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible spouse beneficiary due to divorce or annulment	no spouse premium deductions will be made for the period that spouse RCSBP coverage was previously provided before the marriage ended; subject to Notes 1 where the member remarried and Note 2 where former spouse coverage is elected.
4	Former Spouse Coverage	the former spouse upon whom the initial election was based is still an eligible former spouse beneficiary	full former spouse premium deductions will be made until the earlier of : (a) the first day of the month in which the former spouse is no longer eligible due to death, (b) the first day of the month in which the former spouse coverage is suspended due to remarriage before age 55, or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 3.
5	Former Spouse Coverage	the former spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no former spouse premium deductions will be made for the former spouse coverage previously provided before the former spouse died. Note 4.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
6	Former Spouse Coverage	coverage for the former spouse upon whom the initial election was based was suspended due to remarriage before age 55	former Spouse premium deductions for the period that former spouse coverage was previously provided are suspended. No premium deductions are made during the period of suspension. Note 5.
7	Spouse and Child or Former Spouse and Child	the spouse or former spouse upon whom the initial election was based is no longer an eligible beneficiary	no spouse or former spouse premium will be deducted. Child premiums will be deducted. Child premiums will be deducted based on the ages of the member and youngest child at the time the spouse coverage was suspended until the earlier of: (a) the first day of the month in which all children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
8	Child Only Coverage	the member has any child who is still an eligible child beneficiary	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.
9	Child Only Coverage	the member has no living children for whom RCSBP coverage was provided	no child premium deductions will be made for the RCSBP child only coverage previously provided before the child(ren) died.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
10	Child Only Coverage	all of the member's children have lost eligibility due to age or marriage	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.

NOTES:

(a) If the member subsequently remarried (i.e., acquired a subsequent spouse) before meeting the age and service requirements to become actually entitled to receive retired pay and spouse coverage was established for the subsequent spouse, full spouse premium deductions will be made in accordance with Rule (1) in Table 54-1. The premium rate is based on the ages of the member and the spouse for whom the initial election is made. If the base amount was increased, the premium rate is applied against the increased base amount.

(b) If, after the divorce from the spouse upon whom the initial election was based, former spouse coverage is elected by the member (or deemed to be elected by the former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, full former spouse premium deductions will be made from the member's retired pay in accordance with Rule (4) in Table 54-1.

Table 54-1. Reserve Component Premiums for Spouse, Former Spouse, and Child Only Coverage (Continued)

(c)If premiums are suspended because the former spouse loses eligibility due to remarriage before age 55, in the event that marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be restarted and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

(d) If, after the former spouse died and before the time the member met the age and service requirements to become actually entitled to receive retired pay, the member had a spouse for whom and spouse coverage was established, full spouse premium deductions will be made from the member's retired pay for the spouse in accordance with Rule 1.

(e)If premiums are suspended because the former spouse lost eligibility due to remarriage before age 55, in the event that the former spouse's marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be started and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

(f) As long as one of the children for whom RCSBP coverage was provided is still living, premium deductions will be made until member has retired pay reduced for a total of 360 months. The child only deductions are made even after the child(ren)'s eligibility is lost due to age or marriage. See the "Special Rule for Certain RCSBP Participants" in 10 U.S.C. § 1452(b)(3). If a member acquires a new youngest child, the original Reserve Component Premium will remain.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 10.0.

RULE	**If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP**	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
1	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	no changes are made to the insurable interest coverage	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
2	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the insurable interest beneficiary dies	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
3	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
4	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f).	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month following the month in which the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f), or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
5	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary due to death	no subsequent changes are made to the insurable interest coverage	no insurable interest premium deductions will be made for the RCSBP insurable interest coverage previously provided before the insurable interest beneficiary died.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
6	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)	blank	prorated insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. The deductions will be prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

RULE	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:	and after the member started to receive retired pay, the below listed condition occurs:	then the below listed Reserve Component Premium deductions will be made from the member's retired pay:
7	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f)	blank	premiums will be deducted for the spouse or dependent child coverage that was elected under 10 U.S.C. § 1450(f). The premiums will be established in accordance with Table 54-1 and will be based on the ages of the member, spouse and/or child at the time the coverage is elected. Additionally, deduction for Insurable Interest coverage will be deducted and prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. Reserve Component Premiums for Insurable Interest Coverage (Continued)

Note: An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, will pay a prorated Reserve Component Premium based on the number of months for which coverage was effective. To calculate the prorated premium, multiply the original RCSBP rate by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, will serve as the member's prorated Reserve Component Premium.

Revised RCSBP Rate	=	Original RCSBP Rate	x	No. of months member had pre-age 60 coverage	÷	No. of months member would have had pre-age 60 coverage

Table 54-3. RCSBP – General Information

RULE	A reservist who is	and dies in the line of duty, then	dies not in the line of duty, then
1	serving on Active Duty with fewer than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the member is not eligible to participate in the RCSBP.
2	serving on Active Duty with more than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 1451 (c)(1)(A)(ii).
3	serving on Inactive Duty with fewer than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the member is not eligible to participate in the RCSBP.
4	serving on Inactive Duty with more than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.

Table 54-4. Reservist Who Dies Not in the Line of Duty or Not in a Duty Status

RULE	If a reservist, who is not in the line of duty or not in a duty status, dies	and	then
1	after completing 20 years of service	has not yet received a letter of notification of eligibility to retire (NOE),	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
2	after completing 20 years of service	within 90 days of receiving NOE, has not yet elected RCSBP coverage,	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
3	after completing 20 years of service	received NOE and elected to participate in RCSBP,	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
4	having not yet completed 20 years of service	blank	the member is not eligible to participate in RCSBP.

*REFERENCES

CHAPTER 54 - RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

2.0 - DEFINITIONS OF SPECIALIZED TERMS

2.1	10 U.S.C. § 1447(6)(B) 10 U.S.C. § 101(c) 10 U.S.C. Chapter 1223

3.0 - ELIGIBLE BENEFICIARIES

	10 U.S.C. § 1450
3.1.1	Manuscript (MS) Comptroller (Comp) General (Gen) B-195349, January 10, 1980 Defense Office of Hearings and Appeals Claims Case No. 96070219 (1997) MS Comp Gen B-229248, December 19, 1989
3.1.2	10 U.S.C. § 1447(7),(8) 10 U.S.C. § 1448(a)(5) DoD Instruction (DoDI) 1332.42, Subsection 4.4.b, and 4.4.c, December 30, 2020
3.1.3	10 U.S.C. § 1447(7),(8) DoDI 1332.42, Subsections 4.4.d and 4.4.a.(4), December 30, 2020
3.2	10 U.S.C. § 1448(a)(5) 10 U.S.C. § 1448(a)(2)(B) 10 U.S.C. § 1450(f)(1)
3.3.1	10 U.S.C. § 1448(b)(2)
3.3.2	10 U.S.C. § 1448(b)(3)
3.3.3	10 U.S.C. § 1448, Note
3.4	10 U.S.C. §§ 1448, 1450, 1447(7)

4.0 - ELECTION TO PARTICIPATE

4.1	10 U.S.C. § 1448(a)(2)(B) PL 106-398, section 655, October 30, 2000
4.2	10 U.S.C. § 1448(a)(2)(B) 10 U.S.C. § 1448(e) DoDI 1332.42, Section 4.3, December 30, 2020
4.3	10 U.S.C. § 1447(6)(B)
4.4	10 U.S.C. § 1448(a)(5)
4.5	10 U.S.C. §1448(b) Comp Gen, B-179465, July 19, 1974

REFERENCES (Continued)

5.0 - ELECTION DATA

5.1	DoDI 1332.42, Subsection 1.3.b.(4), December 30, 2020
5.2.4	10 U.S.C. § 1448(e)
5.2.7	10 U.S.C. § 1448(a)(3)(B) DoDI 1332.42, Subsection 4.2.a, December 30, 2020 PL 106-398, section 655, October 30, 2000
5.2.7.3	DoDI 1332.42, Subsection 5.1.d, December 30, 2020
5.2.7.3.1	10 U.S.C. § 1448(b)(2)-(3) DoDI 1332.42, Subsection 5.3.a, December 30, 2020
5.2.7.3.2	10 U.S.C. § 1450(f)(3) DoDI 1332.42, Subsection 5.3(b), December 30, 2020

6.0 - CHANGES IN ELECTION AND COVERAGE

6.1	10 U.S.C. § 1448(a)(5) DoDI 1332.42, Subsection 4.4(c), December 30, 2020
6.1.1.	DoDI 1332.42, Subsection 4.4.d. and 4.4.e, December 30, 2020 10 U.S.C. §§ 1448(a)(6) and 1448(g)
6.1.2.	10 U.S.C. §§ 1448(a)(6) and 1448(g) DoDI 1332.42, Subsection 4.4.b.(3), December 30, 2020
6.1.2.1	DoDI 1332.42, Subsection 4.4. d(1)-(c), 4.4.a.(4), 3.1.d.(2), December 30, 2020
6.1.2.2	DoDI 1332.42, Subsection 4.4. d.(1)(d), December 30, 2020 10 U.S.C. § 1448(a)(2)
6.1.3.	DoDI 1332.42, Subsection 4.4.e.(2), December 30, 2020
6.1.5	10 U.S.C. § 1448(a)(6)
6.1.6	10 U.S.C. § 1450(f)
6.1.7	10 U.S.C. § 1450(f)
6.2	10 U.S.C. § 1450(f)(2)
6.2.1.1	10 U.S.C. § 1448(b)(2)(B)
6.2.2.1	10 U.S.C. § 1448(b)(2)

REFERENCES (Continued)

6.2.2.2	10 U.S.C. § 1450(f)(1)
6.2.3.1	10 U.S.C. § 1448(b)(3)
6.3	10 U.S.C. § 1448(b)(1)(A) 10 U.S.C. §1451(b)
6.4	DoDI 1332.42, Section 4.5, December 30, 2020 PL 117-263 Section 643, December 23, 2022

7.0 - IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

7.1	10 U.S.C. § 1448(a)(4)(B)
7.2.2	10 U.S.C. § 1449
7.2.4	10 U.S.C. § 1454
7.2.6	10 U.S.C. § 1448(b)(1)(B)

8.0 - PREMIUMS

10 U.S.C. §§ 1451, 1452
DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1452(h)

9.0 - RCSBP COST RATE TABLES

9.1	DoDI 1332.42, Section 9, December 30, 2020

10.0 - CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR'S ANNUITY PREMIUM DEDUCTION

10.1	10 U.S.C. §§ 1451, 1452 PL 101-189, section 1402, November 29, 1989
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11.0 - INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

DoDI 1332.42, Section 9, December 30, 2020

12.0 - RESERVE COMPONENT PREMIUM

DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)
10 U.S.C. § 12731(f)

REFERENCES (Continued)

13.0 - DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

13.1.4 10 U.S.C. § 12731

14.0 - ANNUITY AMOUNT

14.1 DoDI 1332.42, Subsection 9.1.d, December 30, 2020
DoDI 1332.42, Section 10, December 30, 2020
10 U.S.C. § 1452(c)
DoDI 1332.42, Subsection 10.4.c, December 30, 2020
10 U.S.C. §1451(a)(B)
10 U.S.C. § 1451(f)

14.2 DoDI 1332.42, Section 10, December 30, 2020
10 U.S.C. § 1451

15.0 - OFFSETS TO THE ANNUITY

10 U.S.C. § 1450(c)
10 U.S.C. § 1450(e)

Table 54-1 RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE

DoDI 1332.42, Section 9, December 30, 2020
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(b)
10 U.S.C. § 1452(a)

REFERENCES (Continued)

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE

DoDI 1332.42, Section 9, December 30, 2009
10 U.S.C. § 1448(b)
10 U.S.C. § 1450(a)(4)
10 U.S.C. § 1452(c)(3)

Table 54-3 RCSBP – GENERAL INFORMATION

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

Table 54-4 RESERVIST WHO DIES NOT IN THE LINE OF DUTY OR NOT IN A DUTY STATUS

PL 114-328, section 642, December 23, 2016
10 U.S.C. § 1448
10 U.S.C. § 1450
10 U.S.C. § 1451
Assistant Secretary of Defense Memorandum, April 26, 2017, Subject: Amendments to Survivor Benefit Plan for Reserve Component Members

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 55: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 56: "ARCHIVED"

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CHAPTER 57: "ARCHIVED"

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DEPARTMENT OF DEFENSE

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CHAPTER 58: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 59: "VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and formatting to comply with administrative instructions.	Revision

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CHAPTER 59

VICTIMS OF ABUSE - RETIREMENT-ELIGIBLE MEMBERS

1.0 GENERAL

1.1 Overview

Title 10, United States Code, section 1408(h) (***10 U.S.C. § 1408(h)***) authorizes various benefits for the spouses, former spouses, and dependent child(ren) of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents. Generally, the spouses and former spouses are provided the same rights and benefits that they would have received had there been no abuse and the member had retired under normal circumstances.

1.2 Purpose

This chapter provides policy on benefits and payments of retired pay in compliance with a court order for spouses, former spouses, and dependent child(ren) of the retirement-eligible member or former member. A member or former member, while in the armed forces and after becoming eligible to retire from the armed forces on the basis of years of service, may have his or her eligibility to receive retired pay terminated as a result of misconduct involving abuse of a spouse and/or dependent child.

1.3 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10 and 42. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Court Order

A court order is:

2.1.1. A final decree of divorce, dissolution, annulment, or legal separation issued by a court;

2.1.2. A court ordered, ratified, or approved property settlement incident to such a decree (including a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation or a court ordered, ratified, or approved property settlement incident to such previously issued decree); or

2.1.3. A support order, as defined in ***Section 453(p) of the Social Security Act*** and ***42 U.S.C. § 653(p)***, which:

2.1.3.1. Is issued in accordance with the laws of the jurisdiction of that court; and

2.1.3.2. Provides for:

2.1.3.2.1. Payment of child support (as defined in ***42 U.S.C. § 659(i)(2)***);

2.1.3.2.2. Payment of alimony (as defined in 42 U.S.C. § 659(i)(3)); or

2.1.3.2.3. Division of property (including a division of community property), which specifically provides for the payment of an amount, expressed in dollars or as a percentage of disposable retired pay, from the disposable retired pay of a member to the spouse or former spouse of that member.

2.2 Dependent Child

In this chapter, dependent child means an unmarried legitimate child, including an adopted child or stepchild, of the member or former member who is:

2.2.1. Under 18 years of age;

2.2.2. Incapable of self-support because of a mental or physical incapacity that existed before 18 years of age and is dependent on the member or former member for over one-half of the child's support; or

2.2.3. Enrolled in a full-time course of study in an institution of higher education recognized by the Secretary of Defense for the purposes of this subparagraph, is less than 23 years of age and is dependent on the member or former member for over one-half of the child's support.

2.3 Disposable Retired Pay

Disposable retired pay is the total monthly retired pay to which a member is entitled, less amounts which:

2.3.1. Are owed by that member to the United States for previous overpayments of retired pay and for recoupments from entitlement to retired pay as required by law;

2.3.2. Are deducted from the retired pay of such member as a result of forfeitures of retired pay ordered by a court-martial or as a result of a waiver of retired pay required by law in order to receive compensation under Titles 5 or 38 of the U.S.C.;

2.3.3. Are equal to the amount of the member's retired pay under ***10 U.S.C., Chapter 61***, computed using the percentage of the member's disability on:

2.3.3.1. The date when the member was retired; or

2.3.3.2. The date on which the member's name was placed on the temporary disability retired list; or

2.3.4. Are deducted because of an election under ***10 U.S.C., Chapter 73*** to provide an annuity to a spouse or former spouse to whom payment of a portion of such member's retired pay is being made pursuant to a court order under section 2.0.

Note: Public Law (PL) 114-328, section 641, (National Defense Authorization Act, Fiscal Year 2017) and 10 U.S.C. § 1408(a)(4)(B), authorized a new definition of disposable retired pay which applies to divorces that occur after December 23, 2016, where the court awards the former spouse a division of property and the member has not yet retired. The disposable retired pay for these cases will be computed in accordance with Chapter 29, paragraphs 8.2 and 8.3. Since members under Chapter 59 would have been considered retirement eligible but for the court martial and revocation of retired pay, Public Law (PL) 114-328, section 641 will not apply.

2.4 Spouse or Former Spouse

The term spouse or former spouse means the husband or wife, or former husband or wife, respectively, of a member who, on or before the date of a court order, was married to that member.

2.5 Retired Pay

The term retired pay includes retainer pay.

3.0 ELIGIBILITY

3.1 Eligibility

The following individuals are eligible for payments by the Defense Finance and Accounting Service (DFAS):

3.1.1. Spouse or Former Spouse. A spouse or former spouse is eligible if the spouse or former spouse was married to the member for a period of 10 years or more, during which the member performed at least 10 years of service creditable in determining the member's eligibility for retired pay; and

3.1.1.1. Was the victim of the abuse and married to the member or former member at the time of that abuse; or

3.1.1.2. Is a natural or adopted parent of a dependent child of the member or former member who was the victim of the abuse.

3.1.2. Dependent Child. A dependent child is considered eligible if the other parent of the child died because of misconduct that resulted in the termination of the member's retired pay.

3.2 Court Order

3.2.1. The court order must specifically provide for the payment of an amount, expressed in dollars or as a percentage, from the disposable retired pay of a member to the spouse or former spouse of that member. The court order must satisfy the requirements of 10 U.S.C. § 1408(a)(2).

3.2.2. If a court order provides for the payment of child support from the disposable retired pay of a member or former member to an eligible dependent child of the member or former member, then the Secretary of the Military Department concerned (or designee) will:

3.2.2.1. Ensure payment of such amount is made to the dependent child; and

3.2.2.2. Ensure payments to the dependent child begin upon effective service of such court order.

3.3 Court-Martial

If a member of the armed forces receives a sentence by a court-martial that will terminate the member's eligibility to receive retired pay, then the member's eligibility to receive retired pay, as determined by the Secretary of the Military Department concerned (or designee), is terminated effective upon entry of judgment under ***10 U.S.C. § 860c*** (Article 60c of the Uniform Code of Military Justice).

3.4 Civilian Court Conviction

If a member of the armed forces is convicted by a civilian court of a crime involving abuse of a spouse or dependent child(ren), after becoming eligible for retirement on the basis of years of service, and the Secretary of the Military Department concerned (or designee) discharges the member from the armed forces as a result of that civilian court conviction, then the member's eligibility to receive retired pay is terminated effective upon the member's discharge from the armed forces.

4.0 APPLICATION FOR PAYMENT

An eligible spouse or former spouse must apply for payment from the supporting DFAS site in the same manner as an application for former spouse payments from retired pay, as described in Chapter 29, section 4.0.

5.0 CONDITIONS FOR PAYMENT

5.1 Payment

5.1.1. The court or an eligible spouse or former spouse, or an eligible dependent child, of a member or former member of the armed forces, may request the Secretary of the Military Department concerned (or designee) to provide certification of the amount of the monthly retired pay in connection with a civil action for the issuance of a court order.

The Secretary of the Military Department concerned (or designee) will determine and certify the amount of the monthly retired pay (including any cost-of-living increases to retired pay through the date of certification) to which the member or former member would have been entitled on the date of the certification if:

5.1.1.1. The member or former member's eligibility for retired pay had not been terminated as a result of misconduct involving abuse of a spouse or dependent child; and

5.1.1.2. In the case of a member or former member not receiving retired pay immediately before termination of eligibility for retired pay, the member or former member had retired on the effective date of that termination of eligibility.

5.1.2. When certifying retired pay of a member separated for misconduct involving abuse of a dependent, the Secretary of the Military Department concerned (or designee) will ignore reductions in grade and forfeitures of pay or retired pay resulting from the administrative separation or court-martial for the misconduct.

5.1.3. The amount certified by the Secretary of the Military Department concerned (or designee) will be deemed to be the disposable retired pay of the member for the purposes of this provision. The total amount payable under this provision may not exceed 50 percent of such disposable retired pay.

5.1.4. A court order may provide that whenever retired pay is increased under ***10 U.S.C. § 1401a*** (or any other provision of law), the amount payable under the court order to the spouse or former spouse will be increased at that time and by the percent retired pay would have increased if the member or former member were receiving retired pay.

5.1.5. Payments will not be made more frequently than once a month, and the Secretary of the Military Department concerned (or designee) will not be required to vary normal pay and disbursement cycles for retired pay in order to comply with a court order.

5.1.6. If a member's eligibility for retired pay is terminated as described in paragraph 3.3, then the effective date for computing retired pay will be the date that the sentence terminating eligibility for retired pay is approved by the appropriate official. If a member's retired pay eligibility is terminated as described in paragraph 3.4, then the effective date for computing retired pay will be the effective date of the member's discharge.

5.1.7. Payments made to an eligible spouse based on being the natural or adopted parent of a dependent child, who was the victim of abuse, will not cease solely because the dependent child is no longer considered a dependent child. Payment requires only that the child was dependent at the time of the abuse, and not necessarily at the time of payment.

5.1.8. Payments will be made from funds in the Department of Defense Military Retirement Fund or, in the case of the Coast Guard, out of funds appropriated to the Department of Homeland Security for payment of retired pay for the Coast Guard.

5.1.9. Payments under this chapter must be coordinated with Transitional Compensation benefits payable to an eligible spouse under Chapter 60, paragraph 4.1.

5.2 Termination of Payment

5.2.1. Payments from the disposable retired pay of a member will terminate pursuant to the terms of the applicable court order, on the date of death of the member or former member, or on the date of death of the spouse or former spouse to whom payments are made, whichever occurs first.

5.2.2. If a former spouse who is receiving payments under these conditions marries again after the payments begin, then his or her eligibility to receive further payments terminates on the date of the marriage. In the event of termination of that marriage by death, annulment, or divorce, payments resume as of the first day of the month in which the marriage is terminated. The monthly amount will be the amount that would have been paid if the continuity of the payments had not been interrupted by the marriage.

5.2.3. If the punishment that results in the termination of eligibility to receive retired pay is later remitted, set aside, or mitigated to a punishment that does not result in termination of eligibility, then benefits to the eligible dependent based on that punishment will cease. Such benefits cease on the first day of the first month after the month in which the Secretary of the Military Department concerned (or designee) notifies the recipient in writing that benefits will cease. The recipient will not be required to repay the benefits received prior to that effective date, excluding any erroneous payments.

5.3 Other Entitlements

5.3.1. A spouse or former spouse, while receiving payments under this chapter, will be entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits a spouse or former spouse of a retired member may be entitled as if the member or former member was entitled to retired pay. This entitlement includes the right to the Survivor Benefit Plan if the spouse or former spouse is an eligible beneficiary pursuant to ***10 U.S.C. § 1448***.

5.3.2. A dependent child, who was a member of the household of the member or former member at the time of the misconduct, is entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits provided to dependents of retired members of the armed forces in the same manner as if the member or former member was entitled to retired pay.

5.4 Accrual of Payments

No payments under this chapter will accrue for periods before October 23, 1992.

5.5 Taxability

The spouse or former spouse who receives payment under this chapter will be responsible for the tax liability. DFAS will withhold taxes and will issue the appropriate annual tax form, Form 1099-R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc."

REFERENCES

CHAPTER 59 – VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS

1.0 – GENERAL	10 U.S.C. § 1408
2.0 – DEFINITIONS	
2.1	10 U.S.C. § 1408(a)(2)
	42 U.S.C. § 653(p)
	42 U.S.C. § 659(i)
2.2	10 U.S.C. § 1408(h)(11)
2.3	10 U.S.C. § 1408(a)(4)
	PL 114-328, section 641, December 23, 2016
	10 U.S.C. § 1408(a)(4)(B)
2.4	10 U.S.C. § 1408(a)(6)
3.0 – ELIGIBILITY	
3.1.1	10 U.S.C. § 1408(d)(2)
3.3	10 U.S.C. § 860c
	10 U.S.C. § 1408(h)(10)(A)
5.0 – CONDITIONS FOR PAYMENT	
5.1.1	10 U.S.C. § 1408(h)(4)
5.1.4	10 U.S.C. § 1401a
	10 U.S.C. § 1408(h)(5)
5.2.2	10 U.S.C. § 1408(h)(7)
5.3.1	10 U.S.C. § 1408(h)(9)(A)
	10 U.S.C. § 1448
5.3.2	10 U.S.C. § 1408(h)(9)(B)

VOLUME 7B, CHAPTER 60: "VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
1.1.1, 2.2.3, 3.2.4, 4.2.1, and 4.2.2	Added modification to Transitional Compensation for dependents of members separated for dependent abuse pursuant to National Defense Authorization Act (NDAA), Fiscal Year (FY) 2024, section 631.	Addition
3.3.4	Updated address to where Transitional Compensation applications are submitted.	Revision
4.5.1.2	Provided additional information for the entitlement to transitional compensation when a former spouse remarries.	Revision
4.5.2	Redesignated the Certificate of Eligibility form as the Transitional Compensation Certificate of Eligibility form.	Revision
5.4	Added the provision of lodging expense to dependent or former dependent entitled to payment of monthly Transitional Compensation due to dependent abuse, pursuant to NDAA, FY 2024, section 632.	Addition
Table 60-1, Table 60-2, and Table 60-3	Added the Dependency and Indemnity Compensation rates, effective December 1, 2022, and December 1, 2023.	Addition
References	Updated references.	Revision

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CHAPTER 60

VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)

1.0 GENERAL

1.1 Purpose

This chapter covers transitional compensation, a congressionally authorized program pursuant to ***Title 10, United States Code (U.S.C.), section 1059***, which provides temporary monetary payments and benefits to dependents or former dependents of Service members or former Service members who were separated from the military because they committed dependent-abuse offenses. It may be paid for a period of not less than 12 and not more than 36 months. For information on benefits for spouses and former spouses of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents, see Volume 7B, Chapter 59.

* 1.1.1. Effective December 22, 2023, the existing transitional compensation provisions were expanded to additionally apply to members of the armed forces on active duty for a period of more than 30 days who are convicted of a dependent-abuse offense in a district court of the United States or a State Court and are separated from active duty pursuant to a sentence of a court martial or administratively separated from active duty, for an offense other than the dependent-abuse offense.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at ***https://comptroller.defense.gov/fmr/archives.aspx***.

1.1.2. Transitional compensation is payable to dependents who qualify on or after November 30, 1993. No payment will be made for any period before November 30, 1993. In cases where a spouse or former spouse is receiving payments, and there is an eligible dependent child or children not residing in the same household as the spouse, former spouse, or member, transitional compensation is payable to the dependent children for periods on or after November 1, 1998. See paragraph 4.1 for detailed explanation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10 and 38. Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 DEFINITIONS

2.1 Dependent-Abuse Offense

A dependent-abuse offense is conduct by a member of the Armed Forces, while on active duty for more than 30 days, that involves the abuse of a then-current spouse or dependent child of the member or an attempt or conspiracy to commit such abuse, and that is a criminal offense defined by ***10 U.S.C. §§ 801-940*** or other criminal code applicable to the jurisdiction where the act of abuse is committed. The term "involves the abuse of the then-current spouse or dependent child" means that the criminal offense is against the person of that spouse or a dependent child. Crimes that may qualify as dependent-abuse offenses include sexual assault, rape, sodomy, maiming, assault, battery, murder, and manslaughter. The aforementioned offenses are not an exhaustive or exclusive listing of dependent-abuse offenses.

2.2 Punitive or Other Adverse Actions

Effective December 22, 2023, punitive or other adverse actions are actions in which a member of the Armed Forces who has been on active duty more than 30 days is:

2.2.1. Convicted of a dependent-abuse offense that results in separation from active duty under a court-martial sentence or forfeiture of all pay and allowances under a court-martial sentence;

2.2.2. Administratively separated, voluntarily or involuntarily, from active duty according to applicable Military Service regulations, if the basis for separation includes a dependent-abuse offense; or

* 2.2.3. Who is:

2.2.3.1. Convicted of a dependent-abuse offense in a district court of the United States or State court; and

2.2.3.2. Separated from active duty pursuant to a sentence of court martial, or administratively separated, voluntarily or involuntarily, from active duty for an offense other than the dependent-abuse offense.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at https://comptroller.defense.gov/fmr/archives.aspx

2.3 Cohabitation

Cohabitation is when the spouse, former spouse, or dependent child is residing in the same household as the former member after punitive or other adverse action is executed against the member or former member.

2.4 Dependent Child

A dependent child:

2.4.1. Is an unmarried child, including an adopted child or stepchild:

2.4.1.1. Who resided with the member or eligible spouse at the time of the dependent-abuse offense; or

2.4.1.2. As of January 2, 2013, a child who was carried during pregnancy at the time of the dependent-abuse offense and was subsequently born alive to the eligible spouse or former spouse. However, such child will not receive payment until after the child is born and is not entitled to payment for any period prior to the birth of the child; and

2.4.2. Meets one of the following age requirements:

2.4.2.1. Is under age 18;

2.4.2.2. Is age 18 or older and incapable of self-support due to a mental or physical incapacity that existed before age 18 and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support; or

2.4.2.3. Is age 18 or older, but less than age 23, is enrolled in a full-time course of study in an institution of higher learning approved by the Secretary of Defense, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support.

2.5 Spouse or Former Spouse

The term spouse or former spouse refers to the individual who was legally married to the member at the time of the commission of the dependent-abuse offense resulting in separation from military service.

3.0 ELIGIBILITY FOR TRANSITIONAL COMPENSATION

3.1 Eligibility for Transitional Compensation Payment

The dependents of a member or former member who is separated on or after November 30, 1993, the basis for the separation which includes a dependent-abuse offense, are eligible for transitional compensation payments. If a recipient is incapable of handling his or her affairs, then payments are made only to a court-appointed guardian. In the case of a dependent child under 18 years of age, payments are made only to a court-appointed guardian or a parent who has legal custody of the dependent child and who is not also the abuser.

3.1.1. Spouse or Former Spouse

In the case of a separation from active duty under punitive or other adverse action, payments are made to the person who was the member's spouse at the time of the offense. The spouse or former spouse does not have to be the victim in order to receive transitional compensation.

3.1.2. Dependent Child

Payments may be made to a dependent child as prescribed in paragraph 4.1.

3.2 Exceptional Eligibility Authority

3.2.1. The Secretary of the Military Department concerned may authorize eligibility for transitional compensation benefits for a spouse, former spouse, or dependents of a member or former member of the Armed Forces who is not otherwise eligible for such benefits if the Secretary of the Military Department concerned determines that:

3.2.1.1. The member or former member engaged in conduct that is a dependent-abuse offense; and

3.2.1.2. The member or former member was separated from active duty in a manner other than those described in paragraph 2.2, on or after November 24, 2003.

3.2.2. The Secretary of the Military Department concerned may determine commencement and duration of payments in a manner similar to that described in paragraph 4.2.

3.2.3. For the purposes of the provision of benefits under this paragraph, a member will be considered separated from active duty upon the earliest of:

3.2.3.1. The date an administrative separation is initiated by the commander of the member;

3.2.3.2. The date the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or

3.2.3.3. The date the member's term of service expires.

* 3.2.4. Effective December 22, 2023, the Secretary of the Military Department concerned may delegate exceptional eligibility authority to the first general or flag officer (or civilian equivalent) in the chain of command of the member.

3.3 Application

An individual can request transitional compensation through a Military Service representative. The Military Service representative:

3.3.1. Assists the applicant in filling out the ***DoD (DD) Form 2698***, Application for Transitional Compensation;

3.3.2. Approves payment;

3.3.3. Requests the applicant submit a ***Standard Form 1199A***, Direct Deposit Sign-up Form, completed by the applicant and the financial institution or a voided check/deposit slip with a written authorization for direct deposit of payments; and

* 3.3.4. Provides the Operation and Maintenance fund citation, and forwards the application and information for direct deposit to the Defense Finance and Accounting Service (DFAS) at the following address:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

Facsimile Numbers:
DSN: 580-6470
Commercial Number: (216) 204-6470

4.0 PAYMENT

4.1 Recipients of Payments

Transitional compensation will be paid as follows:

4.1.1 If the member or former member was married at the time of the dependent-abuse offense, then compensation will be paid to the spouse or former spouse to whom the member or former member was married at that time. An amount will be included for each, if any, dependent child of the member or former member who resides in the same household as the spouse or former spouse.

4.1.2 If the spouse or former spouse is eligible to receive compensation and the member or former member has one or more dependent children who do not reside in the household of the spouse or former spouse, compensation is also paid to each of the dependent children who were residing in the household at the time of the abuse, but do not reside with the spouse or current spouse. This provision became effective November 1, 1998.

4.1.3. If a spouse or former spouse has forfeited his or her entitlement for reasons described in paragraph 4.5, then compensation will be paid only to each dependent child who was residing in the household at the time of the abuse, but does not reside with the spouse or former spouse.

4.1.4. If there is no eligible spouse or former spouse, then such compensation will be paid to each of the member's dependent children who do not reside in the member's or former member's household.

4.2 Commencement and Duration of Payment

* 4.2.1. Effective December 22, 2023, in the case of a member convicted due to a punitive or adverse action involving dependent abuse as defined in paragraph 2.2, payments begin:

4.2.1.1. As of the date that the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or

4.2.1.2. If there is a pretrial agreement that provides for disapproval or suspension of the dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances, as of the date entry of judgement under ***10 U.S.C. § 860(c)***, only if the sentence as approved, includes an unsuspended dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances.

* 4.2.2. In the case of a member being considered for administrative separation due to a punitive or adverse action involving dependent abuse, as defined in paragraph 2.2, payment begins as of the date that the separation action was initiated by the commander under regulations determined by the Secretary of the Military Department concerned.

Note: For transitional compensation provisions prior to December 22, 2023, please see archived versions of Volume 7B, Chapter 60, which are publicly available at https://comptroller.defense.gov/fmr/archives.aspx

4.2.3. In the case of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment will not be made for any period for which an order:

4.2.3.1. Defers or suspends, in whole or in part, that part of a sentence that includes total forfeiture of the Service member's pay and allowance; or

4.2.3.2. Otherwise results in continuation, in whole or in part, of the Service member's pay and allowances.

4.2.4. Payments are made for a period of not less than 12 months, but cannot exceed 36 months, based on policies established by the Secretary of the Military Department concerned.

4.2.4.1. When the unserved portion of the member's obligated active duty service, as of the starting date of payment, is greater than 12 months and less than or equal to 36 months, the duration of payments will be no less than the unserved portion.

4.2.4.2. For enlisted members, the obligated active duty service is the time remaining on their term of enlistment. For officers, the obligated active duty service is indefinite unless the officer has a date of separation established, in which case it is the time remaining until the date of separation.

4.2.5. As long as the payee meets the eligibility criteria at the time payments begin, the payee is entitled to transitional compensation for the duration established by Service regulations even if the payee ceases to meet the definition of dependent child at some point during receipt of the compensation.

4.3 Amount of Payment

Use the monthly Dependency and Indemnity Compensation (DIC) rates to pay transitional compensation. The Veterans Affairs (VA) website provides information on DIC rates at ***http://benefits.va.gov/Compensation/current_rates_dic.asp***. DIC rates for prior years are located at the end of the VA webpage under "Historical Rate Tables."

4.3.1. A spouse or former spouse receives transitional compensation in an amount equal to the monthly rate currently in effect for DIC. See Table 60-1 for transitional compensation rates paid to a spouse or former spouse.

4.3.2. If the spouse or former spouse has custody of a dependent child or children of the member who resides in the same household as that spouse or former spouse, then transitional compensation is increased for each child by an amount equal to the monthly DIC amount payable for dependent children. See Table 60-2 for additional transitional compensation rates paid to spouse or former spouse with an eligible dependent child or children.

4.3.3. If transitional compensation is payable to a dependent child under paragraph 4.1, then payments are made in equal shares, in an amount equal to the monthly DIC amount payable for dependent children. When paying multiple children and the payment amount does not divide equally, the youngest child will receive the odd cent(s). See Table 60-3 for transitional compensation rates paid to an eligible child or children.

4.3.4. Payments will be prorated for months when payments start or stop in the middle of a month (e.g., if the former spouse receiving transitional compensation remarries, then compensation terminates effective as of the date of the marriage).

4.3.5. Transitional compensation payments will stop effective the date of death of the recipient. Arrears of compensation will not be paid.

4.3.6. Advance payment of transitional compensation benefits is not authorized.

4.4 Effect of Continuation of Military Pay

In the case of payment of transitional compensation by reason of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment of transitional compensation will not be made for any period for which an order, in whole or in part:

4.4.1. Suspends that part of a sentence that includes forfeiture of the member's pay and allowances; or

4.4.2. Otherwise results in the continuation of the member's pay and allowances.

4.5 Forfeiture Provisions

4.5.1. The following will result in the forfeiture of transitional compensation.

4.5.1.1. If, after a punitive or other adverse action has been executed, the former member resides in the same household as the spouse or former spouse or child who is receiving transitional compensation, compensation terminates as of the date the former member begins residing in the household. The spouse or former spouse must notify DFAS within 30 days of the date the member begins residing in the same household as them or any dependent children receiving compensation payments. Any compensation paid before the member resides in the household will not be recouped. Once terminated for cohabitation, the payments do not resume.

* 4.5.1.2. If the former spouse receiving compensation remarries, then compensation terminates effective as of the date of the former spouse's remarriage. If the former spouse remarries after the date of the dependent-abuse offense but prior to the date that transitional compensation payments would otherwise commence, the former spouse is not entitled to transitional compensation payments. The former spouse must notify DFAS within 30 days of the date of remarriage. Payments do not resume if the subsequent marriage is terminated. If the payments to the spouse terminate due to remarriage and there are dependent children not living in the same household as the spouse or member, payment will be made to each of those dependent children.

4.5.1.3. If the victim was a dependent child, and the competent authority designated by the Secretary of the Military Department concerned has found that the spouse was an active participant in the conduct constituting the dependent-abuse offense, or actively aided or abetted the member in such conduct against that dependent child, then the spouse or former spouse may not be paid transitional compensation.

* 4.5.2. To ensure compliance with subparagraphs 4.5.1.1 and 4.5.1.2, the following must be submitted to DFAS on an annual basis.

4.5.2.1. Spouse/Former Spouse Certification. A former spouse receiving transitional compensation must certify annually to DFAS that he or she has not remarried. A former spouse or spouse receiving transitional compensation must certify annually that he or she has not been cohabiting with the member. They must complete, sign, and return the Transitional Compensation Certificate of Eligibility (TC-COE) that was mailed to them. It can be submitted via mail to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

4.5.2.2. Parent or Court-Approved Guardian TC-COE. The parent or court-approved guardian will certify annually that the dependent child or children are not residing with the member or ineligible spouse via the TC-COE process. If the TC-COE is not received within 60 days of the date of the TC-COE, then payments will be suspended until verification of eligibility is received.

4.6 Termination of Payments

Transitional compensation is not payable when a member's court-martial sentence, which includes a dismissal, dishonorable discharge, or bad-conduct discharge, is remitted, set aside, or mitigated to a lesser punishment that does not include such punishment, or the administrative separation is disapproved. Any payment of transitional compensation that has started will stop effective the first day of the month after the Secretary of the Military Department concerned notifies the recipient in writing that payment will cease for such reason. The recipient is not required to repay transitional compensation received before the effective date of termination, excluding erroneous payments.

4.7 Taxability

Transitional compensation payments are considered benefits that are excludable from taxation and should not be reported on ***Internal Revenue Service Form 1099R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, Individual Retirement Accounts, Insurance Contracts, etc.

5.0 OTHER BENEFITS

5.1 Coordination of Benefits

5.1.1. Election of Benefits. A spouse or former spouse may not concurrently receive both payments of transitional compensation under 10 U.S.C. § 1059 and payments under ***10 U.S.C. § 1408(h)*** (see Chapter 59 for spouses and former spouses of retirement-eligible members who lost eligibility for retired pay as a result of misconduct involving abuse of dependents). If a spouse or former spouse has obtained a court order awarding compensation pursuant to 10 U.S.C. § 1408(h), then the spouse or former spouse will elect which benefit to receive. An application for payment under 10 U.S.C. § 1408(h), pursuant to the requirements of Chapter 59, will be considered an election to receive 10 U.S.C. § 1408(h) payments. See Chapter 59, section 4.0 for application requirements.

5.1.2. Effective Date. The election to receive benefits under 10 U.S.C. § 1408(h) is effective on the date that a complete application is received. If the applicant is not eligible to receive benefits under 10 U.S.C. § 1408(h) on the date the application is received, then the effective date will be the date the applicant becomes eligible for payments under 10 U.S.C. § 1408(h). Payments of transitional compensation under 10 U.S.C. § 1059 will be terminated and payments under 10 U.S.C. § 1408(h) will commence on the first day of the first month after the date the election to receive payments under 10 U.S.C. § 1408(h) is effective.

5.2 Commissary and Exchange Benefits

5.2.1. A recipient of transitional compensation payments is entitled to use commissary and exchange stores to the same extent and manner as a dependent of a member of the Armed Forces on active duty for a period of more than 30 days.

5.2.2. If the recipient is entitled to use commissary and exchange stores under another provision of law, then the entitlement is determined under the other provision of law rather than under this paragraph.

5.3 Medical Benefits

5.3.1. The Secretary concerned will determine appropriate medical and dental care eligibility for transitional compensation recipients and affected dependents. At a minimum, an abused dependent who is receiving transitional compensation, may receive medical and dental care, including mental health services, in facilities of the military services or through the TRICARE program as outlined in ***10 U.S.C. § 1076 - 1077***.

5.3.2. Dental care may be provided on a space-available basis in facilities of the Military Services.

5.3.3. Eligible dependents of a member who is retirement eligible, but who loses eligibility for retirement pay because of dependent-abuse misconduct, may receive medical and dental care in accordance with 10 U.S.C. § 1408(h).

*5.4 Lodging Expenses

Effective December 22, 2023, a dependent or former dependent entitled to payment of monthly transitional compensation is entitled to lodging expenses for a period not longer than 30 days.

*Table 60-1. Spouse or Former Spouse Transitional Compensation Rate

Effective Date	DIC Rate
December 1, 2014	$1,254.19
December 1, 2015	$1,254.19
December 1, 2016	$1,257.95
December 1, 2017	$1,283.11
December 1, 2018	$1,319.04
December 1, 2019	$1,340.14
December 1, 2020	$1,357.56
December 1, 2021	$1,437.66
December 1, 2022	$1,562.74
December 1, 2023	$1,612.75

*Table 60-2. Spouse or Former Spouse with Dependent Child Transitional Compensation Rate

Effective Date	DIC Rate
December 1, 2014	$310.71
December 1, 2015	$310.71
December 1, 2016	$311.64
December 1, 2017	$317.87
December 1, 2018	$326.77
December 1, 2019	$332.00
December 1, 2020	$336.32
December 1, 2021	$356.16
December 1, 2022	$387.15
December 1, 2023	$399.54

*Table 60-3. Dependent Child Transitional Compensation Rate

DIC Child Rates				
Effective Date	1 Child	2 Children	3 Children	Over 3 Children
December 1, 2014	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2015	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2016	$531.14	$764.09	$997.05	$997.05 plus $189.48 for each child over 3
December 1, 2017	$541.76	$779.37	$1,016.99	$1,016.99 plus $193.27 for each child over 3
December 1, 2018	$556.93	$801.18	$1,045.47	$1,045.47 plus $198.68 for each child over 3
December 1, 2019	$565.84	$814.01	$1,062.20	$1,062.20 plus $201.95 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2020	$573.20	$824.59	$1,076.01	$1,076.01 plus $320.12 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2021	$607.02	$873.24	$1,139.49	$1,139.49 plus $339.01 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2022	$659.83	$949.21	$1,238.63	$1,238.63 plus $368.50 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.
December 1, 2023	$680.94	$979.58	$1,278.27	$1,278.27 plus $380.30 for the fourth child. Refer to rate table for additional children over four located at: http://benefits.va.gov/compensation/current_rates_dic.asp.

*REFERENCES

CHAPTER 60: VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPESATION)

1.0 – GENERAL

1.1	10 U.S.C. § 1059 DoD Instruction 1342.24, September 23, 2019 Office of the Assistant Secretary of Defense/Force Management Memorandum, October 19, 1994
1.1.1.4	Public Law 118-31, section 631, December 22, 2023
1.1.1.5	Public Law 118-31, section 631, December 22, 2023

2.0 – DEFINITIONS

2.1-2.5	10 U.S.C. § 1059
2.2.3	10 U.S.C. § 1059(b)(3) Public Law 118-31, section 631, December 22, 2023
2.4	10 U.S.C. § 1059(n) Public Law 112-239, section 564, January 2, 2013 Public Law 113-181, section 2, November 13, 2014
2.4.1.1	Public Law 118-31, section 631, December 22, 2023
2.4.1.2	Public Law 118-31, section 631, December 22, 2023

3.0 – ELIGIBILITY FOR TRANSITIONAL COMPENSATION

3.1.2	10 U.S.C. § 1059(d)(2)
3.2	10 U.S.C. § 1059(l) Public Law 116-92, section 621, December 20, 2019 Fiscal Year 2020 National Defense Authorization Act, section 621, December 20, 2019
3.2.4	Public Law 118-31, section 631, December 22, 2023

4.0 – PAYMENT

4.1	10 U.S.C. § 1059(d)
4.1.2	DoD Instruction 1342.24, paragraph 3.1.b, September 23, 2019
4.2	10 U.S.C. § 1059(e)
4.2.1	Public Law 118-31, section 631, December 22, 2023
4.2.2	Public Law 118-31, section 631, December 22, 2023
4.2.3	DoD Instruction 1342.24, paragraph 3.2.a.(3), September 23, 2019

REFERENCES (Continued)

	Principal Deputy Under Secretary of Defense for Personnel and Readiness Policy Memorandum, June 14, 2004
4.2.5	DoD Instruction 1342.24, paragraph 3.2, September 23, 2019
4.3	38 U.S.C. § 1114 38 U.S.C. § 1115 38 U.S.C. § 1311(a)(1) 38 U.S.C. § 1311(b) 38 U.S.C. § 1313 38 U.S.C. § 1314 Public Law 112-53, sections 2(a) – (c), (e), November 9, 2011 Public Law 112-198, sections 2(a) – (c) and 3, November 27, 2012 Public Law 113-52, sections 2(a) – (c), (e), November 21, 2013 Public Law 113-181, sections 2(a) – (c), (e), September 26, 2014 Public Law 114-197, sections 2(a) – (c) and 3, July 22, 2016 Public Law 115-75, sections 2(a) – (c) and 3, November 2, 2017 Public Law 115-258, sections 2(a) – (c) and 3, October 9, 2018 Public Law 116-58, sections 2(a) – (c) and 3, September 26, 2019 Public Law 116-178, sections 2(a) – (c) and 3, October 20, 2020 Public Law 117-45, sections 2(a) – (c) and 3, October 8, 2021 Public Law 117-191, sections 2(a) – (c) and 3, October 10, 2022 Public Law 118-6, sections 2(a) – (c) and 3, June 14, 2023
4.3.1 and 4.3.2	38 U.S.C. § 1114 38 U.S.C. § 1115 38 U.S.C. § 1311(a)(1) 38 U.S.C. § 1311(b) 38 U.S.C. § 1314
4.3.3	38 U.S.C. § 1313
4.5	10 U.S.C. § 1059(f)(3) 10 U.S.C. § 1059(g)
4.6	10 U.S.C. § 1059(e)(3)(C)

REFERENCES (Continued)

4.7	Armed Forces Tax Council Memorandum, December 16, 1994
5.0 – OTHER BENEFITS	
5.1	10 U.S.C. § 1059(i)
5.2	10 U.S.C. § 1059(j)
5.3	10 U.S.C. § 1076(e) DoD Instruction 1342.24, paragraph 3.8, September 23, 2019
5.4	10 U.S.C. § 1059(k) Public Law 118-31, section 632, December 22, 2023

VOLUME 7B, CHAPTER 61: "ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5.3	Replaced references to Report of Existence, Certificate of Eligibility and associated instructions with Foreign Address Update for Mailed Checks and Survivor Benefit Plan-Marital Status Update per section 605 of the National Defense Authorization Act for Fiscal Year 2022.	Revision
6.2.4	Removed references to Dependency and Indemnity Compensation offset since it is repealed effective January 1, 2023. Updated in-text citations.	Deletion
Table 61-1	Updated table to include new annuity amounts effective December 1, 2024.	Revision
References	Updated to include the memorandum from the Office of the Assistant Secretary of Defense for the "Fiscal Year 2024 Adjustments to Military Retired and Retainer Pay, Annuities and Premiums" dated November 14, 2024.	Revision

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CHAPTER 61

ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

1.0 GENERAL

1.1 Purpose

The purpose of this chapter is to provide guidance, policy, delegation of authority, and assignment of responsibilities, as they apply to ACMSS.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the United States Code (U.S.C.), including Title 10. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in the reference section at the end of the chapter.

2.0 ELIGIBILITY FOR PAYMENT

2.1 General

Effective November 18, 1997, ACMSS was established under Public Law (PL) 105-85 to provide annuity payments to certain qualified surviving spouses.

3.0 QUALIFIED SURVIVING SPOUSE AND DECEASED RETIRED MEMBER

3.1 Qualified Surviving Spouse

Only an individual who meets the following criteria qualifies for these annuity payments.

3.1.1. Is a surviving spouse of a deceased retired member, as defined in paragraph 3.2, who:

3.1.1.1. Was married to the retired member at the time the member became eligible for retired pay;

3.1.1.2. Had been married to the retired member for at least 1 year before the date of death; or

3.1.1.3. Is the parent of a child born of the marriage; and

3.1.1.4. Has not remarried.

3.2 Deceased Retired Member

A deceased retired member for the purpose of this annuity is one who:

3.2.1. Became entitled to retired or retainer pay before September 21, 1972, died before March 21, 1974, and was entitled to retired or retainer pay on the date of death; or

3.2.2. Died before October 1, 1978, and at the time of death, would have been entitled to retired pay under Title 10, U.S.C., Chapter 67 (renumbered to ***10 U.S.C., Chapter 1223*** by PL 103-337, effective December 1, 1994), but for the fact that he or she was under 60 years of age.

4.0 ANNUITY APPLICATION

4.1 General

An annuity application is required before payment will be made.

4.2 Application Procedure

4.2.1. Application. A ***(DD) Form 2769***, Application for Annuity Certain Military Surviving Spouses, must be submitted to the Military Service concerned.

4.2.2. Documentation. If information is unavailable from existing records, such as the Defense Enrollment Eligibility Reporting System, the applicant may be required to submit the following documentation to the Military Service concerned:

4.2.2.1. Certified copies of the retired member's death certificate and/or marriage certificate;

4.2.2.2. DD Form 214, Certificate of Release or Discharge from Active Duty;

4.2.2.3. Retirement order;

4.2.2.4. Retired pay statement; and

4.2.2.5. Any additional information needed to substantiate the claim.

4.2.3. Review and Approval. The Military Service concerned will then:

4.2.3.1. Review the claim and determine whether the applicant is qualified for an ACMSS annuity;

4.2.3.2. Notify the applicant on the disposition of the claim within 60 days; and

4.2.3.3. Forward approved claims to the Defense Finance and Accounting Service Cleveland site (DFAS-CL) for payment.

5.0 PAYMENT OF ANNUITY

5.1 Payment Effective Date

Payment to a qualified surviving spouse begins within 30 days upon receipt by DFAS-CL of a validated claim endorsed by the Military Service. The monthly payments begin not earlier than December 1, 1997, except where entitlement is under subparagraph 3.3.2, in which case entitlement begins not earlier than October 1, 1999.

5.2 Representative Payee

ACMSS payments due to a mentally incompetent or otherwise legally disabled person, for whom a guardian or other fiduciary has not been appointed, may be paid to a representative payee the same as the Survivor Benefit Plan (SBP). See Chapter 46.

*5.3 Report of Existence (ROE) and Certificate of Eligibility (COE)

The SBP-Marital Status Update (MSU) replaces the COE effective August 1, 2023, and is required annually to confirm the marital status and continued eligibility for the SBP, generally due the first day of the month of the annuitant's birthday. Similarly, the Foreign Address Update for Mailed Checks (FAUMC)-Annuitants replaces the ROE effective August 2023, requiring any annuitants receiving a check in the mail outside the United States, who do not need to submit a School Certification or an SBP-MSU, to submit the FAUMC, also generally due the first day of the month of the annuitant's birthday. The procedures for SBP-MSU and FAUMC-Annuitants on SBP annuity payments also apply to ACMSS payments. See Chapter 46.

5.4 Debt Collection

Overpayments of an annuity are subject to the same collection action as SBP. See Chapter 46.

5.5 Taxability

The taxability of ACMSS payments is similar to an SBP annuity. See Chapter 46.

5.6 Death of Annuitant

The annuity terminates the last day of the month before the date the annuitant dies. Any amounts that are due and payable at the time of the annuitant's death may be paid in accordance with the provisions of Chapter 31. The unpaid annuity will only be paid upon receipt of a properly executed and documented claim, approved by the Secretary of the Military Department concerned (or designee).

5.7 Remarriage

The annuity terminates the first day of the month in which the annuitant remarries, without regard to the age of the annuitant.

6.0 ANNUITY AMOUNT AND OFFSET

6.1 Amount

The annuity to a qualified surviving spouse was initially established at $165 per month. The amount is subject to the same cost-of-living adjustment (COLA) and effective at the same time as military retired pay increases. The first COLA was effective December 1, 1997, as shown on Table 61-1. The annual ***COLA memorandums*** are published to the Military Pay and Benefits Website that is sponsored by the Office of the Under Secretary of Defense for Personnel and Readiness. The provision for rounding monthly SBP annuity is not applicable.

6.2 Offset

The amount of annuity to which a surviving spouse is entitled under this section for any period is reduced (but not below zero) by any amount paid to the surviving spouse for the same period under any of the following:

6.2.1. Retired and Reserve Component SBP;

6.2.2. Retired Serviceman's Family Protection Plan;

6.2.3. Minimum Widows Income-SBP.

7.0 FUNDING

The approving Military Service must fund the annuities from operations and maintenance funds for the fiscal year in which the payment is made.

*Table 61-1. ACMSS ANNUITY AMOUNT
Table Revision Effective Date: December 1, 2024

Date of Increase	Percent	Amount
November 1, 1997		$165.00
December 1, 1997	2.1	$168.47
December 1, 1998	1.3	$170.66
December 1, 1999	2.4	$174.76
December 1, 2000	3.6	$181.05
December 1, 2001	2.6	$185.76
December 1, 2002	1.4	$188.36
December 1, 2003	2.1	$192.32
December 1, 2004	2.7	$197.51
December 1, 2005	4.1	$205.61
December 1, 2006	3.3	$212.40
December 1, 2007	2.3	$217.29
December 1, 2008	5.8	$229.89
December 1, 2009	0	$229.89
December 1, 2010	0	$229.89
December 1, 2011	3.6	$238.17
December 1, 2012	1.7	$242.22
December 1, 2013	1.5	$245.85
December 1, 2014	1.7	$250.03
December 1, 2015	0	$250.03
December 1, 2016	0.3	$250.78
December 1, 2017	2.0	$255.80
December 1, 2018	2.8	$262.96
December 1, 2019	1.6	$267.17
December 1, 2020	1.3	$270.64
December 1, 2021	5.9	$286.61
December 1, 2022	8.7	$311.55
December 1, 2023	3.2	$321.52
December 1, 2024	2.5	$329.56

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CHAPTER 61 – ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

2.0	Eligibility for Payment	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
		10 U.S.C., Chapter 1223
		10 U.S.C. § 12731
3.0	Qualified Surviving Spouse and Deceased Retired Member	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
	3.1.1	10 U.S.C. § 1447(7)-(9)
4.0	Annuity Application	
		10 U.S.C. § 1448, note, "Annuities for Certain Military Surviving Spouses"
5.0	Payment of Annuity	
		Public Law (PL) 105-85, November 18, 1997
	5.1	PL 106-65, October 5, 1999
6.0	Annuity Amount and Offset	
	6.1	10 U.S.C. § 1401a
	6.2.1	10 U.S.C., Chapter 73, Subchapter II
	6.2.2	10 U.S.C., Chapter 73, Subchapter I
	6.2.3	PL 92-425, section 4, September 21, 1972
	Table 61-1	PL 105-85, section 644, November 18, 1997
		Office of the Undersecretary of Defense (OUSD), Personnel and Readiness (P&R) Memorandum (Memo), December 8, 2003
		OUSD (P&R) Memo, November 9, 2007
		OUSD (P&R) Memo, October 29, 2008
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		OUSD (P&R) Memo, November 22, 2011

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OASD (M&RA) Memo, November 5, 2015
OASD (M&RA) Memo, November 21, 2016
OASD (M&RA) Memo, November 27, 2017
OASD (M&RA) Memo, November 01, 2018
OASD (M&RA) Memo, October 30, 2019
OASD (M&RA) Memo, November 4, 2019
OASD (M&RA) Memo, November 4, 2020
OASD (M&RA) Memo, November 18, 2021
OASD (M&RA) Memo, November 14, 2022
OASD (M&RA) Memo, November 9, 2023
OASD Military Personnel Policy (MPP) Memo, November 13, 2024

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

CHAPTER 62: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 63: "COMBAT-RELATED SPECIAL COMPENSATION (CRSC)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
1.1.3	Subparagraph restructured to define CRSC relationship to other provisions for clarity.	Revision
3.2	Provided information to indicate that the member bears the responsibility to elect either CRSC or the Concurrent Military Retirement Pay and DVA Disability Compensation.	Revision
3.2 and 9.4	Updated the formerly used term, "Concurrent Retired and Disability Pay (CRDP)," to new term, "Concurrent Military Retirement Pay and DVA Disability Compensation."	Revision

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CHAPTER 63

COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

1.0 GENERAL

1.1 Purpose

CRSC provides special compensation to members of the Uniformed Services who have retired pay reduced because of receiving U.S. Department of Veterans Affairs (DVA) disability compensation where a portion of such DVA disability compensation is the result of disabilities that are combat-related as determined by the Military Department.

1.1.1. Effective Date

The CRSC program became effective May 31, 2003. Payments are made on the first day of the first month following the month in which the compensation accrued, provided the member is receiving DVA disability compensation for a disability that has been determined to be combat-related by the Military Department. No CRSC is payable for any month prior to June 2003.

1.1.1.1. For a member who qualifies on May 31, 2003, compensation accrues beginning in June 2003.

1.1.1.2. For an eligible member whose disability percentage is less than 60 percent, compensation is effective January 1, 2004.

1.1.1.3. For an eligible member who is retired under Title 10, United States Code, Chapter 61 (***10 U.S.C. Chapter 61***) with less than 20 years of active duty or with less than sufficient service and age to qualify for retirement under ***10 U.S.C. § 12731***, compensation is effective January 1, 2008.

1.1.1.4. For a member who did not meet the qualifications on June 1, 2003, January 1, 2004, or January 1, 2008, but who later meets the qualifications, entitlement accrues the first day of the following month.

1.1.2. Funding and Payment

CRSC is not military retired pay. It is a monthly entitlement that is paid only in whole-month increments. Prior to October 1, 2003, CRSC was payable from funds appropriated for pay and allowances payable by the Secretary of the Military Department concerned (or designee) for that fiscal year (FY). Effective October 1, 2003, the source of funding is the DoD Military Retirement Fund.

* 1.1.3. Relationship to Other Provisions

CRSC is not retired pay, and it is not subject to the provisions of ***10 U.S.C. § 1408*** relating to payment of retired or retainer pay in compliance with court orders. Additionally, CRSC payments are not subject to Chapter 13 bankruptcy court orders to pay a Chapter 13 trustee. However, CRSC is subject to other provisions for recovering debt owed by the retiree.

1.1.3.1. CRSC is subject to a Treasury offset to recover a debt owed to the United States as well as to garnishment for child support or alimony. In addition, debts due the government may be collected from CRSC, including overpayments of retired pay or erroneous payments of CRSC, by means of an administrative offset. An administrative offset of CRSC to collect a debt due the government is subject to the due process requirements of ***31 U.S.C. § 3716*** and ***31 Code of Federal Regulations (CFR), part 901***. Claims for overpayments of CRSC may be considered for waiver in accordance with ***10 U.S.C. § 2774***

1.1.3.2. CRSC is subject to a deduction of Survivor's Benefit Plan (SBP) premium, when retired pay is not adequate, for a person who has elected to participate in the SBP. See paragraph 8.3.

1.1.4. Tax Consideration

CRSC payments are considered tax exempt from Federal income tax under provisions of ***26 U.S.C. § 104***.

1.2 Authoritative Guidance

The pay policies and requirements established by DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 10, 31, and 37. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 ENTITLEMENT

2.1 Monthly Entitlement

CRSC is a monthly entitlement. A retiree is entitled to CRSC for each month during which, for the entire month, the member:

2.1.1. Has applied for and elected CRSC under these provisions (section 3.0),

2.1.2. Meets preliminary CRSC criteria (section 4.0), and

2.1.3. Meets final CRSC criteria (section 5.0).

2.2 Expanded Eligibility in 2008

As of January 1, 2008, section 641 of the FY 2008 National Defense Authorization Act and ***10 U.S.C. § 1413a*** provide special rules for CRSC-eligible retirees with fewer than 20 years of service, to include members who have waived their retired pay in order to receive DVA disability compensation. This expanded authority includes both 10 U.S.C., Chapter 61 (10 U.S.C. §§ 1201-1222) disability retirees and Temporary Early Retirement Authority (TERA) retirees. However, a Reserve Component retiree who receives retired pay for early retirement with physical disabilities under ***10 U.S.C. § 12731b*** is specifically excluded from entitlement to CRSC by 10 U.S.C. § 1413a(c)(1).

3.0 APPLICATION AND ELECTION

3.1 Application and Election

A member may not be paid CRSC unless he or she has applied for and elected to receive compensation under the CRSC program by filing an application on DoD (DD) Form 2860, Claim For Combat-Related Special Compensation (CRSC), with the Military Department from which he or she retired. A member may submit an application for CRSC at any time and, if otherwise qualified for CRSC, compensation will be paid for any month after May 2003 for which all conditions of eligibility were met, subject to any legal limitations.

*3.2 Election of CRSC or Concurrent Military Retirement Pay and DVA Disability Compensation

The law states that a member eligible for both CRSC, under 10 U.S.C. § 1413a, and Concurrent Military Retirement Pay and DVA Disability Compensation, under ***10 U.S.C. § 1414***, may not receive both, but must elect which compensation to receive. The Defense Finance and Accounting Service (DFAS)-Cleveland site will advise the member which of the two payments is being paid pursuant to such election. In addition, the DFAS-Cleveland site will provide an annual notice to the member of their entitlements under both programs. If the gross amounts payable change under either program, a member may then change their election during the annual open season period (normally between January 1 and January 31) as set forth by DFAS each year. The member will have one opportunity annually to reverse the current election. This will allow the member to assess the impact of annual adjustments to retired pay, DVA disability compensation, CRSC, and Concurrent Military Retirement Pay and DVA Disability Compensation. The DFAS-Cleveland site will advise members of their options and the procedures to make such elections. The member bears the responsibility for electing which benefit to receive. If the member makes no request to change the current election during the annual open season, the current election will be continued. See also Chapter 64 for more information.

4.0 PRELIMINARY CRITERIA

A retired member of the Uniformed Services must satisfy the following applicable conditions to meet the preliminary criteria to receive CRSC.

4.1 Years of Service Requirement

4.1.1. June 1, 2003 Through December 31, 2003

A retired member must have had 20 or more years of service for the purpose of computing retired pay.

4.1.2. January 1, 2004 Through December 31, 2007

Beginning January 1, 2004, and prior to January 1, 2008, a retired member must have had 20 or more years of service for the purpose of computing retired pay or have been entitled to Reserve Component retired pay under 10 U.S.C. § 12731 (other than by reason of § 12731b) to be eligible for CRSC.

4.1.3. Before January 1, 2008

For the purposes of both subparagraphs 4.1.1 and 4.1.2 the following apply:

4.1.3.1. The 20 years of service required for computing retired pay may be inferred from the retired pay multiplier. Thus, a member who retired for years of service (not for disability under 10 U.S.C., Chapter 61) who has a retired pay multiplier of not less than 50 percent, or a member retired under the Military Retirement Reform Act of 1986 (referred to as REDUX) who is still under age 62 with a retired pay multiplier of not less than 40 percent, may be presumed to have at least 20 years of service for retired pay computation purposes. The Military Departments are not bound by such presumption if there is documentary information to the contrary. In such cases the Military Departments shall base their determinations on the documentary information available. A member who retired under 10 U.S.C., Chapter 61 should be evaluated in terms of what the multiplier would be if the member had not retired for disability. See subparagraph 4.1.3.4.

4.1.3.2. A member retired under the provisions of section 4403 of ***Public Law 102-484***, October 23, 1992, as amended, and by section 504 of ***Public Law 112-81***, December 31, 2011 (commonly known as the TERA program) is generally not eligible unless the member is credited with sufficient service for a 50 percent multiplier or has been recalled to active duty long enough to accumulate 20 years or more of service in the Uniformed Services for the purpose of computing retired pay. Service in Public and Community Service positions under the provisions of section 4403 of Public Law 102-484, October 23, 1992, that is creditable for re-computation of retired pay at age 62 does not count for these purposes. A TERA retiree who has a retired pay increase of 10 percent granted on the basis of extraordinary heroism is not eligible under these provisions if the retired pay multiplier would otherwise be less than 50 percent.

4.1.3.3. Prior to January 1, 2004, a retired reservist had to have at least 7,200 points to be eligible for CRSC. Effective January 1, 2004, a retired Reservist with retired pay computed under 10 U.S.C. § 12731 is eligible for CRSC unless retired for disability under 10 U.S.C. § 12731b with more than 15 but less than 20 years as required under 10 U.S.C. § 12731(a)(2). Specifically, those retired under the Reserve TERA provisions, as prescribed in ***10 U.S.C. § 12731a***, who served fewer than 20 years, but were considered to meet the criteria of 10 U.S.C. § 12731(a)(2) are eligible under these provisions.

4.1.3.4. CRSC is payable to otherwise qualifying applicants receiving retired pay based on the DoD-assigned percentage of disability under 10 U.S.C., Chapter 61. For such members, the CRSC payment is subject to reduction as explained in paragraph 8.5.

4.1.4. On or After January 1, 2008

A retired member who meets the criteria of paragraphs 4.2 through 4.4 satisfies the preliminary criteria to receive CRSC, without regard to having 20 or more years of creditable service for computing retired pay.

4.1.4.1. A member retired for disability under 10 U.S.C., Chapter 61**,** with less than 20 years of service is eligible to receive CRSC, subject to reduction under subparagraph 8.5.2.

4.1.4.2. A member retired under the provisions of section 4403 of Public Law 102-484, October 23, 1992, as amended, and by section 504 of Public Law 112-81, December 31, 2011, (commonly known as the TERA program) is entitled to CRSC. The monthly amount of CRSC payable to qualifying TERA retirees will not be reduced under the special rules for CRSC-entitled disability retirees with less than 20 years of service that are applicable only to Chapter 61 retirees.

4.2 Retired Status

A member must be in a retired status (i.e., on the retired rolls), or have been transferred to the Fleet Reserve or Fleet Marine Corps Reserve. A member who is recalled to, or retained on, active duty is not in a retired status and therefore is not entitled to CRSC for such period of active duty.

4.3 Entitled to Retired Pay

4.3.1. A member must be entitled to retired pay, notwithstanding that such retired pay may be reduced due to receipt of DVA disability compensation. A reservist who has not reached the requisite age to receive retired pay (generally age 60) is not eligible to receive CRSC payments. See Chapter 1, subparagraph 3.8.6, for when the eligibility age of a reservist will be reduced below 60 years of age and become eligible for retired pay.

4.3.2. A member who waives retired pay in order to credit military service for the purposes of establishing eligibility for a civil service retirement, or for any reason other than to receive disability compensation from the DVA, is not eligible to receive CRSC payments. A member who

combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRSC if the member is still eligible to receive military retired pay. Members should consult the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) ***Handbook for Personnel and Payroll Offices*** for further information on eligibility.

4.4 Qualifying Disability Ratings (Percentages)

A member must be entitled to compensation for service-connected disabilities under ***38 U.S.C.***, as rated by the DVA. The rating must be awarded prior to the member's date of death.

4.4.1. Disability ratings by the Secretary of the Military Department concerned (or designee), as of the date on which the member retired, may be used to help make determinations of whether the member meets preliminary CRSC criteria.

4.4.2. The actual computation of the amount of CRSC payable to an eligible retiree is based solely on DVA disability determinations and the amount of DVA compensation paid, without regard to any disability that is not combat-related. Military retirement decisions may be used to determine whether such disabilities are combat-related.

5.0 FINAL CRITERIA

In order for the member to be entitled to CRSC, the member must meet all four preliminary CRSC criteria (as prescribed in paragraphs 4.1 through 4.4), and the appropriate Service must determine that the member has a combat-related disability or disabilities, as defined by paragraphs 5.1 and 5.2, that are compensated by the DVA.

5.1 Purple Heart Disability

Purple Heart Disability is a disability with an assigned medical diagnosis code from the DVA Schedule for Rating Disability (VASRD) that was attributed to injuries for which the member was awarded a Purple Heart.

5.1.1. If the member meets the preliminary CRSC criteria and has been awarded a Purple Heart, then the Military Department must determine which disabilities of the member, if any, are attributed to Purple Heart injuries. If the member was not awarded a Purple Heart, then no such determination will be made.

5.1.2. Determination that a disability is a Purple Heart Disability requires documentary information that there is a sufficient causal relationship between the disability and injury for which a Purple Heart was awarded to conclude that the disability is attributable to such injury. Such a disability will be classified as a Purple Heart Disability and will be included in any other CRSC determinations based on combat-related disabilities.

5.2 Other Combat-Related Disabilities

A combat-related disability is a disability with an assigned medical diagnosis code from the VASRD and which a Military Department has determined is combat-related based on the following criteria:

5.2.1. The disability was incurred as a direct result of armed conflict,

5.2.2. The disability was incurred while engaged in hazardous service,

5.2.3. The disability was incurred in the performance of duty under conditions simulating war, or

5.2.4. The disability was incurred through an instrumentality of war.

NOTE: The Department will record for each disability determined to be combat-related which of the criteria provided at subparagraphs 5.2.1 through 5.2.4 qualifies the disability as combat-related. A determination of combat-relatedness (see section 6.0) will be made concerning each separate disability with an assigned medical diagnosis code from the VASRD. A retiree may have disabilities that are not combat-related. Such disabilities will not be considered in determining eligibility for CRSC or the amount of CRSC payable. An uncorroborated statement in a record that a disability is combat-related will not, by itself, be considered determinative for purposes of meeting the combat-related standards for CRSC prescribed herein. CRSC determinations must be made based on the program criteria.

6.0 DETERMINATIONS OF COMBAT-RELATEDNESS

The following criteria, terms, definitions, and explanations will apply to making combat-related determinations in the CRSC Program.

6.1 Direct Result of Armed Conflict

6.1.1. The disability is a disease or injury incurred in the line of duty as a direct result of armed conflict. To support a combat-related determination, it is not sufficient to only state the fact that a member incurred the disability during a period of war, in an area of armed conflict, or while participating in combat operations. There must be a definite causal relationship between the armed conflict and the resulting disability.

6.1.2. Armed conflict includes a war, expedition, occupation of an area or territory, battle, skirmish, raid, invasion, rebellion, insurrection, guerilla action, riot, or any other action in which Service members are engaged with a hostile or belligerent nation, faction, force, or with terrorists.

6.1.3. Armed conflict may also include incidents involving a member while interned as a prisoner of war, while detained against his or her will in the custody of a hostile or belligerent force, or while escaping or attempting to escape from such confinement, prisoner of war, or detained status.

6.2 While Engaged in Hazardous Service

Hazardous service is service that includes, but is not limited to, aerial flight, parachute duty, demolition duty, experimental stress duty, and diving duty. A finding that a disability is the result of hazardous service requires that the injury or disease be the direct result of actions taken in the performance of such service. Travel to and from such service, or actions incidental to a normal duty status not considered hazardous, are not included.

6.3 In the Performance of Duty Under Conditions Simulating War

In general, performance of duty under conditions simulating war covers disabilities resulting from military training, such as war games, practice alerts, tactical exercises, airborne operations, leadership reaction courses, grenade and live fire weapon practice, bayonet training, hand-to-hand combat training, repelling, and negotiation of combat confidence and obstacle courses. It does not include physical training activities such as calisthenics, jogging, formation running, or supervised sport activities.

6.4 Instrumentality of War

6.4.1. There must be a direct causal relationship between the instrumentality of war and the disability. It is not required that a member's disability be incurred during an actual period of war. The disability must be incurred incident to a hazard or risk of the service.

6.4.2. An instrumentality of war is a vehicle, vessel, or device designed primarily for Military Service and intended for use in such Service at the time of the occurrence or injury. It may also include such instrumentality not designed primarily for Military Service if use of or occurrence involving such instrumentality subjects the individual to a hazard peculiar to Military Service. Such use or occurrence differs from the use or occurrence under similar circumstances in civilian pursuits.

6.4.3. A determination that a disability is the result of an instrumentality of war may be made if the disability was incurred in any period of service as a result of such diverse causes as wounds caused by a military weapon, accidents involving a military combat vehicle, injury or sickness caused by fumes, gases, or explosion of military ordnance, vehicles, or materiel.

6.4.4. For example, if a member is engaging in a sporting activity while on a field exercise and falls and strikes an armored vehicle, the injury would not be considered the result of an instrumentality of war (armored vehicle) because it was the sporting activity that was the cause of the injury, not the vehicle. On the other hand, if the individual was engaged in the same sporting activity and the armored vehicle struck the member, then the injury would be considered the result of an instrumentality of war.

7.0 SPECIAL MONTHLY COMPENSATION (SMC)

7.1 General

SMC, under ***38 U.S.C. § 1114***, is payable for anatomical loss or loss of use of specific organs or parts of the body as a result of service-connected disabilities. SMC is payable in addition to the basic rate of compensation otherwise payable on the basis of degree of disability, provided that the combined rate of compensation does not exceed the monthly rate set forth in 38 U.S.C. § 1114(k).

7.2 Special Determination

Each Military Department will make a special determination regarding whether a member entitled to CRSC who also receives SMC from the DVA under 38 U.S.C. § 1114(k) through (s) could receive increased CRSC as a result of an SMC determination. The Military Department will first determine whether all the member's DVA-compensated disabilities have been determined to be combat-related disabilities under the CRSC program. For members with DVA-compensated disabilities that are both combat-related and non-combat-related, the Military Department will classify each award of SMC as either Combat-Related SMC (CR-SMC) or Non-Combat-Related SMC (Non-CR-SMC), consistent with the corresponding determination of the diagnostic codes on which the SMC is based. The DFAS-Cleveland site will be notified of all such determinations and will include any CR-SMC in CRSC computations.

7.3 Grades Not Requiring SMC Determinations

The Military Department need not make a combat-related determination for any member who would not receive added compensation even if SMC was determined to be combat-related. Any SMC on such member will be passed to DFAS as "undetermined combat-relatedness."

8.0 CRSC AMOUNT

The monthly amount of CRSC is equal to the full monthly amount prescribed in paragraph 8.1, reduced as prescribed in paragraph 8.5 and limited in accordance with paragraph 8.2.

8.1 Gross Monthly Amount

The monthly amount of disability compensation the member would be paid by the DVA under the provisions of 38 U.S.C. if compensated solely for the disabilities determined to be attributable to an injury for which the member received the Purple Heart or determined to be otherwise combat-related. Applicable compensation is set forth in ***38 U.S.C., Chapter 11***. See section 5.0.

Example: A member with a spouse and two children has qualifying combat-related disabilities rated at 100 percent by the DVA. The member's current monthly DVA benefit amount is $3,537.49 which is the prescribed rate for a 100 percent disability for a veteran with a spouse and two children as of December 1, 2020. The gross monthly amount for CRSC purposes is based on this full rate and not just the veteran-alone amounts as applied to CRSC for periods on or after January 1, 2004.

8.1.1. Compensation of Dependents

Additional compensation for dependents is to be included as part of any applicable CRSC compensation. DFAS will use the same dependency rates for the combat-related compensation as DVA uses to determine the member's full disability compensation. For example, if a member is compensated by DVA at the 100 percent disability rate for a veteran with spouse and one child and the combat-related percentage is 60 percent, then the gross CRSC will be determined as the 60 percent rate for a veteran with a spouse and one child. The rates of such compensation are set forth in ***38 U.S.C. § 1115*** and are also located at ***https://www.va.gov/disability/compensation-rates/veteran-rates***.

8.1.2. SMC

The amount of SMC will be considered as part of gross CRSC compensation only if the SMC is paid on the basis of disabilities determined by the Military Department to be combat-related. See section 7.0.

8.1.3. Retired Members Considered Unemployable

Under the laws governing the DVA, members who qualify for the Individual Unemployability supplement to DVA Disability Compensation under the provisions of ***38 CFR 4.16*** are entitled to receive monthly DVA disability compensation payment equal to the amount that they would receive if rated by the DVA as 100 percent disabled. In such cases, DFAS will coordinate with DVA to determine the amount of DVA Disability compensation actually provided to the member, irrespective of the DVA schedule rating percentage. CRSC entitlement will be determined based on the amount of DVA Disability compensation actually paid by the DVA and the amount of military retired pay waived to receive DVA Disability compensation, subject to the other criteria and limitations found in this chapter. See paragraphs 8.2 and 8.5.

8.2 Adjusted Amount

The CRSC payment may not exceed the current reduction in retired pay applicable to the retiree under ***38 U.S.C. § 5304*** and ***38 U.S.C. § 5305***. Thus, CRSC is not payable if there is no reduction because the member is not receiving any monthly disability compensation from DVA, or because the member is not receiving retired pay (such as a reserve member before reaching retirement age at 60 or other reduced retirement age), or for other reasons (such as a member who waives military retired pay in order to credit military service for a civil service retirement). The amount of a member's CRSC entitlement will be adjusted to be the lesser of the gross CRSC from paragraph 8.1 or the reduction to the retired pay entitlement.

Example: The member, described in paragraph 8.1 is retired after 22 years of service with a high-three pay base of $4,500, resulting in retired pay of $2,475 monthly (55 percent of $4,500). The potential retired pay of $2,475 is reduced to $0 by receipt of the DVA disability compensation. Thus, the adjusted amount of CRSC is the $2,475 reduction in retired pay since it is less than the DVA benefit amount of $3,537.49 determined in the example in paragraph 8.1.

8.3 Deduction From CRSC When Retired Pay Not Adequate

Pursuant to 10 U.S.C. § 1452(d)(2), if a deduction from the member's retired pay for any period cannot be made in the full amount required to satisfy the SBP premium, the premium will be deducted from the retiree's CRSC in lieu of deduction from the member's retired pay in the amount that would otherwise have been deducted from the member's retired pay for that period.

8.4 SBP Premium Deduction From CRSC When Dependency and Indemnity Compensation (DIC) Offset is Applicable

Pursuant to 10 U.S.C. § 1450(e), the SBP premium deducted from CRSC of the deceased will be refunded to the surviving spouse when DIC offset is applicable. See Chapter 46.

8.5 CRSC Payment Reduction for 10 U.S.C., Chapter 61 Disability Retirees

The adjusted monthly amount specified in paragraph 8.2 will be reduced according to the provisions of subparagraph 8.5.1 or 8.5.2, whichever is applicable.

8.5.1. Reduction for Periods Prior to January 1, 2013

Provisions for CRSC payment reduction for periods prior to January 1, 2013, follow:

8.5.1.1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 years or more of creditable service computed under section ***10 U.S.C. § 1208*** will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under ***10 U.S.C. § 1409(b)(2)***.

Example: The member described in paragraph 8.2, who would have received $2,475 in retired pay had he retired for his years of service, was retired under 10 U.S.C., Chapter 61 with a disability rated at 60 percent. Thus, the member receives retired pay of $2,700 monthly (60 percent of $4,500). However, in this case, the member has a combined DVA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member's current monthly DVA benefit amount is $3,537.49, of which $1,380.39 is combat-related. The member has a total offset of retired pay. The maximum CRSC entitlement under paragraphs 8.1 and 8.2 is $1,380.39. The maximum CRSC entitlement will be reduced by the

difference in the Chapter 61 retirement and the longevity retirement amounts, or $225 ($2,700 less $2,475). This reduction reflects the amount by which the member's disability retired pay exceeds his or her longevity retired pay. The member's CRSC benefit of $1,380.39 is reduced by $225 to $1,155.39. In this case, the member will receive $3,537.49 from the DVA and $1,155.39 in CRSC from DoD.

8.5.1.2. Members retired for disability under 10 U.S.C., Chapter 61 with less than 20 years of creditable service computed under 10 U.S.C. § 1208 and who initially qualify for CRSC on or after January 1, 2008, will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under ***10 U.S.C. § 1406(b)(1)*** or ***10 U.S.C. § 1407***, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61 is entitled to CRSC. The gross amount of CRSC determined under paragraph 8.1 will be adjusted as required under paragraph 8.2 and then further reduced under paragraph 8.5. For Reserve Component members with less than 20 years of service as determined under ***10 U.S.C. § 12733***, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the amount equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the retired pay to which the member would be entitled if the member were 60 years old.

8.5.2. Reductions for Periods On or After January 1, 2013

Provisions for CRSC payment reduction for periods after January 1, 2013, follow:

8.5.2.1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section 10 U.S.C. § 1208 will have the maximum CRSC payment restricted to the amount, which when combined with any remaining retired pay after DVA offset, will not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under 10 U.S.C. § 1409(b)(2).

Example: The same member, as described in paragraph 8.2, was retired under 10 U.S.C., Chapter 61, with a disability rated at 60 percent. Thus, the member receives retired pay of $2,700 monthly (60 percent of $4,500). However, in this case, the member has a combined DVA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member's current monthly DVA benefit amount is $3,537.49, of which $1,380.39 is combat-related. The member has a total offset of retired pay. Since there is no residual retired pay after offset of the full DVA benefit amount, the member's CRSC entitlement of $1,380.39, is fully

payable as it does not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. In this case, the member will receive $3,537.49 from the DVA and $1,380.39 in CRSC from DoD.

8.5.2.2. Members retired for disability under 10 U.S.C., Chapter 61, with less than 20 years of creditable service computed under 10 U.S.C. § 1208, and who are qualified for CRSC, on or after January 1, 2013, will have the maximum CRSC payment restrictions. The CRSC payment amount, which when combined with any remaining retired pay after DVA offset, will not exceed the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under 10 U.S.C. § 1406(b)(1) or 10 U.S.C. § 1407, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61, is entitled to CRSC. The gross amount of CRSC determined under paragraph 8.1 will be adjusted as required under paragraph 8.2. For Reserve Component members with less than 20 years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full DVA disability compensation, if any, may not exceed the disability retired pay amount that is equal to 2½ percent (2 percent if under Blended Retirement System) times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full DVA disability compensation, if any, may not exceed the disability retired pay to which the member would be entitled if the member were 60 years old.

8.5.3. Chapter 61 Disability Retiree Out-Year Deductions

In all cases, once established (based on date the member was first placed on either the Permanent or Temporary Disability Retirement List), the CRSC reduction amount will be increased by each increase in the retired pay cost of living allowance. It will not be re-computed using current pay tables unless the member otherwise qualifies for re-computation of retired pay by reason of recall to duty or correction of official records.

9.0 COMBINED DISABILITY RATING PERCENTAGE

9.1 The DVA Combined Ratings Table

The combined disability rating table combines multiple disability ratings as set forth in ***38 CFR 4.25***. The table is based on the consideration of an individual's efficiency, as affected by the most disabling conditions, if any, in the order of severity. Thus, a person having a 60 percent disability is considered 40 percent efficient. Proceeding from this 40 percent efficiency, the effect of a further 30 percent disability is to leave only 70 percent of the efficiency remaining after consideration of the first disability (70 percent of 40 percent), leaving 28 percent efficiency altogether. The individual is thus 72 percent disabled.

9.2 Multiple Combined Disability Ratings

When a retiree has two or more disability ratings, use the following formula to determine the combined rating of multiple disabilities:

9.2.1. Subtract each disability percent from 100 percent to obtain the remaining efficiency,

9.2.2. Multiply the remaining efficiencies together,

9.2.3. Subtract the result from 100 percent, and

9.2.4. Round to the nearest 10 percent (round upward for 5 percent and up, down for 4 percent and below) to determine the combined disability rating.

Example 1: Consider a retiree having three disabilities from DVA, rated 50 percent, 40 percent, and 30 percent. If added together, then the total would be 120 percent. Instead, the member's combined rating is determined as follows:

1. The three disabilities leave efficiencies of 50 percent, 60 percent, and 70 percent respectively;

2. Multiply the three efficiencies together:

.50 x .60 x .70 = .21 or 21 percent;

3. The disability is 100 percent less 21 percent = 79 percent; and

4. Adjust the result upward to a combined disability rating of 80 percent.

Example 2: Now consider what happens if the Military Department determines that only the 40 percent and 30 percent disabilities are combat-related, then the member's combined disability rating for CRSC would be:

1. The two disabilities of 40 percent and 30 percent leave efficiencies of 60 percent and 70 percent;

2. Multiply the two efficiencies together:

.60 x .70 = .42 or 42 percent;

3. The disability is 100 percent less 42 percent = 58 percent; and

4. Adjust the result upward to a combined disability rating of 60 percent.

9.3 DVA Retroactive Increase

When DVA makes a retroactive increase in a member's DVA disability compensation pertinent to a member's combat-related disabilities under CRSC, DFAS and DVA will exchange data to determine the additional retroactive amount that the member is entitled to receive as the result of CRSC. DFAS will compute the additional CRSC entitlement and advise DVA in order for DVA to pay the member the appropriate additional authorized DVA disability compensation. Any increase affecting CRSC qualified disabilities in the current month requires that CRSC be re-computed. No retroactive CRSC may be paid to a deceased member or to a survivor based on a retroactive DVA Disability compensation increase that was awarded after a member died.

*9.4 Impact to Uniformed Services Former Spouse's Protection Act Payments When a Military Retiree is Retroactively Awarded Disability Compensation or CRSC

CRSC payments that become payable to a retiree as a result of a retroactive DVA or CRSC award will be reduced by all amounts of the retired pay or Concurrent Military Retirement Pay and DVA Disability Compensation previously paid from the retiree's account, including payments to his or her former spouse. Payments of retired pay to a former spouse pursuant to a valid court order, but prior to a retroactive DVA or CRSC award, were not and do not become erroneous overpayments.

10.0 REVIEW PROCESS

10.1 Basis for Determination

10.1.1. Determinations of whether a disability is combat-related will be based on the preponderance of available documentary information where quality of information is more important than quantity. All relevant documentary information is to be weighed in relation to known facts and circumstances, and determinations will be made on the basis of credible, objective documentary information in the records as distinguished from personal opinion, speculation, or conjecture.

10.1.2. The burden of proof that a disability is combat-related rests with the applicant, who is required to provide copies of documents in his or her possession to the best of his or her ability. A record submitted by a member may be used in support of his or her application if that record appears regular on its face and is consistent with Military Service documents and procedures in use at the time, based on the best information available. Military Departments may compile a list of typical documents used in various time periods. If necessary, the Military Departments, under agreement with DVA may request copies of certain documents (i.e., DD 214, "Certificate of Release or Discharge From Active Duty", medical records, final DVA ratings) from DVA to support CRSC determinations.

10.2 Processing of Applications

Each Military Department will receive and process applications submitted by members retired from that Military Department on DD 2860, Claim For Combat-Related Special Compensation (CRSC). Applications will be reviewed, and an application will be approved only if the applicant satisfies both preliminary and final CRSC criteria. An application must be received by the military department prior to the member's death in order to be considered. An application for CRSC submitted by a member's survivors will not be considered. The DFAS-Cleveland site will be notified of each approved application for payment.

10.2.1. Initial Review

Each Service Department will review the member's application to determine if the member meets the preliminary criteria in section 4.0. If a member does not satisfy each of the preliminary CRSC criteria, then the application will be denied and no further consideration is necessary. The member may reapply when his or her ratings satisfy the specified thresholds and meet all four preliminary CRSC criteria in section 4.0.

10.2.2. Final Review

If the member meets all four preliminary criteria in section 4.0, then the Military Department will determine whether the member's disabilities are qualifying combat-related disabilities, as prescribed in section 6.0. The Military Department will record each disability determined to be combat-related with assigned medical diagnosis code from VASRD. The Military Department will forward the approved claims with VASRD codes categorized as either combat or Purple Heart to the DFAS-Cleveland site for payment.

10.3 Denial and Appeal

Provisions for denial and appeal processes follow.

10.3.1. Denial

When a Military Department denies a CRSC application, they will provide a letter to the member specifying the reasons(s) for the denial. The Military Department will inform the member that he or she may seek reconsideration by submitting additional, clarifying, or new documentary information to the Military Department in support of his or her claim. The Military Department will review the additional or new information and will inform the member of the results of the review. The Military Department will also inform the member that CRSC is subject to the same appeals and correction processes applicable to military pay and allowances, including application to the appropriate Board for Correction of Military Records (BCMR) under the provisions of ***10 U.S.C. § 1552***.

10.3.2. Appeal

The Military Department will provide the member a ***DD 149***, Application for Correction of Military Record Under the Provisions of Title 10, U.S. Code, section 1552, and the address of the BCMR, including its website.

REFERENCES

CHAPTER 63 – COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

1.0 – GENERAL

Public Law 107-314, section 636, December 2, 2002
Public Law 108-136, section 642, November 24, 2003
Principal Director for the Under Secretary of Defense (PDUSD) Personnel and Readiness (P&R) Memo, May 21, 2003
PDUSD (P&R) Memo, April 27, 2004
Public Law 110-181, section 641, January 28, 2008
Office of the Under Secretary of Defense (OUSD) (P&R) Memo, June 3, 2008
10 U.S.C. § 1413a

1.1	10 U.S.C. § 1413a OUSD (P&R) Memo, June 3, 2008
1.1.1	10 U.S.C., Chapter 61 10 U.S.C. § 12731 OUSD (P&R) Memo, June 3, 2008
1.1.3	10 U.S.C. § 1408 10 U.S.C., Chapter 73 10 U.S.C. § 2774 31 U.S.C. § 3716 31 CFR, part 901
1.1.4	26 U.S.C. § 104

2.0 – ENTITLEMENT

2.2	Public Law 110-131, section 641, January 28, 2008 10 U.S.C. § 1413a 10 U.S.C., Chapter 61 10 U.S.C. § 12731(b)(1)

3.0 – APPLICATION AND ELECTION

3.2	10 U.S.C. § 1414 10 U.S.C. § 1413a

REFERENCES (Continued)

3.3	Deputy Secretary of Defense Memo, January 27, 2022

4.0 – PRELIMINARY CRITERIA

4.1.2	10 U.S.C. § 12731 OUSD (P&R) Memo, June 3, 2008
4.1.3	PDUSD (P&R) Memo, April 27, 2004
4.1.3.1	10 U.S.C., Chapter 61
4.1.3.2	Public Law 102-484, section 4403, October 23, 1992 10 U.S.C. § 1293, note Public Law 112-81, section 504, December 31, 2011
4.1.3.3	10 U.S.C. § 12731 10 U.S.C. § 12731a 10 U.S.C. § 12731b 10 U.S.C. § 12731(a)(2)
4.1.3.4	10 U.S.C., Chapter 61
4.1.4.1	10 U.S.C., Chapter 61
4.1.4.2	Public Law 102-484, section 4403, October 23, 1992 10 U.S.C. § 1293, note Public Law 112-81, section 504, December 31, 2011
4.3.1	38 U.S.C. § 5305
4.3.2	38 U.S.C. § 5304
4.4	38 U.S.C.

5. 0 – FINAL CRITERIA

	10 U.S.C. § 1413[a] PDUSD (P&R) Memo, May 21, 2003

6. 0 – DETERMINATIONS OF COMBAT READINESS

	10 U.S.C. § 1413[a] PDUSD (P&R) Memo, May 21, 2003

REFERENCES (Continued)

7.0 – SPECIAL MONTHLY COMPENSATION (SMC)	
	PDUSD (P&R) Memo, April 27, 2004
7.1	38 U.S.C. § 1114 38 U.S.C. § 1114(k)
7.2	38 U.S.C. § 1114(k) through (s)
8.0 – CRSC Amount	
8.1	10 U.S.C. § 1413a 38 U.S.C., Chapter 11
8.1.1	38 U.S.C. § 1115 PDUSD (P&R) Memo, April 27, 2004
8.1.3	38 U.S.C. § 1114(j) 38 CFR 4.16 and 4.18 PDUSD (P&R) Memo, April 27, 2004
8.2	38 U.S.C. § 5304 38 U.S.C. § 5305 OUSD (P&R) Memo, June 3, 2008 OUSD (P&R) Memo, June 3, 2008
8.3	10 U.S.C. § 1452(d)(2)
8.4	10 U.S.C. § 1450(e)
8.5.1	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. 1409(b)(2) Public Law 112-239, section 643, January 2, 2013 10 U.S.C. § 1413a(b)(3)
8.5.1.1	OUSD (P&R) Memo, June 3, 2008
8.5.2	10 U.S.C., Chapter 61 10 U.S.C. § 1208 10 U.S.C. § 1406(b)(1) 10 U.S.C. § 1407 10 U.S.C. § 12733 Public Law 112-239, section 643, January 2, 2013

REFERENCES (Continued)

	10 U.S.C. § 1413a(b)(3)
8.5.2.1	10 U.S.C. § 1413a(b)(3)(B) as amended by Public Law 114-328, January 1, 2018
8.5.3	OUSD (P&R) Memo, June 3, 2008

9.0 – COMBINED DISABILITY RATING PERCENTAGE

9.1	38 CFR 4.25
9.4	DoD Office of the General Counsel (Fiscal) Memorandum, August 6, 2019

10.0 – REVIEW PROCESS

	PDUSD (P&R) Memo, May 21, 2003
10.3	10 U.S.C. § 1552 10 U.S.C. § 1556

VOLUME 7B, CHAPTER 64: "CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2025 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
5.2.1	Pursuant to the Defense Office of Hearings and Appeals decision in Claims Case Number 2016-CL-091608-3, military retired pay payable to military retirees under Title 10, Chapter 61, of United States Code that is paid concurrently with Department of Veterans Affairs disability compensation is disposable pay subject to division under the Uniformed Services Former Spouse's Protection Act, because the amount paid effectively removes the disability factor from the Chapter 61 retired pay payable.	Addition
5.2.2	Deleted text which incorrectly limited disposable income for certain members retired under Chapter 61 for disability.	Deletion
References	Updated references.	Revision

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CHAPTER 64
CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION

1.0 GENERAL

1.1 Purpose

This chapter provides information on the implementation of ***Title 10 United States Code (U.S.C.), section 1414***. It includes the requirements for receipt of concurrent military retired pay and Disability Compensation from the Department of Veterans Affairs (DVA) (hereinafter "DVA Disability Compensation") pursuant to 10 U.S.C. § 1414. It establishes that except for certain Disability Retirees, qualifying members (and former members) who are entitled to military retired pay who are also entitled to DVA Disability Compensation are not required to waive military retired pay in order to receive DVA Disability Compensation. It clarifies the waiver requirement applicable to Career Disability Retirees with more than 20 years of service. The law provides authority for military retirees to receive military retired pay either without application of the waiver requirements set out in ***38 U.S.C. § 5304*** and ***38 U.S.C. § 5305*** or with only limited application of such waiver requirements. Additionally, this chapter provides examples clarifying the rule for determining disposable retired pay under ***10 U.S.C. § 1408*** when a qualified retiree receives concurrent military retired pay and DVA Disability Compensation.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the U.S.C., including Titles 5, 10, and 38. Due to the subject matter in this chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

1.3 Definitions

1.3.1. DVA Disability Compensation. A monthly tax-free benefit paid by the DVA to veterans (including retirees) found by the Secretary of Veterans Affairs to be at least 10 percent disabled per the DVA schedule for rating disabilities because of injuries or diseases that were incurred in or aggravated during active duty, active duty for training, or inactive duty training. The benefit amount is graduated according to the degree of the veteran's disability on a scale from 10 percent to 100 percent (in increments of 10 percent). This benefit is paid by the DVA.

1.3.2. Disability Retiree. This is a member who was retired under ***Title 10, U.S.C., Chapter 61*** by virtue of being unfit to perform the duties of his office, grade, rank, or rating because of physical disability.

1.3.3. Career Disability Retiree. This is a member who was retired under Title 10, U.S.C., Chapter 61 with 20 years or more of service creditable under *10 U.S.C. § 1405*, or at least 20 years of service computed under *10 U.S.C. § 12732*, at the time of the member's retirement.

1.3.4. Military Retired Pay. This is an amount computed under *Title 10, U.S.C., Chapter 71* and paid to those retired under Title 10, U.S.C., Chapter 61 (Disability), *Title 10, U.S.C., Chapter 63* (Age), *Title 10, U.S.C., Chapter 65* (Warrant Officers), *Title 10, U.S.C., Chapter 741* (Army), *Title 10, U.S.C., Chapter 841* (Navy) *Title 10, U.S.C., Chapter 941* (Air Force), or *Title 10, U.S.C., Chapter 1223* (Non-Regular Service). All references to military retired pay in this chapter, include the term Title 10, U.S.C., Chapter 61 Disability Retired Pay.

1.3.5. Title 10, U.S.C., Chapter 61 Disability Retired Pay. This is the type of military retired pay to which a member who was retired under Title 10, U.S.C., Chapter 61 is entitled. Disability Retired Pay is computed pursuant to Title 10, U.S.C., Chapter 71. It is determined by applying a percentage multiplier to the member's basic pay at the time of retirement. The percentage multiplier may be computed based on the number of years of creditable service or the disability percentage assigned by the Service (as elected by the member). See Chapter 3. It is paid by the DoD (or the Department who retired the member pursuant to Title 10, U.S.C., Chapter 61). It is not DVA Disability Compensation.

1.3.6. Hypothetical Longevity Retired Pay. This is the amount of retired pay to which the member would have hypothetically been entitled if the member had hypothetically been retired for reasons other than physical disability under Title 10, U.S.C., Chapter 61.

1.3.7. General Waiver Requirement. This is the general rule that a military retiree may not receive both DVA Disability Compensation and military retired pay simultaneously, but may waive military retired pay in order to receive DVA Disability Compensation. See 38 U.S.C. § 5304 and 38 U.S.C. § 5305. The General Waiver Requirement is always subject to the exception under 10 U.S.C. § 1414.

1.3.8. Exception to the General Waiver Requirement. This is the rule enacted in 10 U.S.C. § 1414 to make specific and limited exceptions to the General Waiver Requirement.

1.3.9. Qualified Retiree. This is a member or former member of the Uniformed Services who is entitled for any month to both retired pay and DVA Disability Compensation based on a service-connected disability (or combination of service-connected disabilities) that is rated by the Secretary of Veterans Affairs as not less than 50 percent disabling on the DVA schedule for rating disabilities. A Disability Retiree must be a Career Disability Retiree to be a Qualified Retiree.

1.3.10. Qualified Career Disability Retiree. This is a person who meets both the definition of Career Disability Retiree and Qualified Retiree.

2.0 ELIGIBILITY

2.1 Qualified Retiree

To qualify for the Exception to the General Waiver requirement and receive military retired pay concurrently with DVA Disability Compensation, the member must be a "Qualified Retiree" as defined in paragraph 1.3.9. Career Disability Retirees who are qualified retirees may receive concurrent Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation, subject to certain limitations described in paragraph 2.3.4.

2.2 Qualifying Service-Connected Disability

A qualifying service-connected disability is a service-connected disability (or combination of service-connected disabilities) that is rated by the Secretary of Veterans Affairs as not less than 50 percent disabling on the DVA schedule for rating disabilities.

2.3 Physical Disability Retirement

2.3.1. Disability Retirees - Less Than 20 Years. Such members who do not have 20 years or more of service creditable under 10 U.S.C. § 1405, or 20 years of service computed under 10 U.S.C. § 12732, at the time of the retirement are not eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently. Accordingly, such members are subject to the General Waiver Requirement and must waive Title 10, U.S.C., Chapter 61 Disability Retired Pay in order to receive DVA Disability Compensation.

2.3.2. Qualified Career Disability Retirees - 20 Years or More. Such members may receive concurrent Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation but, in certain circumstances, may be required to waive a portion of the Title 10, U.S.C., Chapter 61 Disability Retired Pay.

2.3.3. Special Rules for Qualified Career Disability Retirees. The law limits the amount of Chapter 61 Disability Retired Pay that remains subject to the General Waiver Requirement. Specifically, a Career Disability Retiree receiving Title 10, U.S.C., Chapter 61 Disability Retired Pay must waive Chapter 61 Disability Retired Pay, but only to the extent that the amount of Chapter 61 Disability Retired Pay exceeds the amount of hypothetical longevity retired pay to which the member would have been entitled under any other provision of law if the member had not been retired for disability under Title 10, U.S.C., Chapter 61. After application of the limited general waiver requirement, a Qualified Career Disability Retirees will receive their Title 10, U.S.C., Chapter 61 Disability Retired Pay, but the amount received is equal to the dollar amount of hypothetical longevity retired pay. In cases where a Qualified Career Disability Retiree's hypothetical longevity retired pay computation exceeds their Title 10, U.S.C., Chapter 61 Disability Retired Pay (based on percentage of disability), the General Waiver Requirement does not apply.

Example 1. Qualified Career Disability Retiree Whose Title 10, U.S.C., Chapter 61 Disability Retired Pay Exceeds Hypothetical Longevity Retired Pay.

If a Qualified Career Disability Retiree who was retired for disability under Title 10, U.S.C., Chapter 61 is entitled to $1000 per month in Disability Retired Pay based on his/her percentage of disability, and that same retiree would hypothetically have been entitled to $800 per month in retired pay if (s)he had (hypothetically) been retired under Title 10, U.S.C., Chapter 741 (Army), Title 10, U.S.C., Chapter 841 (Navy) or Title 10, U.S.C., Chapter 941 (Air Force) based on completion of 20 years of service (i.e., length of service), then the amount of Disability Retired Pay that can be received concurrently with DVA Disability Compensation is $800. The remaining $200 in Disability Retired Pay is still subject to the General Waiver Requirement (i.e., the requirement that a member must waive military retired pay in order to receive DVA Disability Compensation). Assume DVA Disability Compensation paid by the DVA is $1,500. Table 64-1 illustrates this example.

Example 2. Qualified Career Disability Retiree Whose Hypothetical Longevity Retired Pay is Equal or Exceeds Chapter 61 Disability Retired Pay.

In some cases, a Qualified Career Disability Retiree's Hypothetical Longevity Retired Pay will either equal or exceed their Title 10, U.S.C., Chapter 61 Disability Retired Pay (based on percentage of disability). In such cases the General Waiver Requirement will not apply. Assume a Qualified Career Disability Retiree who was retired for disability under Title 10, U.S.C., Chapter 61 and who chooses the more favorable of the following two computation methods: either (a) $900 per month in Title 10, U.S.C., Chapter 61 Disability Retired Pay based on his/her percentage of disability, or (b) $1,500 per month in retired pay based on years of service. (As a reminder, for a Title 10, U.S.C., Chapter 61 retiree, the percentage multiplier may be based on the number of years of creditable service or the disability percentage assigned by the Service as elected by the member). Assume that same retiree would hypothetically have been entitled to $1,500 per month in retired pay if the member had (hypothetically) been retired under Title 10, U.S.C., Chapter 741 (Army), Title 10, U.S.C., Chapter 841 (Navy) or Title 10, U.S.C., Chapter 941 (Air Force) based on completion of 20 years of service (i.e., length of service). In such an instance, the amount of Title 10, U.S.C., Chapter 61 Disability Retired Pay that can be received concurrently with DVA Disability Compensation is $1,500. There is no amount that is subject to the general waiver requirement. Table 64-2 illustrates this example. (Assume DVA Disability Compensation paid by the DVA is $1,500).

2.4 Non-Regular Retired Pay

Members eligible for retirement for non-regular service are not eligible to receive both military retired pay and DVA Disability Compensation concurrently until they reach retirement age and have applied for and have become entitled to receive military retired pay. A member is generally not eligible for non-regular retired pay until they reach age 60. The eligibility age may be reduced in certain cases based on qualifying active duty in response to a national emergency after January 28, 2008.

2.5 Retired Pay Waived (Other Than for DVA Disability Compensation)

A member who waives retired pay in order to credit military service for the purpose of establishing eligibility for a civil service retirement, or for any reason other than to receive VA disability compensation, is not eligible to receive both military retired pay and DVA Disability Compensation concurrently. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible to receive both military retired pay and DVA Disability Compensation concurrently. Members who are in receipt of a civil service retirement and believe they may be eligible to receive both benefits simultaneously should consult the Civil Service Retirement System and Federal Employees Retirement System Handbook for Personnel and Payroll Offices for further information on eligibility. See also ***https://www.opm.gov/retire/pubs/handbook/hod.htm***.

3.0 APPLICATION

A member who has already met the requirements to receive military retired pay is not required to submit an application to receive military retired pay and DVA Disability Compensation concurrently. The Defense Finance and Accounting Service (DFAS) will establish procedures to ensure that qualified retirees receive military retired pay to which they are entitled pursuant to 10 U.S.C. § 1414. Members who believe they are entitled to military retired pay, but are not receiving it, should submit a written claim to DFAS to ascertain the reason they are not currently receiving military retired pay. The claim should be sent to DFAS, U.S. Military Retired Pay, 8899 East 56th Street, Indianapolis, IN 46249-1200 or use the askDFAS Online Tools for Retirees at ***https://www.dfas.mil/retiredmilitary/retiree-askDFAS-Online-Tool***. Any survivors seeking retroactive military retired pay, owed a deceased member as arrears of pay, must submit a written claim on a completed Standard Form 1174. See Chapter 30, paragraph 2.5 for additional information.

4.0 PHASE-IN-PERIOD

4.1 Phase-In-Period – 10 Year Period

The law that first allowed retirees to receive military retirement pay and DVA Disability Compensation concurrently was effective on January 1, 2004. It provided for a 10-year phase-in period (January 1, 2004 through December 31, 2013) in which, for most retirees, the amount of military retired pay that was not subject to the General Waiver Requirement would increase gradually each year until the retiree began receiving full military retirement pay simultaneously

with DVA Disability Compensation. There was no phase-in period for retirees with a VA disability rating of 100 percent. The limitations on Career Disability Retirees was applicable.

4.2 Phase-In-Period – Expired

The phase-in period ended on December 31, 2013. Effective on January 1, 2014, (with the exception of Career Disability Retirees who are still subject to the limitations in subparagraph 2.3.3), Qualified Retirees are eligible to receive military retired pay, in full, and concurrently with DVA Disability Compensation (formerly referred to as "Concurrent Retired and Disability Pay (CRDP)"). For historical information on the computation of the amount of military retirement pay that could be paid concurrently with DVA Disability Compensation during the phase-in period, see the archived version of Chapter 64, October 2020.

5.0 RELATION TO OTHER PROVISIONS

5.1 Relation to Combat-Related Special Compensation (CRSC)

Military retirees with disabilities that are attributable to a combat-related event may be eligible for CRSC under ***10 U.S.C. § 1413a***. Combat-related determinations are made by the branch of service from which the member retired. A retired member may receive either CRSC under 10 U.S.C. § 1413a or, in the alternative, military retirement pay and DVA Disability Compensation concurrently under 10 U.S.C. § 1414, but not both. If a retired member is already in receipt of military retirement pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414 and then subsequently receives a determination from the branch of service that the member has disabilities that are attributable to a combat-related event under 10 U.S.C. § 1413a, DFAS will compare the possible entitlements under both laws. Unless the member elects otherwise, the CRSC benefit under 10 U.S.C. § 1413a will be paid if it is found to exceed the gross military retired pay entitlement.

5.1.1. All members entitled to both (a) military retirement pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414 and (b) CRSC under 10 U.S.C. § 1413a, will be provided an annual open season period during which the member may elect to change between the two entitlement alternatives.

5.1.2. Eligible members will be notified of the opportunity to elect to change between the two alternative entitlements. The notification will be based on the entitlement information available at the time the notice is provided and will specify the date that an election change will be effective.

5.1.3. If a change in the entitlement amount under either alternative entitlement (under 10 U.S.C. § 1414 or 10 U.S.C. § 1413a) occurs after the close of an annual open season period, the change in the entitlement amount will not serve as a basis to alter the current election. The existing election may only be changed at the next annual open season period. This limitation applies to changes in a member's VA disability rating, which have a retroactive effective date specified by VA that precedes the date that DFAS is notified of the change.

Note: The limitation in the prior sentence does not apply if maintaining the member's most recent open season election would result in the establishment of a retired pay debt or result in the loss of the entitlement previously elected altogether.

5.2 Relation to Uniformed Services Former Spouses' Protection Act (USFSPA)

* 5.2.1. Title 10, U.S.C., § 1408, provides a mechanism for a former spouse to enforce a retired pay property award for direct payments from the member's disposable military retired pay. Disposable military retired pay is defined in Chapter 29 and equals a member's total monthly military retired pay (gross pay) entitlement minus certain authorized deductions. The disposable military retired pay of a retired member who is a Qualified Retiree (including Qualified Career Disability Retiree) is computed by taking the member's total monthly retired pay (gross pay) entitlement being received concurrently and reducing it by the authorized deductions pursuant to 10 U.S.C. § 1408. Military retired pay that is paid concurrently with DVA Disability Compensation, formerly referred to as CRDP, is disposable retired pay and subject to division under the USFSPA. This includes concurrent retired pay received by members retired under Chapter 61 of Title 10, U.S.C. pursuant to 10 U.S.C. § 1414.

* 5.2.2. Qualified Career Disability Retirees continue to receive Chapter 61 Disability Retired Pay, even when paid concurrently with DVA Disability Compensation under 10 U.S.C. § 1414. Chapter 61 Disability Retired Pay payable under 10 U.S.C. § 1414 (b)(1) is all disposable retired pay because it effectively removes the disability factor from the amount of retired pay payable limiting payment to the hypothetical longevity retired pay.

5.3 Relation to Other Laws and Processes

When a member is entitled to receive military retired pay and DVA Disability Compensation concurrently pursuant to 10 U.S.C. § 1414, the military retired pay that is paid is still military retired pay. As military retired pay, it remains subject to any other action or process, and to the same extent, that applies to military retired pay as described in law or this regulation. In all instances, when military retired pay is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 military retired pay, the nature of the military retired pay is not changed because the retiree is a Qualified Retiree under 10 U.S.C. § 1414.

5.3.1. Pursuant to ***10 U.S.C. § 1452***, premium deductions from military retired pay are made for participants in the Survivor Benefit Plan (SBP). Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is available for SBP premium deductions. If a member has sufficient military retired pay to cover SBP premium deductions, then SBP premiums will be deducted from the military retired pay. See Chapter 45.

5.3.2. The Treasury Offset Program allows military retired pay to be offset (reduced) to recover a debt owed to the United States. Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is available for collection of a debt through the Treasury Offset Program. See Volume 16.

5.3.3. Military retired pay which is paid concurrently with DVA Disability Compensation pursuant to 10 U.S.C. § 1414 is subject to any other action or process and is governed by the specific laws and regulations governing the other action or process, including but not limited to garnishment for child support or alimony allotments.

5.4 Taxability

5.4.1. A Qualified Retiree who is entitled to be paid Military Retired Pay concurrently with the DVA Disability Compensation is receiving Military Retired Pay. Military Retired Pay is taxable unless it qualifies for exemption to taxation under the Internal Revenue Code. See Chapter 24.

5.4.2. A Qualified Career Disability Retiree receiving Title 10, U.S.C., Chapter 61 Military Retired Pay concurrently with the DVA Disability Compensation pursuant to 10 U.S.C. § 1414, receives Title 10, U.S.C., Chapter 61 Military Retired Pay, which is subject to the taxation rules for Title 10, U.S.C., Chapter 61 Military Retired Pay found in ***10 U.S.C. § 1403*** and ***26 U.S.C. § 104***.

5.4.2.1. If a Qualified Career Disability Retiree's Title 10, U.S.C., Chapter 61 Disability Retired Pay exceeds Hypothetical Longevity Retired Pay, and the retiree is receiving Title 10, U.S.C., Chapter 61 Disability Retired Pay based upon percentage of disability, then all of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability Compensation may be non-taxable if otherwise qualified to be excluded from gross income under 26 U.S.C. § 104. See Chapter 24, paragraph 2.2.

5.4.2.2. If a Qualified Career Disability Retiree has elected to receive Title 10, U.S.C., Chapter 61 Retired Pay based upon a percentage multiplier for number of years of creditable service because it exceeds the Title 10, U.S.C., Chapter 61 Disability Retired Pay they would have received based on percentage of disability, then only a portion of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability Compensation may be non-taxable. In accordance with 10 U.S.C. § 1403, the amount of Title 10, U.S.C., Chapter 61 Disability Retired Pay that may qualify for tax exempt status cannot exceed the amount that equals Title 10, U.S.C., Chapter 61 Military Retired Pay based upon the disability percentage assigned by the Service at retirement. In order to be non-taxable, the Title 10, U.S.C., Chapter 61 Disability Retired pay received concurrently with DVA Disability Compensation must otherwise be qualified to be excluded from gross income under 26 U.S.C. § 104. See Chapter 24, Section 4.0.

> Example. Assume Qualified Career Disability Retiree is entitled to receive either $1,500 a month in Title 10, U.S.C., Chapter 61 Military Retired Pay based upon percentage multiplier for years of service or $900 a month based upon disability percentage and has elected to receive $1,500 a month in Title 10, U.S.C., Chapter 61 Disability Retired Pay. Only $900 a month of the $1,500 of Title 10, U.S.C., Chapter 61 Retired Pay of received concurrently with DVA disability compensation may be considered non-taxable if otherwise qualified to be excluded from gross income under 26 U.S.C. § 104.

Thus, in this example, $600 of Title 10, U.S.C., Chapter 61 Disability Retired Pay received concurrently with DVA Disability compensation is taxable and cannot be excluded from gross income under 26 U.S.C. § 104.

5.5 Relation to Individual Unemployability

5.5.1. Individual Unemployability (IU) is a supplement to the DVA's disability compensation program that allows the DVA to pay certain veterans disability compensation at the 100 percent rate, even though the DVA may not have rated the member's service-connected disabilities at the total level. A veteran qualifying for the IU supplement receives a monthly VA disability compensation payment equal to the amount that he or she would receive if rated 100 percent disabled.

5.5.2. Subject to the exceptions for Disability Retirees explained in subparagraphs 5.5.2.1 and 5.5.2.2, a member or former member of the Uniformed Services who is entitled for any month to both military retired pay and DVA Disability Compensation based on a service-connected disability (or combination of service-connected disabilities) which the Secretary of Veterans Affairs determines qualifies the member for the IU supplement may receive concurrent military retired pay and DVA Disability Compensation.

5.5.2.1. Disability Retirees (Less than 20 years)

Disability Retirees with less than 20 years of service creditable under 10 U.S.C. § 1405 or less than 20 years of service computed under 10 U.S.C. § 12732 at the time of the retirement are not eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently even if the Secretary of Veterans Affairs determines that the member qualifies for the IU supplement.

5.5.2.2. Disability Retirees (More than 20 years)

Disability Retirees with 20 years or more of service creditable under 10 U.S.C. § 1405 or 20 years or more of service computed under 10 U.S.C. § 12732 at the time of the retirement and for whom the Secretary of Veterans Affairs determines that the member qualifies for the IU supplement are eligible to receive Title 10, U.S.C., Chapter 61 Disability Retired Pay and DVA Disability Compensation concurrently. However, the Special Rule for Qualified Career Disability Retirees applies. As a result, the retiree must waive Chapter 61 Disability Retired Pay to the extent that the amount of Chapter 61 Disability Retired Pay exceeds the amount of hypothetical longevity retired pay to which the member would have been entitled under any other provision of law if the member had not been retired for disability under Title 10, U.S.C., Chapter 61.

Table 64-1. Example 1 - Illustration to subparagraph 2.3.4.

Entitlement Type	Amount	Amount payable from VA	Amount payable from DoD
Hypothetical Longevity Retired Pay	$800	Blank	Blank
Chapter 61 Disability Retired Pay Entitlement based on percentage of disability	$1,000	Blank	$800 (Note 1)
Amount Disability Retired Pay Exceeds Hypothetical Length of Service entitlement	$200 (Note 2) ($1,000- $800)	Blank	Blank
DVA Disability Compensation Entitlement	$1,500	$1,500	Blank

Note:
1. This $800 amount is Chapter 61 Disability Retired Pay paid concurrently and is not subject to General Waiver Requirement as it is not required to be waived to receive it concurrently with DVA Disability Compensation. It is paid as Chapter 61 Disability Retired Pay concurrently with the DVA Disability Compensation.

2. This $200 amount is subject to the General Waiver Requirement as it must be waived to receive DVA Disability Compensation concurrently.

Table 64-2. Example 2 - Illustration to subparagraph 2.3.4.

Entitlement Type	Amount	Amount payable from VA	Amount payable from DoD
Hypothetical Length of Service Entitlement	$1,500 (Note 1)	Blank	$1,500 (Note 2)
Chapter 61, Disability Retired Pay Entitlement computed based on years of service (Note 1)	$1,500	Blank	Blank
Chapter 61, Disability Retired Pay Entitlement computed based on percentage of disability (Note 1)	$900	Blank	Blank
Amount Chapter 61 Disability Retired Pay that Exceeds Hypothetical Length of Service entitlement	$0 (Note 3)	Blank	Blank
DVA Disability Compensation Entitlement	$1,500	$1,500	Blank

Note:
1. Pursuant to ***10 U.S.C. § 1401***, a member retired under Chapter 61 is entitled have their Chapter 61 Disability Retired Pay computed based upon their disability percentage or their years of service. Assume the member elected the more favorable computation of $1,500.

2. This $1,500 is Chapter 61 Disability Retired Pay paid concurrently with DVA Disability Compensation and is not subject to general waiver requirement, as members are not required to waive this compensation to receive it concurrently with DVA Disability Compensation. See Paragraph 5.4 for taxability.

3. The amount the Chapter 61 Disability Retired Pay based upon years of service ($1500) that exceeds the Hypothetical Length of Service entitlement ($1500) is $0. Thus, there is no amount that must be waived to receive DVA Disability Compensation concurrently.

*REFERENCES

CHAPTER 64 – CONCURRENT MILITARY RETIREMENT PAY AND DEPARTMENT OF VETERANS AFFAIRS (DVA) DISABILITY COMPENSATION

1.0	General	
		Public Law 108-136, section 641, November 24, 2003 10 U.S.C. § 1414 38 U.S.C. § 5304 38 U.S.C. § 5305
	1.3	38 U.S.C. § 5304 38 U.S.C. § 5305 Chapter 61 of Title 10 10 U.S.C. § 1414
2.0	Eligibility	10 U.S.C. § 1414
	2.3	10 U.S.C. § 1201(b)(3)(A) 10 U.S.C. § 1208 10 U.S.C. § 1405 10 U.S.C. § 12732
	2.4	10 U.S.C. § 12731
	2.5	5 U.S.C. § 8332 5 U.S.C. § 8411
4.0	Phase-in- Period	Public Law 108-136, section 641, November 24, 2004
5.0	Relation to Other Provisions	
	5.1	10 U.S.C. § 1413a 10 U.S.C. § 1414(d)
	5.2	10 U.S.C. § 1408 Defense Office of Hearing and Appeals Decision, Claims Case Number 2016-CL-091608-3, March 1, 2022
	5.3	10 U.S.C. § 1452
	5.4	Title 26, Code of Federal Regulation, section 1.104-1(e)

REFERNCES (Continued)

	26 U.S.C. § 104(a)(4) 10 U.S.C. § 1403
5.5	10 U.S.C. § 1414 10 U.S.C., Chapter 61

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APPENDIX A: "ARCHIVED"

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APPENDIX B: "ARCHIVED"

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VOLUME 7B, APPENDIX F: "SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Cancelled chapter since Compound Interest Table rates are published on the Office of the Actuary website along with prior Compound Interest Table rates. Prior Dependency Indemnity Compensation rates may also be found in Financial Management Regulation Archives and the Department of Veterans Affairs website.	Cancellation

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APPENDIX G: "ARCHIVED"

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VOLUME 7B, APPENDIX H: "AGE OF MAJORITY BY STATE AND UNITED STATES' POSSESSIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

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Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
All	Updated table to include when a state or United States possession has a different age of majority for purposes of child support.	Revision
Guam	Added Guam to the table.	Addition

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*AGE OF MAJORITY BY STATE AND UNITED STATES' POSSESSIONS

State	Age
Alabama	19
Alaska	18 (for the purpose of a parent paying child support, child support may be extended for an unmarried child, by order, until graduation from high school, or technical/vocational training or age 19, whichever comes first)
Arizona	18 (for the purpose of a parent paying child support, age 18; child support shall continue while the child is attending high school or equivalency program, but no later than age 19)
Arkansas	18 (for the purpose of a parent paying child support, age 18; if child is still attending high school at age 18, child support continues until high school graduation or end of the school year after child turns age 19, whichever comes first)
California	18 (for the purpose of a parent paying child support, age 18; if unmarried child is attending high school full-time, child support continues until child completes 12th grade, or age 19, whichever comes first)
Colorado	18 (for the purpose of a parent paying child support, age 19; if child is still in high school or equivalent program, support continues until the end of the month following graduation. If child ceases attending high school or equivalent program before graduation, and re-enrolls, child support continues until end of the month following graduation, but no later than age 21)
Connecticut	18 (for the purpose of a parent paying child support, age 18; if unmarried child is attending high school full-time, child support continues until child completes 12th grade, or age 19, whichever comes first)
Delaware	18 (for the purpose of a parent paying child support, age 18; if child is attending high school, support continues until graduation, or age 19, whichever comes first)
District of Columbia	18 (for the purpose of a parent paying child support, age 21, unless otherwise emancipated)
Florida	18*
Georgia	18 (for the purpose of a parent paying child support, age 18; or until the child graduates from high school or age 20, whichever comes first)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Guam	18 (for the purpose of a parent paying child support, age 18 or graduation from high school, whichever comes later, not to exceed age 19)
Hawaii	18 (for the purpose of a parent paying child support, may be extended beyond age 18 if child is attending school full-time)
Idaho	18 (for the purpose of a parent paying child support, may be extended until the child discontinues high school education or age 19, whichever is sooner)
Illinois	18 (for the purpose of a parent paying child support, age 18; if child is 18 and attending high school, support terminates upon graduation or age 19, whichever comes first)
Indiana	18 (for the purpose of a parent paying child support, age 19; if age 19 and child is attending secondary school, support may be extended, upon petition, until graduation from secondary school)
Iowa	18 (for the purpose of a parent paying child support, age 19, if child is attending high school full-time and expected to graduate or obtain GED)
Kansas	18 (for the purpose a parent paying child support, age 18; if age 18 and child is still in high school, extended until June 30 of year child turns age 18)
Kentucky	18 (for the purpose of a parent paying child support, age18, but if child is not emancipated by marriage, child support will continue while child is in high school, but no later than end of the school year in which the child turns age19)
Louisiana	18*
Maine	18*
Maryland	18*
Massachusetts	18 (for the purpose of a parent paying child support, may be extended beyond age 18 if child is still in high school, or to age 21 or 23, under certain conditions)
Michigan	18 (for the purpose of a parent paying child support, may be extended to age 19.5 if the child is attending high school full-time with a reasonable expectation of graduating)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Minnesota	18 (for the purpose of a parent paying child support, age 18 or until age 20, if child is attending secondary school)
Mississippi	21 (for the purpose of a parent paying child support, age 21, if child support order was issued by a Mississippi court)
Missouri	18 (for the purpose of a parent paying child support, 18, or until child completes secondary school program or age 21, whichever comes first. Child support may extend to age 21, if the child is enrolled in an institution of vocation or higher education and meets certain requirements)
Montana	18*
Nebraska	19**
Nevada	18*
New Hampshire	18 (for the purpose of a parent paying child support, age 18 or when the child graduates high school, whichever is later)
New Jersey	18 (unless otherwise emancipated, age 19, for the purpose of a parent paying child support)
New Mexico	18*
New York	18 (unless otherwise emancipated, age 21, for the purpose of a parent paying child support)
North Carolina	18 (up to age 20, for the purpose of a parent paying child support, if the child is still attending high school and has not graduated)
North Dakota	18 (for the purpose of a parent paying child support, child support continues beyond age 18 until child graduates from high school or age 19, whichever comes first)
Ohio	18 (for the purpose of a parent paying child support, child support continues beyond age 18 until child graduates from high school or age 19, whichever comes first)
Oklahoma	18 (for the purpose of a parent paying child support, if the child is attending high school, child support continues until graduation or age 20, whichever occurs first)
Oregon	18 (for the purpose of a parent paying child support, child support may be extended up to age 21 while the child is attending school)
Pennsylvania	18 (for the purpose of a parent paying child support, age 18 or until the child graduates from high school, whichever occurs later)
Puerto Rico	21 (for the purpose of a parent paying child support, age 21, unless otherwise emancipated)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

State	Age
Rhode Island	18 (for the purpose of a parent paying child support, until high school graduation or age 19, whichever comes first)
South Carolina	18 (for the purpose of a parent paying child support, age 18 and has finished high school, or until the end of the school year after the child turns age 19, whichever is later)
South Dakota	18*
Tennessee	18 (for the purpose of a parent paying child support, age 18 and has graduated from high school, or until the class of which the child is a member when the child turned 18 graduates, whichever occurs first)
Texas	18 (for the purpose of a parent paying child support, age 18 or until graduation from high school, whichever occurs later)
Utah	18 (for the purpose of a parent paying child support, age 18, or graduation from high school during the child's normal and expected year of graduation, whichever occurs later)
Vermont	18 (for the purpose of a parent paying child support, age 18 or termination of secondary education, whichever occurs later)
Virginia	18 (for the purpose of a parent paying child support, child support continues until high school graduation or age 19, whichever comes first)
Virgin Islands	18
Washington	18 (for the purpose of a parent paying child support, support continues if child is participating full-time in a secondary school program and is under the age of 19)
West Virginia	18 (for the purpose of a parent paying child support, age 18 or until age 20 if enrolled in a secondary educational or vocational program)
Wisconsin	18*
Wyoming	18 (for the purpose of a parent paying child support, age 18, or until age 20 if attending high school or an equivalent program full-time)

*AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS (Continued)

Note: The age listed for the purpose of a parent paying child support is the age under the corresponding state's law, and presumes a child is not otherwise emancipated by military service, marriage, death, judicial decree, or self-support. Child support may also be extended due to disability.

*The age of majority in this state is age 18. However, for the purpose of a parent paying child support, this state dictates that child support is to continue until age 19 if the child is still attending high school or a secondary school.

**If a child under age 19 marries, child support ends.

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UNDER SECRETARY OF DEFENSE (COMPTROLLER)

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APPENDIX O: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX P: "DATA FOR PAYMENT OF RETIRED PERSONNEL"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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APPENDIX P

DATA FOR PAYMENT OF RETIRED PERSONNEL

1.0 GENERAL

1.1 Purpose

This appendix provides for the administration and completion of the Department of Defense ***(DD) Form 2656***, Data for Payment of Retired Personnel, and ***DD 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, if appropriate.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

2.0 APPLICABILITY AND SCOPE

2.1 Establishing Retired/Retainer Pay Account

Those Service members requesting retirement, and former members who are entitled to retired pay under 10 U.S.C. Chapter 1223, must complete the DD 2656 and DD 2656-1, if appropriate, in order to be provided retired pay. The DD 2656 is the most important financial related document to complete in preparing for military retirement. The Defense Finance and Accounting Service Cleveland (DFAS-CL) will establish the Service member's retired/retainer pay account based on the data provided on the form(s) and retirement/transfer orders.

2.2 Required Data

The Service member's personnel office and SBP counselor will assist them in the proper completion and submission of the DD 2656 and DD 2656-1, if appropriate. See section 3.0. The data provided is required to establish a retired/retainer pay account, including:

2.2.1. The retirement plan under which the Service member is covered;

2.2.2. Direct deposit/electronic funds transfer information;

2.2.3. Designation of beneficiaries for unpaid retired pay;

2.2.4. Federal and state tax withholding information;

2.2.5. Information on dependents;

2.2.6. An election of SBP coverage; and

2.2.7. Lump sum payment election, when applicable.

Note: The DD 2656 replaced Navy Comptroller Form 2272, Department of Army Form 4240, and Air Force Form(s) 1266, 1267, and 1268.

3.0 RESPONSIBILITIES

3.1 DFAS Responsibilities

DFAS-CL is the primary source for information and technical guidance concerning the DD 2656 and DD 2656-1. DFAS-CL processes the documents for military retirement submitted by the Military Services.

3.2 Military Service Responsibilities

Each respective personnel activity will provide pre-retirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that the prospective retirees properly complete the DD 2656 and DD 2656-1, if appropriate. The personnel activity will forward the forms and appropriate documentation to DFAS-CL electronically, or mail to:

DFAS
U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

3.3 Service Member Responsibilities

Members requesting retirement and former members who qualify under 10 U.S.C., Chapter 1223, will complete the DD 2656 and DD 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account. See paragraph 2.2.

REFERENCES

APPENDIX P – DATA FOR PAYMENT OF RETIRED PERSONNEL

1.0 – GENERAL

10 U.S.C., Chapter 73, subchapter II

2.0 – APPLICABILITY AND SCOPE

10 U.S.C., Chapter 1223
DoD Instruction 1332.42, Survivor Benefit Plan (current version)

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

APPENDIX Q: "ARCHIVED"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, APPENDIX R: "ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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All	Updated hyperlink and formatting to comply with current administrative instructions.	Revision
Table R-1	Updated appendix to reflect the maximum and minimum annual income rate changes, effective December 1, 2024.	Revision

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APPENDIX R

ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

1.0 GENERAL

1.1 Purpose

A minimum income widow (MIW) is a person who on September 21, 1972, was, or during the period beginning on September 22, 1972, and ending on March 20, 1974, became, the widow of a member who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46. The widow's annual income from all sources (including the amount of Retired Serviceman's Family Protection Plan annuity entitlement, but excluding the amount of disability pension), as determined by the Department of Veterans Affairs (VA), must be less than the annual income rate reflected in the SBP/MIW Annuity Limitation table as determined by the VA. Annually, the VA will publish the most current ***SBP/MIW Annuity Limitation*** to the VA website. This amount, divided by 12, represents the maximum monthly payable to MIW annuitants. See Chapter 46.

1.2 Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from and prepared in accordance with the United States Code (U.S.C.), Title 10. The specific statutes, regulations, and other applicable guidance that govern each individual section are listed in a reference section at the end of the chapter.

*Table R-1. ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (See Notes 1 and 2)
Table Revision Effective Date: December 1, 2024

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE DATE
$948.33	$11,380	December 1, 2024
925.17	11,102	December 1, 2023
896.42	10,757	December 1, 2022
824.67	9,896	December 1, 2021
778.67	9,344	December 1, 2020
768.67	9,224	December 1, 2019
756.50	9,078	December 1, 2018
735.83	8,830	December 1, 2017
721.33	8,656	December 1, 2016
719.17	8,630	December 1, 2015
719.17	8,630	December 1, 2014
707.08	8,485	December 1, 2013
696.58	8,359	December 1, 2012
684.92	8,219	December 1, 2011
661.08	7,933	December 1, 2010
661.08	7,933	December 1, 2009
661.08	7,933	December 1, 2008
624.83	7,498	December 1, 2007
610.75	7,329	December 1, 2006
591.17	7,094	December 1, 2005
567.83	6,814	December 1, 2004
552.83	6,634	December 1, 2003
541.42	6,497	December 1, 2002
533.92	6,407	December 1, 2001
519.75	6,237	December 1, 2000
502.17	6,026	December 1, 1999
490.33	5,884	December 1, 1998
484.00	5,808	December 1, 1997
470.75	5,649	December 1, 1996
457.33	5,488	December 1, 1995
445.58	5,347	December 1, 1994
433.33	5,200	December 1, 1993
422.25	5,067	December 1, 1992
409.83	4,918	December 1, 1991
395.08	4,741	December 1, 1990
374.67	4,496	December 1, 1989
357.67	4,292	December 1, 1988
343.75	4,125	December 1, 1987
329.75	3,957	December 1, 1986

Table R-1. ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (Continued)
Table Revision Effective Date: December 1, 2024

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE DATE
325.42	3,905	December 1, 1985
315.50	3,786	December 1, 1984
304.67	3,656	December 1, 1983
294.25	3,531	June 1, 1982
273.75	3,285	June 1, 1981
245.83	2,950	June 1, 1980
214.67	2,576	June 1, 1979
195.00	2,340	October 1, 1978
175.00	2,100	October 1, 1976
116.67	1,400	September 21, 1972

Notes:
1. The rate remained unchanged from December 1, 2008, through November 30, 2011.
2. The rate remained unchanged from December 1, 2014, through November 30, 2016.

REFERENCES

APPENDIX R – ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

1.0 GENERAL

1.1 OVERVIEW 10 U.S.C. § 1448

VOLUME 7B, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2023 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Combat-Related Special Compensation (CRSC)	Revised acronym for the Department of Veterans Affairs from DVA to VA.	Revision

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DEFINITIONS

1.0 General

The following list defines general terms of significance or importance relating to military retired pay policies for the DoD that are discussed in various chapters. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply.

2.0 List of Definitions

Active Duty

Fulltime duty in the active service of a uniformed service, including fulltime training duty, annual training duty, and attendance while in the active service at a school designated as a military service school by law or by the Secretary of the Military Service concerned (or designee).

Active Duty List (ADL)

A single list for the Army, Navy, Air Force, Space Force, or Marine Corps which contains the names of all officers of that Armed Force, other than officers described in Title 10, United States Code, section 641 (***10 U.S.C. § 641***), who are serving on active duty.

Active Service

Service on active duty or full-time National Guard duty.

Active Status

The status of a member of a Reserve Component (RC) who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve.

Actuarial

Relating to actuaries and their work.

Actuary

A professional with expertise in the measurement of future contingent events and risk relating to financial outcomes. An actuary is skilled in the application of mathematics, statistics, and economics.

Amendatory Birth Certificate

A birth certificate that has been corrected, changed, or revised.

Annuitant

The person receiving a monthly payment as a result of a Service member's specific survivorship plan.

Annuity

A monthly payment made to a person as a result of a specific survivorship plan.

Annuity Base Amount

The amount of retired pay that determines annuity payable to Survivor Benefit Plan (SBP) beneficiaries.

Armed Forces of the United States

A term used to denote collectively all components of the Army, Marine Corps, Navy, Air Force, Space Force, and the Coast Guard when mobilized to augment the Navy.

Basic Pay

The active duty pay rates prescribed for an officer or enlisted member according to pay grade and years of service.

Beneficiary

The term beneficiary means the recipient of certain benefits due as a result of a relationship to or designation by a member.

*Combat-Related Special Compensation (CRSC)

CRSC is special compensation to members of the Uniformed Services who have their retired pay reduced due to receiving Department of Veterans Affairs (VA) disability compensation where a portion of such VA compensation is the result of disabilities that are combat related as determined by the Service.

Common-Law Marriage

A marriage recognized by state law that is not solemnized by religious or civil ceremony as defined in pertinent state law.

NOTE: Marriages are legal relationships that are governed by state law. Most states no longer recognize marriages under common law. Merely being in a relationship with a member does not mean that a common law marriage exists. To have a common law marriage, there must be clear and convincing evidence that a common law marriage exists under the governing state law.

Concurrent Military Retirement and VA Disability Pay

Formerly known as Concurrent Retirement and Disability Pay. Regular or reserve members who are entitled to military retired pay based on either length of service or disability, and who are also entitled to disability compensation paid by the VA-based on a combined VA disability rating of 50 percent or greater and not subject to the waiver requirements of 38 U.S.C. §§ 5304 and 5305, may receive both military retired pay and VA disability pay concurrently. See ***10 U.S.C. § 1414***. Members retired under military disability provisions under 10 U.S.C., Chapter 61 must have at least 20 years of creditable service and otherwise be entitled to receive retired pay under another provision of law in order to be eligible for concurrent military retired pay and VA disability compensation.

Constructive Payment (or Receipt)

An accounting or tax term used for federal income tax purposes that provides that income is received by the taxpayer in the taxable year in which it is set aside for the taxpayer or credited to his/her account, regardless of whether or not it has been physically received or when it was earned. A constructive payment must be available to the taxpayer for use without substantial limitations or restrictions. See ***26 CFR 1.451-2***.

Cost-of-Living Adjustment (COLA)

The percentage change applied to retired pay and SBP annuities based on laws using the Consumer Price Index, Urban Wage Earners, and Clerical Workers-U.S. City Average, as published by the Bureau of Labor Statistics.

Currency-Blocked Country

A country specified by the U.S. Department of Treasury to which dollar instruments may not be transmitted.

Dependency and Indemnity Compensation (DIC)

Tax-exempt compensation paid by the VA to the eligible survivors of Military Service members who died after December 31, 1956, from a service-connected or compensable disability.

Entitlement

Legally established benefits available to any person meeting eligibility requirements established by law.

Fiduciary

A person, legally designated, who holds something in trust for another person.

Fleet Reserve or Fleet Marine Corps Reserve

A Component of the Regular Service to which members may be transferred and released from active duty after obtaining 20 or more years of active Federal service.

Foreign Address

An address outside of the United States, its possessions and territories, is a foreign address.

Former Member

See definition of Member. A person who was previously appointed or enlisted in, or conscripted into a uniformed service and who has been permanently separated from that service to civilian status is no longer in the service and is considered a former member.

NOTE: Former members may be entitled to retired pay for non-regular service under ***10 U.S.C., Chapter 1223***, if they have met the required age and service requirements. Deceased former members, who met the age and service requirements of 10 U.S.C., Chapter 1223, are not entitled to retired pay.

Inactive Duty Training

Inactive duty training refers to:

1. Duty prescribed for members of an RC by the Secretary of the Military Service concerned (or designee); or

2. Special additional duties authorized for members of an RC by an authority designated by the Secretary of the Military Service concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.

Member

A person is either in the service or out of the service. A person who was previously appointed or enlisted in, or conscripted into a uniformed service and has not been permanently separated from that service to civilian status is still in the service and is considered a member. Members who become entitled to retired pay do not lose their status as members of the service simply because they are entitled to retired pay. Member status is only lost through permanent separation from the service to civilian status. For purposes of retired pay, a member is a person who was previously appointed or enlisted in, or conscripted into a uniformed service, who has not been permanently separated from that service, who is entitled to retired pay and who is still living. Deceased members are not entitled to retired pay. See 10 U.S.C., Chapter 1223.

Military Departments

The Department of the Army, the Department of the Navy, and the Department of the Air Force. See ***10 U.S.C. § 101(a)(8)***.

Military Retired Pay (Includes Fleet Reserve and Fleet Marine Corps Reserve Retainer Pay)

The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability (if applicable), and date of retirement (transfer).

Missing Status

Includes missing, missing-in-action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

National Defense Authorization Act (NDAA)

The NDAA authorizes appropriations each fiscal year for military activities of the DoD, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

Non-Service Connected

With respect to disability or death, that such disability was not incurred or aggravated, or that the death did not result from a disability incurred or aggravated, in line of duty in the active military, naval, air, or space service (VA definition only).

Office of the Actuary

The Office of the Actuary provides actuarial expertise on matters relating to military benefits.

Overpayment

An amount paid to a retiree, annuitant, or legal fiduciary, which is more than that to which entitlement exists.

Parent of Issue

The biological parent, other than the member, of a child.

Pay Grade

The step or degree in a graduated scale to which members of the Uniformed Services are assigned or distributed for military pay and allowances purposes. See Volume 7A, "Comparable Grades."

Representative Payee

A person or organization designated to receive payments for a minor or an individual who is mentally incompetent or under other legal disability, for whom a guardian or other fiduciary has not been appointed.

Reserve Component (RC)

With respect to the Armed Forces, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the National Guard of the United States, and the Air National Guard of the United States.

Retainer Pay

Pay received by a member of the Fleet Reserve/Fleet Marine Corps Reserve.

Retired List

Any one of several lists of military members retired from active duty or a RC of the Armed Forces.

Retirement Date

The first day of entitlement to retired pay, not a day of active duty.

Saved Pay

Special pay provisions that allow retired members, under certain conditions, to retain entitlement to pay under prior laws when beneficial to the member.

Service Connected

With respect to disability or death, such disability was incurred or aggravated, or the death resulted from a disability incurred or aggravated in the line of duty in the active military, naval, air, or space service (VA definition only).

Surviving Spouse

A person who was legally married to the decedent on the date of the decedent's death and who survived the decedent is the surviving spouse. There may be additional requirements in order to qualify as a surviving spouse for certain entitlements.

Tower Amendment

A law providing that a member retiring after January 1, 1971, may not receive less retired pay than the monthly retired or retainer pay to which he or she would be entitled if the member had become entitled to retired or retainer pay at an earlier date. A member who fully qualifies for retirement on a date earlier than the actual retirement date receives the most favorable rate of pay as though the member actually retired on the earlier date.

Transfer Date (Fleet Reservists, Fleet Marine Corps Reservists)

Date of release from active duty (a day of entitlement to active duty pay and allowances).

Uniformed Services

The Army, Navy, Air Force, Space Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service comprise the Uniformed Services.

United States (U.S.)

The country includes the 50 states and the District of Columbia, unless otherwise qualified.

DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 8: "CIVILIAN PAY POLICY"

UNDER SECRETARY OF WAR

(COMPTROLLER)

September 2026

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September 2026

VOLUME 8

CIVILIAN PAY POLICY

1.0 GENERAL

1.1 Purpose

Volume 8 establishes the financial management policy governing the pay of Department of War civilian employees, including time and attendance; pay administration and computation; mandatory and voluntary deductions and allotments; leave and other absences; special category employees; and the collection of pay-related debts. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.2 Authoritative Guidance

Please refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Please refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Please refer to the procedures document listed throughout this volume.

2.0 INTRODUCTION AND OVERALL REQUIREMENTS

2.1 General

2.1.1. This section prescribes the principles, objectives, and requirements for DoW employee pay operations and systems. It applies to payments the Defense Civilian Pay System (DCPS) makes to employees paid from appropriated, revolving, or trust funds. The Under Secretary of War (Comptroller)/Chief Financial Officer has determined that DCPS is DoW's only approved standard payroll system. These requirements apply to computing payments, leave, and deductions and to maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

2.2 Overall Requirements

2.2.1. Overview

2.2.1.1. The Defense Finance and Accounting Service (DFAS) must maintain system requirements in compliance with all applicable laws and regulations and with guidance issued by OPM, the Department of the Treasury, the Department of State, the Department of Labor, and taxing authorities (federal, state, and local).

2.2.1.1.1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger systems, or installation-level general accounting systems.

2.2.1.1.2. The Director, DFAS must approve continued operation of any such unique payroll system.

2.2.1.2. DoW payroll operations and systems must meet the following objectives: Make timely and accurate payments to employees entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay; Account for and disposition of all authorized deductions from gross pay; Control, retention, and disposition of all payroll related documents; Prepare adequate and reliable payroll records to support managerial responsibilities; Plan, prepare, execute, and review the budget; Prepare required internal and external reporting; Support effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll related inquiries from employees; Control all phases of processing pay, leave, entitlements, and allowances; Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in DCPS and these interrelated systems; Provide capability to query current, historical, and/or archived data; Provide audit trails to permit the tracing of transactions through DCPS; Comply with accounting system development criteria specified in Volume 1; Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and Comply with DoW direction to standardize data elements to promote cross-functionality and integration efforts.

2.2.2. Funds Control

2.2.2.1. Funds used to pay DoW employees are appropriated by Congress and apportioned to the Department by the Office of Management and Budget. At least monthly, the payroll obligation estimate must be made. As payments are made, estimates must be adjusted to reflect actual payment data.

2.2.2.2. DCPS must be integrated or interfaced with, and must support, the accounting systems. DCPS must consist of detailed accounts and records kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. DCPS must produce the obligation and accrual data the accounting systems need.

2.2.3. The Director, DFAS is responsible for the overall planning and general direction of the pay, leave, and allowance functions and the related system requirements. This responsibility requires establishing and implementing adequate written procedures, adequately training all personnel in their functions, and installing sufficient internal controls and management oversight to ensure compliance with DCPS objectives. See DoW Directive 5118.05. The Director, DFAS must also ensure that DCPS meets legal criteria and the following requirements.

2.2.3.1. Payroll procedures must be: clearly written and be in accordance with applicable laws, regulations, and legal decisions; amended to reflect changes in applicable laws, regulations, and legal decisions; as uniform as possible throughout DoW; aistributed to payroll staff and be available to individual employees as needed to ensure efficient and effective operations; and reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

2.2.3.2. Personnel engaged in pay, leave, and allowance activities must: be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions; be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act; perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions; review the operations, including internal controls, on an ongoing basis to ensure such performance; and identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

2.2.3.3. DCPS must be integrated or interfaced with: Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments; the general ledger systems to provide information to prepare various financial statements; cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments. This also helps in properly evaluating operations and management; and to support budget formulation and execution; and other financial management systems to meet reporting and management objectives.

2.2.3.4. The interfaces in subparagraph 2.3.3 must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

2.2.3.5. Transactions recorded in the pay, leave, and allowance records must be adequately supported by properly authorized documents.

2.2.3.6. Continuity of Operations Plans and associated procedures must be established and maintained to back up data properly in the event of power failure, equipment malfunction, terrorist threat, natural disaster, or other hazard.

2.2.3.7. Persons not engaged in payroll operations must conduct external audits and internal examinations of those operations to determine whether they are efficient, effective, and economical and comply with laws, regulations, and legal decisions.

2.2.3.8. Payroll must be computed biweekly unless the law requires a different timeframe. Special payments are prohibited except as addressed in Section 9.1.2. Advances of pay are covered in Section 4.8. All employees must be informed of the designated payday, and pay should be made available on that payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an "in lieu of" holiday, the payday must be the first preceding business day.

2.3 Electronic Funds Transfer (EFT) for Federal Civilian Salary Payments

2.3.1. General

2.3.1.1. The Director, DFAS, with the Office of the Deputy Chief Financial Officer, must: publish EFT payment policy and implementation procedures for payment of all DoW civilian personnel; coordinate the presentation of issues and proposed exceptions in DoW's mandatory EFT policy to Treasury for approval; prepare appropriate reports for submission to Treasury; provide quarterly reports that reflect the level of EFT participation to DoW and non-DoW agencies serviced by DFAS (hereinafter referred to as "serviced agencies"); and furnish a report of employees paid by DFAS, who do not participate in EFT, to employing agencies at the end of each quarter.

2.3.1.2. DoW Component Personnel Directors must:

2.3.1.2.1. Directors or Commanders of all DoW Activities must:

2.3.1.2.1.1. Provide information for reporting purposes to DFAS sites when requested, including NAF personnel.

2.3.2. Financial institution charges from erroneous information the individual or the financial institution provided to the civilian payroll office (PRO) are not a government liability and must not be reimbursed. Reimbursement is authorized and limited to overdraft, minimum balance, or average balance charges the financial institution levies because of a government

administrative or mechanical error that causes pay to be deposited late or in an incorrect manner or amount, per 10 U.S.C. § 1594.

2.3.3. Each quarter, PROs must provide EFT participation and non-participation reports to the serviced agencies to manage EFT participation (see Section 10, subparagraph 3.4.6).

2.3.4. Payments Other Than EFT

2.3.4.1. The disbursing officer must mail checks to the non-work address the employee provided. On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to employees at work locations.

2.3.4.2. When delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver paychecks must not preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; or handling time and attendance (T&A) records and leave records. Each employee must be known to, or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time the disbursing officer specifies must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet pending distribution to the employee or return to the disbursing or issuing officer (see Volume 5).

2.3.4.3. If, under extraordinary circumstances, payments must be made in cash, employees must properly identify themselves and must acknowledge payment by signing a receipt form when they receive payment. Requiring receipts before actual cash payments is prohibited. Only persons authorized to perform disbursing functions, and who are not part of the pay computation process, may make these payments (see Volume 5).

2.4 Establishment and Control of Employees' Pay Records

2.4.1. Use of the SSN for Identification

2.4.1.1. DFAS must use the SSN to identify all employees it pays.

2.4.1.2. Civilians concurrently employed in more than one position must use the same identifier (SSN or ITIN) across every position. Person identifier data must support the capability to correct and update a person's identity information, per DoWI 1444.02, Volume 1.

2.4.2. Individual Employee Pay Records

2.4.2.1. Each employee must have an individual pay record maintained as part of the master pay record. Except for multiple appointments, only one pay record may be active at any time for each authorized position. If more than one pay record is maintained, the rationale

must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records must be retained or accessible at the servicing PRO to support manual input, payment, and performance of other required administrative functions.

2.4.2.2. The pay record must contain all transaction information related to payments and deductions, with an audit trail to the authorizing source document, subject to paragraph 4.5. The pay record must contain information on rates of pay pertaining to the categories listed in this paragraph.

2.4.2.3. The pay records must be supported by T&A, leave records, and personnel records. T&A records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used to compute pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, to compute pay and prepare reports.

2.4.2.4. Year-to-date information must be maintained for the current and prior pay years. Pay records must be dispositioned per the National Archives and Records Administration (NARA), General Records Schedule (GRS) 2.4: Employee Compensation and Benefits Records.

2.4.3. Payroll Substantiating Document File

2.4.3.1. Under a centralized civilian payroll function, separate document files are required and maintained for each employee. The servicing PRO must maintain documents applicable to PRO functions and responsibilities. The Customer Service Representative (CSR)/employing activity must maintain documents applicable to CSR responsibilities.

2.4.3.2. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations, or that support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper or unauthorized access or use. Payroll-related documents, whether maintained by the PRO or the CSR, must be dispositioned per NARA, GRS 2.4. Each agency may establish a specific document retention policy; however, the policy must not impose a lesser retention requirement than NARA requirements.

2.4.3.3. All source documents must be readily available for research. Active and inactive files must be dispositioned per NARA, GRS 2.4 for current employees and NARA, GRS 2.5 for separated employees.

2.4.4. Retention sites must control source documents to ensure timely processing of payroll documents, auditing, and reconciliation of individual pay accounts. Local document control procedures may be used as long as appropriate control and access are maintained.

2.4.5. Personnel Actions

2.4.5.1. DCPS is integrated or interfaced with the personnel system the employee's agency uses. DCPS must use the information the personnel system authorizes as the basis for pay, leave entitlements, and some deduction calculations.

2.4.5.2. The servicing HRO must maintain source documentation for actions originating with the Human Resources Office (HRO). Where the systems do not permit interface of the actions, the servicing HRO must provide the servicing PRO a hardcopy or electronic copy of the document, which the servicing PRO also must maintain.

2.4.6. Appropriate controls must be established for all payroll functions.

2.4.6.1. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, including the items in paragraphs 2.4.6.1.1 through 2.4.6.1.5.

2.4.6.1.1. An authorized official must approve, in writing or through electronic signature (made by entering designated codes into an automated system under safeguards that prevent unauthorized use), corrections and other adjustments to data in official records, as set out in paragraphs 2.6.1.1.1 through 2.6.1.1.3.

2.4.6.1.1.1. Records of all changes made after records have been approved or certified must be generated and maintained.

2.4.6.1.1.2. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. A designated authorizing official must approve the corrections.

2.4.6.1.1.3. Automated system changes to data must be made so that an audit trail is maintained to show, or reference, documents showing the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes.

2.4.6.1.2. Separation of duties applies to the PRO and system development personnel. To minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the payroll duties listed in this paragraph must be separated so that no one person performs all phases of a transaction without the possibility of intervention or review by another person.

2.4.6.1.3. Access to the items listed in this paragraph must be restricted to authorized personnel.

2.4.6.1.4. Employees must not maintain or service their own payroll or personnel records. This internal control must be incorporated into the security system software that governs access to DCPS records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. The employee transactions maintained by the CSR or input by the employee through such an application are listed in this paragraph.

2.4.6.1.5. To detect inappropriate data at the earliest time and to the extent practical, data entered into DCPS must be subjected to computerized edits at the time of entry.

2.4.7. PROs must ensure that payroll data is complete and accurate. DCPS and the HRO must each reconcile employee records to ensure that shared data matches.

2.4.7.1. Reconciliation of common data (for example, work schedule, salary, and date of birth) between the human resources system and DCPS must be accomplished at least every 4 months. The servicing HRO reviews the reconciliation and annotates any mismatches. The servicing HRO resolves mismatches where possible and provides supporting documentation to the servicing PRO to resolve payroll record errors. The servicing PRO must ensure thorough reviews of and necessary corrections to the DCPS database. The servicing PRO must complete the payroll portion of the reconciliation within 10 workdays after receiving the annotated reconciliation documentation from the servicing HRO. The servicing PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.

2.4.7.2. Based on the predetermined schedule, DCPS must generate and transmit reconciliation files to the appropriate personnel system host. The DCPS manager establishes and publishes the schedule in conjunction with the personnel system manager.

3.0 TIME AND ATTENDANCE (T&A)

3.1 Responsibilities of Employing Agency, Approving Officials, and Timekeepers

3.1.1. Approving Official Responsibilities

3.1.1.1. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. The supervisor should be aware of an employee's work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.

3.1.1.2. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper or, in limited circumstances, to the individual employee. The supervisor remains ultimately responsible for the timely and accurate reporting of the T&A per applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

3.2 T&A Requirements

3.2.1. The period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a two-week period, then the T&A must cover a two-week period.

3.2.2. Work Schedules and Alternate Work Schedules (AWS)

3.2.2.1. The work schedule defines the basic work requirement as the number of hours, excluding overtime, an employee must work or account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours per pay period. Attendance and absence must be consistent with the individual's employment status. The agency must maintain an approved work schedule for each employee showing planned arrival and departure for each day. When an employee's work schedule differs from the agency-wide schedule or reflects an AWS, the supervisor, or the official most knowledgeable of the employee's schedule, must approve it before the period it takes effect. If not approved in advance, the supervisor must approve it as soon after the start of the pay period as possible.

3.2.2.2. Material variances or deviations, as determined by the flexible work schedule, must be approved by the supervisor before the change occurs, or promptly after if not feasible beforehand. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

3.2.3. Temporary Assignment (TDY)

3.2.3.1. For an employee on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee's permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

3.3 T&A Recording

3.3.1. Scheduled starting and ending times of the day for each employee or group of employees must be established and recorded. The day an employee's shift begins is designated as

the day of work for night and shift-differential purposes. These requirements are modified for employees working a flexible or compressed work schedule under the AWS plans.

3.3.2. T&A approvals must give management assurance that supervisors or other authorized officials know they are accountable for approving an employee's work time and absences. Employees must either initial or sign for indicated absences or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness when granting sick leave. The employing activity must retain such certification.

3.3.3. All leave types are charged to the employee by days, hours, or fractions of hours. Timecards must clearly indicate whether annual leave taken is charged against the employee's current leave account or a separate account established for restored leave. The employee's regular leave account is charged unless the annual leave taken is identified as charged to the restored leave account.

3.3.4. Recording Daylight Savings Time

3.3.4.1. Civilian employees working a tour of duty when Daylight Savings Time begins are credited with the actual number of hours worked. The hour lost is charged to annual leave, compensatory time used, credit hours used, or leave without pay, as the employee requests. Employees may also be allowed to work one hour beyond the end of their shift.

3.3.4.2. Civilian employees working a tour of duty when standard time begins are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

3.4 T&A Certification

3.4.1. All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must understand the responsibility for ensuring report accuracy and must have knowledge of the time worked and absence of the employees for whom approval is given.

3.4.2. Certification, Controls and Approval of T&A

3.4.2.1. The certification of T&A constitutes authorization for the expenditure of Government funds. Each employee's T&A must be certified correct at the end of the pay period by the employee's supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier. Certification ordinarily must not be made earlier than the last workday of a pay period. When an early cutoff is unavoidable, such as when a legal holiday falls on a Friday or Monday, additional controls must be in place, operating, and

demonstrated in the system design. If the certifier lacks personal knowledge of employees' presence and absence, the certifier must have a reasonable basis for relying on internal controls to ensure accuracy and legal compliance, which must include periodic testing of those controls. Certification of T&A documents must be based on knowledge from personal observation, work output, or timekeeper verification; checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries; reliance on other internal controls; or a combination of controls.

3.4.2.2. When an early cutoff is used, additional controls must ensure that any change in certified attendance or absence occurring after the cutoff date is identified and reported before pay computation, or reported for the next pay computation. The employee may initial the corrected entries or submit OPM Form 71, Request for Leave or Approved Absence, or a locally approved electronic leave request, as appropriate.

3.4.3. Approval

3.4.3.1. Approvals must be made individually for each employee, and a signature must accompany each T&A.

3.4.3.2. A single supervisory or designated alternate certifier signature may approve the information recorded for all employees listed on a multiple-employee T&A report only when three prerequisites are met:

3.4.3.2.1. The data elements required by the agency must appear on the report for each employee listed on the report;

3.4.3.2.2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier; and

3.4.3.2.3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page or enter an approval code into an automated system.

3.4.3.3. When a paperless T&A system is used and T&A data is contained in an electronic file displayed on a terminal, the supervisor may enter a single automated code to approve the information in the file. Before approving the T&A, the supervisor, or designated alternate certifier, must review supporting documents and computerized files. The system must generate a record of any change made to a file when approved by someone other than the original approving official and send it to the original approving official or other designated person.

3.4.4. Certification of the T&A must not be delayed to obtain the employee's initials or signature for requested leave when the employee is unavailable. The employee must submit a

request for leave (OPM Form 71, when required) upon return to duty to confirm the requested leave.

3.4.5. Maintenance and Approval of T&A by Employee

3.4.5.1. Employees may maintain their own official T&A only in the following situations:

3.4.5.1.1. The employee is the timekeeper;

3.4.5.1.2. Employees work flexible hours outside the hours of the timekeeper and supervisor;

3.4.5.1.3. An employee is working alone at a remote site;

3.4.5.1.4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours; or

3.4.5.1.5. When the employing organization determines that individual timekeeping by all employees is warranted, it must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

3.4.5.2. Employees are generally prohibited from approving their own T&A. Exceptions apply only when it is not feasible for an employee's T&A to be approved by a supervisor. In such cases, the Component head, or designee, must grant official written authorization for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances: the employee works alone at a remote site for long periods; the employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or the employee is the head of an organization within an agency that has no supervisor on site.

3.4.5.3. To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures (such as occasional telephone calls during scheduled work times, or assessing the reasonableness of output for the time spent) to determine the accuracy of T&A data submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of that data.

3.5 T&A Reporting

3.5.1. T&A data must be transmitted to the payroll system, as required, using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported

to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported. When reporting to the payroll system by source-data automation, positive reporting is required for each employee.

3.5.2. Regardless of the reporting method, controls must ensure that all required T&A data, including current-period corrections and prior-period adjustments, is properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

3.5.3. If any required T&A data is missing for an employee, the PRO generates a charge against the employee's annual leave balance. If the annual leave balance is insufficient to support the employee's regularly scheduled tour of duty, the PRO must charge any remainder to another leave category to fulfill the scheduled tour. The PRO must correct the employee's pay and leave record upon submission of the certified T&A data.

3.6 Adjustments or Corrections

3.6.1. Adjustments or corrections required because of changes after T&A information was approved must be processed promptly and be traceable to the pay period to which the correction applies. Electronic corrections for current-period corrections and prior-period adjustments must be made per the PRO's established procedural guidance. T&A corrections for pay periods no longer available electronically require a hard copy of the certified T&A for each pay period, certified by the supervisor and forwarded to the PRO, which processes the manual correction. An authorizing official must approve all changes.

3.7 Record Retention

3.7.1. Management may require employees and timekeepers, if any, to attest to or verify T&A information. T&A information that supports financial or cost reporting should be auditable. Employing activities must establish a uniform practice for the locations at which T&A reports and related supporting documentation are maintained. T&A reports, together with approved leave applications, overtime approvals, military orders, jury-duty certification, or other supporting documents, may be retained by the timekeeper or supervisor or sent to a designated storage location.

3.7.2. Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

4.0 PAY ADMINISTRATION

4.1 General Provisions on Pay

4.1.1. Pay and Payroll Data

4.1.1.1. Payroll computations must be based on statutorily authorized entitlements per Title 5 U.S.C., Title 5 C.F.R., and other statutory or regulatory requirements stated herein. Payment of any entitlement must be supported by one or more of the following source documents, as appropriate: Standard Form (SF) 50, Notification of Personnel Action and/or other similar personnel documents; certified copies of travel orders; T & A reports, including any necessary supporting documents such as sign-in and sign-out registers or OPM Form 71, Request for Leave or Approved Absence; and authorizations or approvals of overtime and compensatory time worked.

4.1.1.2. If the servicing Human Resources Office (HRO) electronically transmits pay entitlement data from source documents to the servicing PRO, the servicing HRO must send the source documents back to the PRO on request. The servicing HRO must ensure the integrity and accuracy of the pay computation data, establish effective controls, and ensure all data transmits successfully. The servicing HRO must retain source documents, with transmittal and control data, for audit purposes per the National Archives General Records Schedule 2.4.

4.1.1.3. The PROs must ensure an employee's compensation is consistent with their grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties; the servicing PRO must request the servicing HRO clarify or correct the documents.

4.1.1.4. The servicing PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The servicing PRO must complete computations as soon as possible after the close of the pay period.

4.1.1.5. The servicing PRO, the servicing HRO, and the CSR must communicate to ensure all appropriate entitlement information is considered for each pay computation and that computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Section 2.

4.1.2. The servicing HRO must notify the servicing PRO of employee pay changes. The servicing PRO must inform each employee in writing of gross pay changes, total pay, allowances,

deductions, and net pay. The information may be included on the employee's Leave and Earnings Statement (LES).

4.2 Premium Pay

4.2.1. Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Overtime approval or disapproval must be consistent with direction from the Deputy Secretary of War. The employee is paid only approved overtime as certified on the employee's time and attendance report. Normally, employees must request approval to work overtime in writing before performing the work (5 U.S.C. § 5542).

4.2.1.1. An employee must receive advance written approval for compensatory time worked, made per Section 3. Compensatory time off is an alternative form of payment for overtime work. For applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the overtime pay the employee would otherwise have received for the same number of overtime hours. Pay limitations apply as follows: Biweekly Premium Pay Cap. If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 CFR 550.106(c). Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 CFR 550.106(c). FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 CFR 551.531. For FLSA exempt employees, refer to 5 CFR 550.114.

4.2.1.2. When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoW Component, or moves to a non-DoW agency, the losing Component must pay for any unused compensatory time balances at the overtime rate in effect when the employee earned the compensatory time. Title 32 National Guard technicians are not paid for unused compensatory time. See DoWI 1400.25-V550, 5 C.F.R. 550.114, and 5 C.F.R. 551.531.

4.3 Foreign and Non-Foreign Allowances and Differentials

4.3.1. Foreign Area Allowances and Differentials

4.3.1.1. Within DoW, only three of the five FTA elements are authorized for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. DoW does not authorize payment of the wardrobe expense portion or the pet shipment and required quarantine portion. The FTA standard is governed by DSSR Chapter 200, section 240 and DoWI 1400.25-V1250.

4.3.1.2. Within DoW, only three of the five HSTA elements are authorized for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. DoW does not authorize payment of the wardrobe expense portion or the pet shipment and required quarantine portion. The HSTA standard, including the required 12-month service-agreement certification, is governed by DSSR Chapter 200, section 250 and DoWI 1400.25-V1250.

4.3.1.3. DoW does not authorize payment of the education allowance. DoW does authorize reimbursement of transportation costs for dormitory-student family members of eligible employees between the overseas duty station and the DoW Education Activity (DoWEA) approved school. The education-allowance standard is governed by DSSR Chapter 200, section 270, 5 U.S.C. 5924, and DoWI 1400.25-V1250.

4.3.1.4. Before a representation allowance is payable, the employee's position must first be designated as eligible by the Deputy Under Secretary of War for Civilian Personnel Policy. A voucher of expenses incurred is the basis for payment. The representation-allowance standard and allowable items are governed by DSSR Chapter 300 and DoWI 1400.25-V1250.

4.4 Other Pay, Differentials, and Allowances

4.4.1. Supervisory Differential

4.4.1.1. Authority to approve supervisory differentials under 5 U.S.C. § 5755 and 5 CFR 575, subpart D is delegated through the DoW Component and its chain of command to the official who exercises personnel-appointing authority (normally the head of an installation or activity). Only the Secretary or Deputy Secretary of War may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by 5 CFR Part 213. The agency may authorize a supervisory differential for a GS employee who supervises one or more non-GS employees when a subordinate would be paid more than the supervisor absent the differential. The DoWI 1400.25-V575 contains additional guidance.

4.4.2. Defense agency employees required by law or regulation to wear uniforms during official duties may be reimbursed a uniform allowance at the rates posted in the DoWI 1400.25-V591. The agency's authorized management official must approve payment of a uniform allowance. Uniform allowances are not considered wages.

4.4.3. Government-Provided Home-to-Work Transportation

4.4.3.1. DoW employing activities must not report on a calendar-year basis. They must report for the 12-month period from November 1 through October 31. The value of benefits received in November and December is considered paid in the next year, as authorized by IRS Publication 15-B.

4.4.4. Under 10 U.S.C. §§ 1596 and 1596a, the Secretary of War may pay FLPP to eligible DoW employees performing intelligence or non-intelligence duties that require foreign language proficiency. FLPP is not basic pay for any purpose and does not count toward retirement, TSP, FEGLI, or any other basic-pay-related benefit, and is not pay for lump-sum leave payments under 5 U.S.C. §§ 5551 or 5552. FLPP is a discretionary, continuing payment for the aggregate limitation on pay. FLPP must not be paid if the employee is in LWOP or other unpaid status for more than 10 consecutive workdays, or in an extended paid absence for more than 30 consecutive workdays.

4.4.4.1. Under 10 U.S.C. § 1596, the Secretary of War determines the annual rate of intelligence FLPP. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See the DoWI 1400.25-V2016. The Secretary of War may pay special pay to a DoW employee who: has been certified as being proficient in a foreign language identified by the Secretary of War as being a language in which proficiency by civilian personnel of the DoW is important for the effective collection, production, or dissemination of foreign intelligence information; and is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

4.4.4.2. Under 10 U.S.C. § 1596a, the Secretary of War may prescribe special pay for a DoW employee, but the pay may not exceed 5 percent of the employee's pay. This special pay is in addition to any other pay or allowances to which the employee is entitled. See the DoWI 1400.25-V2016. The Secretary of War may pay this special pay to a DoW employee who: has been certified by the Secretary of War to be proficient in a foreign language identified by the Secretary of War as being a language in which proficiency by civilian personnel of the DoW is necessary because of national security interests, is assigned duties requiring proficiency in that foreign language, and is not receiving special pay under 5 U.S.C. § 1596.

4.5 Recruitment, Relocation, and Retention Incentives

4.5.1. Recruitment Incentive

4.5.1.1. The incentive must be included with regular salary payments and separately identified on the LES.

4.5.1.2. A demotion or separation for cause, or a rating less than "Fully Successful" or equivalent, terminates the service agreement. An employee who fails to complete the service period for these reasons, or otherwise fails to fulfill the agreement, must repay any portion of the incentive attributable to uncompleted service. The servicing PRO prorates the authorized recruitment incentive across the service period to determine the amount attributable to completed and uncompleted service, and must recover the amount owed per the debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the recruitment incentive repayment or debt via SF 50 data.

4.5.1.3. The servicing HRO must document each recruitment incentive using information derived from an SF 50.

4.5.2. Relocation Incentive

4.5.2.1. The incentive must be included with regular salary payments and separately identified on the LES.

4.5.2.2. If the employee is demoted for cause, separates for cause, or receives a less than "Fully Successful" or equivalent rating, the service agreement terminates. An employee who fails to complete the service period for these reasons, or otherwise fails to fulfill the agreement, must reimburse DoW for all benefits received under the agreement in excess of the amount attributable to completed service. The servicing PRO must prorate the full authorized relocation incentive across the service period to determine the amounts attributable to completed and uncompleted service. The servicing PRO must recover the amount owed per agency debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the repayment/debt via SF 50 data.

4.5.2.3. The servicing HRO must document each relocation incentive via an SF 50.

4.5.3. Retention Incentive

4.5.3.1. The incentive must be included with regular salary payments and separately identified on the LES.

4.5.3.2. If an employee is demoted for cause, separates for cause, or receives a less than "Fully Successful" or equivalent rating, the service agreement terminates. An employee who fails to complete the service period for these reasons, or otherwise fails to fulfill the agreement, must reimburse DoW for all benefits received under the agreement in excess of the amount attributable to completed service. The employee may retain any retention incentive payments attributable to completed service and is entitled to any portion owed by the agency for completed service. The amount owed must be recovered per agency debt collection regulations (see Volume 16). The servicing HRO must notify the servicing PRO of the repayment/debt via SF 50 data.

4.5.3.3. The servicing HRO must document each retention incentive via an SF 50.

4.5.4. DoW Student Loan Repayment Program

4.5.4.1. The servicing PRO must remit the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The payment is made in a lump sum, periodically, or in biweekly installments, and is in addition to basic pay or any other compensation payable to the employee.

4.5.4.2. DoW is not responsible for any late fees or penalties assessed by loan holders before, during, or after the student loan repayment agreement.

4.5.4.3. The servicing HRO must document each student loan repayment action via an SF 50 and must transmit the SF 50 and a copy of the service agreement to the servicing PRO to begin payments.

4.6 Lump-Sum Leave Payments

4.6.1. Computation of Lump-Sum Payment

4.6.1.1. DFAS must pay lump-sum leave at the end of the pay period in which it receives the separation transaction; the payment may or may not be combined with regular pay depending on receipt timing. DFAS must identify the payment separately and apply flat 25 percent federal withholding, except when the exemptions claimed on Form W-4 exceed the regular pay, in which case DFAS must combine the lump-sum leave with the regular pay and compute taxes as a single payment. Lump-sum annual leave payments are not subject to FEHB, FERS, FEGLI, or TSP deductions and are subject to offset for debts owed to the United States (5 CFR 550.1205).

4.6.2. DoW must make a lump-sum payment of restored annual leave under 5 U.S.C. § 6304(d)(3) to any DoW employee moving to a non-DoW federal agency or to a DoW position not located at an installation being closed or realigned, as required by 5 U.S.C. § 5551. The servicing HRO must notify the servicing PRO via SF 50 data when the employee is no longer authorized

restored leave under this authority. The lump-sum calculation uses the rate of pay at the time of separation or transfer to the non-BRAC installation.

4.7 Severance

4.7.1. Payments

4.7.1.1. The servicing PRO must pay authorized severance payments based on the information processed on an SF 50. Severance payments are subject to withholding for income and OASDI/Medicare taxes (5 CFR 550.709(b)).

4.7.2. Severance pay is taxable in the year the employee receives it, is included on the employee's Form W-2, and is subject to government and state withholding. If an employee dies, the servicing PRO must report any severance pay paid to beneficiaries on Form 1099-MISC.

4.7.3. If an agency reemploys a former employee in federal service, severance pay is discontinued effective on the date of reemployment. The losing agency must report the total amounts paid to the gaining activity or agency, which uses that information to track the lifetime severance cap of one year's pay at the rate received immediately before separation (5 U.S.C. § 5595(c)).

4.8 Advanced Pay

4.8.1. Foreign Post Assignment

4.8.1.1. The disbursing officer (or the officer's overseas agent) supporting the servicing PRO for the overseas area must pay foreign-post pay advances; outside the continental U.S., a disbursing officer who is a deputy to the continental U.S. office may pay. Payment may be included in the next regular biweekly pay or made as a single lump-sum. An employee may request an advance 3 weeks before the estimated departure date or up to 2 months after arrival, and must submit the request on the SF 1190, which serves as the request, authorization, and voucher document.

4.8.1.2. The HRO responsible for the employee must verify eligibility for an advance by confirming the travel orders and the pay grade and step at the foreign post. If the HRO does not confirm the foreign pay grade or step, the servicing PRO may use the employee's current gross pay at the time of the advance. The HRO must counsel each eligible employee on the authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

4.8.2. Collection of Advance Payments

4.8.2.1. Repayment is collected by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or after arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

4.8.2.2. The servicing PRO may accept partial or lump-sum repayments in addition to payroll deductions.

4.8.2.3. When an employee separates or transfers, the outstanding advance balance is due in full. Advances are recoverable from the employee or the employee's estate by deduction from accrued pay, retirement credit, other amounts due from the Government, or other methods provided by 5 U.S.C. § 5514 and 31 U.S.C. § 3716.

4.8.2.4. The Defense Debt and Claims Management Office, DFAS Indianapolis Center, may waive the Government's right of recovery of an erroneous pay advance per DoWI 1340.23 and 5 U.S.C. § 5584.

4.8.3. Other Requirements or Conditions for Advances

4.8.3.1. An employee is authorized only one outstanding advance at a time, regardless of how often assigned to a foreign area. An employee who becomes eligible for a second advance must liquidate the first advance before requesting the first payment of the second.

4.8.3.2. More than one member of a household may be eligible for an advance.

4.8.3.3. Allotments and assignments of advances are not authorized.

4.8.3.4. Advances are paid to employees of another federal agency on a reimbursable basis only if an agreement exists between that agency and DFAS to make similar payments to DoW employees.

4.8.3.5. The servicing office may require the employee to submit statements and documents establishing the need for, and use of, an advance.

4.8.3.6. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

4.8.4. Agencies may authorize an additional advance payment when circumstances warrant and the employee has not received the maximum possible advance for the employee's pay grade. Exceptional circumstances include a substantial understatement of the maximum advance authorized, inadequate or inappropriate counseling on the purpose of the advance, and unforeseeable events significantly increasing the employee's cash-outlay needs at the foreign assignment location.

4.8.5. The head of an agency may provide for advance payment of basic pay to a newly appointed employee (5 CFR 550.203). DoW delegates this authority to officials who exercise personnel-appointing authority (normally the head of an installation or activity), through and subject to the DoW Component heads, to be used on a case-by-case basis (DoWI 1400.25-V550).

4.9 Awards

4.9.1. General Title 5 U.S.C., Chapter 45

4.9.1.1. A time-off award cannot be transferred between DoW Components or outside DoW. Managers and supervisors should ensure the employee can use the award before leaving the granting Component. DoW Components may establish procedures to accommodate the transfer of time-off awards within their respective Components. A time-off award cannot be converted to a cash award, and unused awards are lost when an employee separates or transfers to another agency or component (5 CFR 451.104(f)).

4.9.1.2. The servicing HRO must process awards on an SF 50 and issue them to the servicing PRO as authorization for payment of cash awards or granting of time-off awards. Awards are paid in the same manner as the employee's net pay and are not distributed to the worksite.

4.9.1.3. Time-off awards must be posted to the employee's record and reduced when the time off is taken or forfeited. Use of a time-off award reported before notification of the award must be reflected as a negative balance in the civilian payroll system. If the servicing HRO does not post a time-off award to the employee's record within two pay periods of a negative balance appearing in the civilian payroll system, the use is treated as a time-and-attendance error.

4.9.2. Payment of Awards

4.9.2.1. Cash award payments are subject to federal, state, and local income tax withholding. The civilian payroll system automatically applies the IRS supplemental-wage federal withholding rate (set by the IRS; see IRS Publication 15) to these special earnings. The servicing PRO must compute applicable state, local, and OASDI/Medicare withholding from the employee's

current master record, and must not withhold state and local taxes for employees assigned to overseas duty locations unless the employee requests it.

4.9.2.2. To pay an award to a separated employee, the agency must reestablish the employee on the payroll using the last known master account record information for applicable deductions and mailing address.

4.9.2.3. Cash award payments must be included on the employee's LES and Form W-2.

5.0 MANDATORY DEDUCTIONS

5.1 Mandatory Deductions

5.1.1. Mandatory payroll deductions withheld from a DoW employee's pay must include sufficient information to establish the deduction, adequate documentation and certification, payment to the appropriate recipient for the correct amount, and a provision of law or court order supporting the deduction.

5.1.2. DFAS must retain deduction authorizations in the PRO or at a designated storage site per National Archives General Records Schedule 2.

5.2 Order of Precedence

5.2.1. Available Pay

5.2.1.1. If the next deduction in the order of precedence is a mandatory deduction, the PRO must use the remaining available pay to make a partial deduction, and the employee's net pay is then zero.

5.2.1.2. If the next deduction in the order of precedence is a voluntary deduction, the PRO must not make that deduction or any later deduction, and must pay the employee's remaining available pay as net pay.

5.3 Retirement Deductions

5.3.1. Civil Service Retirement System (CSRS), CSRS-Offset, and Federal Employees Retirement System (FERS) Administration and Recordkeeping

5.3.1.1. When the PRO receives notification of an employee's death, the PRO must send the IRR to OPM within 5 days of the date final pay is computed. OPM must receive the deceased employee's records and associated applications within 30 days from the date of death.

5.3.1.2. IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or a secured facility with access limited to employees whose official duties require it. Manually maintained IRRs must be posted manually, then stored electronically and kept separately from the record itself, per OPM requirements.

5.3.1.3. Manual records must be disposed of by shredding.

5.3.1.4. More than one IRR may be submitted with an SF 2807/3103. The PRO must not delay transmitting completed retirement records while preparing other IRRs for forwarding to OPM.

5.3.1.5. When possible, correct any errors detected on the IRR before submission to OPM. If an error is detected after the IRR is sent to OPM, prepare an SF 2806-1 (CSRS) or SF 3101 (FERS), Notice of Correction of Individual Retirement Record.

5.3.1.5.1. If a retirement over-deduction occurs from a current employee's pay, the PRO must make an adjustment during the next payroll cycle: decrease the current retirement deductions from the employee's current pay-period earnings and make a corresponding adjustment in the employer's contributions.

5.3.1.5.2. If a retirement under-deduction occurs, or deductions were not made for a period when an employee was covered by CSRS or FERS, the employee must be afforded due process rights before being indebted for the erroneous pay (see Volume 16). If deductions were made for a non-appropriated fund (NAF) retirement plan when CSRS or FERS deductions were required, the PRO must adjust the NAF retirement and Social Security deductions and contributions in the next pay period, offsetting these amounts against what should have gone to CSRS or FERS to determine the net amount to withhold from the employee's current-period pay.

5.3.1.5.3. When excess retirement amounts have been deducted from a former employee's pay and the IRR SF 2806 (CSRS) or SF 3100 (FERS) has not yet been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 before forwarding to OPM.

5.3.1.5.4. If a retirement over-deduction is found after the SF 2806/3100 was sent to OPM, the PRO must prepare and submit the SF 2806-1/3101 to OPM.

5.3.1.5.5. If an over-deduction from a former employee's pay results in excess employer retirement contributions, the PRO must deduct the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.

5.3.1.5.6. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to OPM, the PRO must note the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, the PRO must prepare another SF 2806/3100 annotated "Supplemental" in the upper left margin.

5.3.1.5.7. When an under-deduction from a former employee's pay results in insufficient employer retirement contributions, the PRO must normally include the shortfall in the RITS file for the next pay period.

5.3.1.5.8. When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 before forwarding.

5.3.1.5.9. If a retirement over-deduction is found after the SF 2806 was forwarded to another PRO within DoW, the PRO must prepare and submit an SF 2806-1 to the gaining PRO.

5.3.1.5.10. When an over-deduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the excess employer contributions from the RITS file for the next pay period.

5.3.1.5.11. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same component, the losing PRO must note the under-deductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO if the SF 2806 was previously submitted.

5.3.1.5.12. The PRO must correct the "Service History" portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

5.3.1.5.13. The PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100 and forwarding it to OPM on an SF 2807/3103.

5.3.1.5.14. For a current employee, the PRO must include CSRS or FERS deductions withheld from a retroactive salary payment in the current-year salary deduction on the SF 2806/3100 maintained for the employee.

5.3.1.5.15. A losing PRO must report CSRS or FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO on an SF 2807. The losing PRO must send the SF 3100 to OPM on an SF 3103.

5.3.1.6. Employee deductions and employer contributions for CSRS or FERS must be reported separately to OPM each pay period. PROs reporting to OPM via the RITS must report deductions and contributions per the procedures in Section 10. Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid.

5.3.2. DoW Employees Covered by Retirement Systems for Non-Appropriated Fund Instrumentalities (NAFI)

5.3.2.1. Employees who elect to retain coverage under a NAF retirement system must have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 must state that the employee has elected to retain coverage under a NAF retirement system.

5.3.2.2. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments must be made biweekly and submitted to the appropriate NAF employee benefit system. FICA contributions must be withheld and reported per current U.S. Department of the Treasury guidance.

5.3.3. Uniformed Services University of the Health Sciences (USU) Faculty Retirement

5.3.3.1. A total of 15 percent of the employee's total salary must be contributed to the employee's selected retirement plan (TIAA/CREF or Fidelity Investments): USU contributes 10 percent and the employee contributes a mandatory 5 percent through payroll deduction.

5.3.3.2. Part-time employees, visiting foreign employees holding H-1 and J-1 visas, faculty whose titles carry the prefix "Visiting," Visiting Scientists, and Postdoctoral Fellows are not eligible to participate in TIAA/CREF or Fidelity Investments upon employment with USU.

5.4 Federal Insurance Contributions Act (FICA) Tax

5.4.1. Authority

5.4.1.1. If an employee transfers between DoW Components, the gaining PRO must count Social Security and/or Medicare taxes already deducted by the losing PRO so as not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. On a transfer, the PRO must include Social Security and/or Medicare year-to-date wages and taxes on the SF 1150, Record of Leave Data.

5.5 Federal Income Tax Withholding (FITW)

5.5.1. General

5.5.1.1. An EIN, assigned by the appropriate IRS District Director, identifies the tax accounts of employers. Only one EIN per Payroll Office (PRO) is authorized to report all federal and Social Security and/or Medicare taxes. The PRO must collect federal and Social Security and/or Medicare taxes from employee wages and report all taxes using IRS Form 941, Employer's Quarterly Federal Tax Return. For withholding and reporting guidance, consult the current Circular E.

5.5.2. If an employee submits a new W-4, the PRO must change the withholding effective the next pay period. Retroactive adjustments are not permitted, even if the employee claims the W-4 on file is erroneous and submits a corrected one.

5.5.3. As forms become superseded or obsolete, the PRO must move them from the active file to an inactive file. The PRO need not send IRS forms such as the 941 or W-4 to the IRS District Director, but must, on request, show that the information is on file as a supporting record.

5.5.4. Tax Payments - Payment of Withheld Tax

5.5.4.1. The PRO that makes the tax collection must prepare and issue the W-2 to the employee.

5.5.4.2. The disbursing office must disburse all withheld taxes based on the information the PRO provides and the payroll frequency. It remits federal income, Social Security and/or Medicare taxes withheld from wages, plus the employer's Social Security and/or Medicare contributions, through EFTPS.

5.6 State Income Tax Withholding (SITW)

5.6.1. Withholding Authority

5.6.1.1. DoW requires employees to complete a withholding certificate as the basis to properly withhold state taxes. The certificate must specify whether the employee is subject to the tax, the employee's residence and regular place of employment, and any exemptions and allowances. The certificate remains in effect until the employee submits a new one. If an employee does not furnish a withholding certificate for a designated state, the PRO must withhold the maximum amount applicable to the employee's annual compensation.

5.6.1.2. The state, city, or county income or employment tax withheld from the compensation of an employee or member of the Armed Forces must, at a minimum, approximate the tax required to be withheld. The PRO may accomplish withholding by one of the following methods: applicable tax withholding rate(s) specified in the state, city, or county instructions; any other percentage or formula method; or a calculated, fixed amount deducted each pay period from the compensation of the employee.

5.6.1.3. Reciprocal agreements between states may modify state withholding requirements; they generally relieve nonresident employees of tax liability to the state of employment and relieve the employer of the duty to withhold. Agencies must conform to the withholding provisions of applicable Treasury-state and reciprocal agreements. If an employee is subject to withholding in more than one state, the PRO must use separate deduction codes to identify the tax remittance for each state.

5.6.1.3.1. Reciprocal agreements between states may affect automatic withholding by duty station. In all disputed cases, the PRO must withhold tax and advise the employee to negotiate the tax liability directly with the proper taxing authority.

5.6.1.4. When a state provides for discretionary allotment withholding, the PRO must withhold state taxes only for employees who have a legal obligation to pay and who elect such withholding. This applies whether or not Treasury has a withholding agreement with the state.

5.6.1.4.1. Employees must request the allotment on a proper withholding certificate.

5.6.1.4.2. Employee tenure does not affect the allotment.

5.6.1.5. Employees located in foreign areas must determine the need for state and local taxes. Before submitting a request, the PRO must advise the employee to:

5.6.1.5.1. Obtain assistance from the employing activity legal staff available to him or her; or

5.6.1.5.2. Contact the appropriate state or local income tax office about the applicability of withholding taxes while on an overseas assignment, preferably before departure from the continental United States (CONUS). If the employee determines a withholding liability applies, the PRO must honor the request.

5.6.1.6. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

5.6.1.6.1. The PRO must base the allotment amount on either the amount (in whole dollars) set by an employee; or the withholding certificate filed by an employee and the state withholding tables or formulas.

5.6.1.6.2. The PRO must pay withheld state income taxes to each state concerned as that state prescribes.

5.6.1.7. Employees are subject to mandatory withholding under Treasury-state withholding agreements, but an employee may claim exemption under certain conditions. The PRO must require the use of state-furnished tax exemption certificates, if available; and give the employee's name, SSN, and basis for the claimed exemption to the designated taxing state official.

5.6.2. The PRO must send W-2 copies to states that have negotiated agreements with the Secretary of the Treasury for employees subject to mandatory state withholding or who may elect withholding under state law (see TFM, Volume 1, Part 6, Chapter 5000).

5.6.2.1. The PRO must record the amounts withheld each pay period on the employee's pay record when a special payment occurs; otherwise, the system automatically updates the records.

5.6.2.2. The PRO must compute the total of withheld state taxes and deposit it per Treasury's Federal Account Symbols and Titles (FAST) Book II, crediting the appropriate deposit account regardless of the employee's employing activity.

5.6.2.3. The PRO must correct a clerical error from a prior pay period in the current calendar year if the employee is still on the payroll. For an under-deduction, the PRO must follow due process to collect the taxes paid on the employee's behalf; for an over-deduction, the PRO must refund the over-deducted amount on the next regular payroll cycle. The PRO must not make any adjustment if the employee is no longer on the payroll or the error was in a prior calendar year.

5.6.2.4. The PRO must comply with the state's current tax law on payment frequency (biweekly, monthly, or quarterly) and must not make payments more often than the state requires.

5.6.2.5. The disbursing officer must issue payment based on an approved voucher prepared by the PRO, and the PRO must prepare the required tax payment documents.

5.6.2.6. The PRO must balance the amounts reported on each state W-2 with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must balance before the W-2s are distributed to employees and forwarded to the states.

5.6.2.7. Collection of a state or local government tax levy is authorized by 5 CFR Part 582. The DFAS Cleveland center is the designated agent to accept legal process for DoW civilian employees for state or local tax levies. Send all state income tax liens to: DFAS Garnishment Law Directorate, P.O. Box 998002, Cleveland, OH 44199-8002.

5.6.2.8. DoW Components must advise employees that information returns will be sent to the state and other taxing authorities of the employee's place of employment (and, in some cases, place of residence) when those authorities request the information. Components may release only information properly releasable under the Privacy Act of 1974 (5 U.S.C. § 552a) or the applicable notice of routine use.

5.6.2.9. The PRO must retain the following records of state tax deductions: the EIN assigned by the state; the amounts and dates of all payments and wages subject to state tax withholding; employees' names, addresses, and SSNs; and the dates and amounts of tax deposits made.

5.6.2.10. The HRO must retain the employee's state withholding allowance certificate, kept until superseded or canceled, and the dates of employment.

5.7 City and Local Income Tax Withholding

5.7.1. Withholding of city, county, or employment tax from federal employees subject to tax whose regular place of federal employment is within a city or county that has a proper agreement with the Secretary of the Treasury is authorized by 5 U.S.C. § 5520; withholding is also required if the employee is a resident of the city or county. Each DoW employee must complete a city or local tax withholding certificate as the basis for proper withholding, and an out-of-state employee's consent to withholding is required when applicable.

5.7.1.1. The PRO must apply the policies and procedures prescribed for each state when determining the employee wages subject to mandatory city and county withholding.

5.7.1.1.1. The PRO must withhold tax from the wages of federal employees who reside in cities or counties that have entered into withholding agreements.

5.7.1.1.2. The PRO must withhold tax from the wages of federal employees whose regular place of federal employment is within a city or county where they are subject to tax. Employees who reside in a state other than the state in which the city or county is located are exempt from mandatory withholding.

5.7.1.1.3. Where local ordinances tax only wages for services performed within the city or county (in most cases only for non-resident employees), an employee eligible to exclude part of annual income must submit a withholding certificate specifying the amount or

percentage, and the PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee's total compensation. The PRO must not adjust withholding if the employee performs less than 25 percent of services outside the city or county.

5.7.1.2. Employees must submit withholding certificates and provide all information needed to deduct city or county income taxes. If an employee does not provide a certificate, the PRO must withhold tax at the highest level that applies to the employee's annual wages. The PRO must not withhold any tax from the wages of out-of-state employees until they present a form consenting to withholding.

5.7.1.3. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form is incomplete, employing activities may use Treasury's Fiscal Service (FS) Form 7311, Employee Withholding Certificate for Local Taxes (see TFM, Volume 1, Part 6, Chapter 5000).

5.7.1.4. An employee who does not reside in the state where the city or county (place of employment) is located is exempt from mandatory withholding; the PRO may withhold tax with the employee's consent, and the employee must submit a withholding certificate.

5.7.1.5. Employees may make discretionary allotments for the payroll deduction of taxes of their city or county of residence when employed outside that location. Withholding taxes for the city or county of employment does not affect the employee's discretionary allotment.

5.7.1.5.1. An employee may make a discretionary allotment for withholding even if the city or county does not have a withholding agreement.

5.7.1.5.2. The PRO must set the allotment amount by the city or county withholding method or deduct a whole-dollar amount set by the employee, and the employee must submit a proper withholding certificate.

5.7.1.6. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

5.7.1.7. The PRO must withhold tax by one of these methods: the city or county tax withholding rate set in the city or county instructions; the prescribed percentage or formula method; or a set amount computed and deducted from the employee's pay each pay period.

5.7.1.8. The PRO must deduct, at a minimum, an amount nearly equal to the tax required by the city or county.

5.7.2. The PRO must record amounts withheld each pay period in the employee's pay record when a special payment occurs; otherwise, the system automatically updates the record.

5.7.2.1. The PRO must compute the withheld city or county income tax (below state or territorial tax) and the total amount withheld each pay period, and credit the withheld tax to the appropriate deposit fund account for city and county tax.

5.7.2.2. The PRO must apply the same instructions used for the withholding of state taxes when correcting city or county tax errors.

5.7.2.3. The PRO must apply the same instructions used for paying out withheld state tax when paying out withheld city or county tax.

5.7.3. Recordkeeping

5.7.3.1. The PRO must keep all records of city or county income tax deductions, including the EIN assigned by the city or county; the amounts and dates of all wages subject to city or county tax withholding; employees' names, addresses, and SSNs; the dates and amounts of city or county tax paid; and copies of all returns filed.

5.7.3.2. The employing activity must retain city tax withholding authorization certificates for each employee until superseded or canceled. When a DoW employee's gross pay is not sufficient to permit all required deductions, deductions must be withheld in the order of precedence: (1) defined benefit retirement deductions (CSRS, FERS, CSRS-Offset, Title 32 National Guard, NAFI employee retirement contributions); (2) OASDI (Social Security, under FICA); (3) Medicare tax (under FICA); (4) federal income tax; (5) health insurance premiums; (6) basic group life insurance premiums (FEGLI, state life insurance); (7) state income tax; (8) local income tax; (9) collection of debts owed to the United States (continuous levy under the Federal Payment Levy Program, salary offsets); (10) court-ordered collection/debt (child support, alimony, bankruptcy, commercial garnishments); (11) optional benefits (see Section 12); (12) other voluntary deductions and allotments; and (13) IRS paper levies. The taxability of each compensation type and the annual FICA rates and maximum taxable earnings are set each calendar year by the Social Security Administration.

6.0 LEAVE AND OTHER ABSENCES

6.1 General Requirements and Responsibilities

6.1.1. PROs and payroll systems areas must meet the following objectives: maintaining leave records and balances for each employee as provided in paragraph 6.1.3, Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave

remaining to the credit of an employee at the beginning of the leave year, reporting all leave taken, and reporting accurate data on leave use and accruals in order to simplify the collection of leave-related debts and preparation of financial reports.

6.1.2. A leave record must be maintained for each employee to show: rate of accrual for each type of leave, hours or days accrued, and type of leave used, hours or days of leave advanced by leave type, and leave balances.

6.1.3. Rate of Leave Accrual

6.1.3.1. To ensure proper accrual rates, the civilian payroll system must contain accurate information on each employee's type of appointment and the types of leave hours or days to which the employee is entitled. The system must accurately record leave earned for each type of leave using the correct rates effective for the proper times.

6.1.3.2. Annual and sick leave earned for each pay period must be posted to the employee's leave record. The leave record must also reflect all leave used during the same pay period.

6.1.4. To support the time and attendance record, employees must request approval of leave. The supervisor or other designated official should approve leave before it is taken. If leave cannot be approved in advance due to an unusual or emergency situation, the supervisor should review it for approval or disapproval as soon as possible after it is taken. See GAO-03-352G, Maintaining Effective Control over Employee Time and Attendance Reporting. Supervisors designated to approve leave must document leave used in writing, showing the dates, times, and types of leave taken.

6.1.5. Heads of DoW Components and their designees may establish minimum charges for leave per DoWI 1400.25-V630. The minimum charge for leave is 1 hour unless an agency determines a need for a minimum charge of less than 1 hour or establishes a different minimum charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See 5 CFR 630.206.

6.2 Annual Leave

6.2.1. General Annual

6.2.1.1. To ensure proper documentation of leave, any annual leave earned must be posted to the employee's record in a pay period before charging the leave taken during the same pay period.

6.2.2. Restoring Forfeited Annual Leave

6.2.2.1. If restoration is based on exigency of the public business, DoW must delegate the responsibility for determining that a need is important enough to prevent use of annual leave subject to forfeiture to the lowest practical level. Those who approve exigencies must establish termination dates for the exigencies. See 5 CFR 630.305, 5 CFR 630.306(a)(2), and DoWI 1400.25-V630.

6.2.2.2. The payroll system must maintain separate restored leave accounts for each calendar year. The servicing Human Resources Office (HRO) must identify the reason for restoration and the category of leave restored and provide that information to the CSR in writing. DoW must credit restored annual leave to a separate leave account that identifies the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee. See 5 U.S.C. § 6304(d)(2).

6.3 Administrative Leave (Excused Absence)

6.3.1. Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate blood, for recuperation after donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for personal use or receives compensation for giving blood.

6.3.2. If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency may, for adequate reason, excuse the employee without charge to leave.

6.3.3. An employee may be granted excused absence to take an examination (for example, the certified public accountant examination) in their functional area if securing the certification or license would enhance the employee's professional stature and benefit the DoW. This provision does not cover time spent preparing for such examinations.

6.3.4. Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the Federal service. Such absences may be restricted to situations in which the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

6.3.5. Representative leave hours must be reported using 4 separate categories: term negotiations, mid-term negotiations, dispute resolution, and general labor-management relations. Absence charged as representative leave may be subject to local negotiated agreements or supervisory approval.

6.3.6. Employees authorized a PCS move within DoW may be granted excused absence before departing the old duty station and after arriving at the new duty station to accomplish personal tasks resulting from the move (for example, to open or close personal bank accounts or to obtain driver's licenses or car tags). Employees coming to the DoW from other federal agencies may also be granted excused absence after being placed on the DoW employment roll. This provision does not cover time involved in complying with PCS requirements such as obtaining passports and vaccinations, meeting government housing authority requirements, or being present for packing and receiving household goods. Accomplishing tasks conditional to the PCS is considered official duty.

6.3.7. Employees under notice of separation or change to lower grade for any reason except personal cause may be granted excused absence for job searches and interviews. Employees competing for positions within DoW may also be granted excused absence for merit placement interviews.

6.3.8. Excused absence may be granted to permit an employee to attend the initial counseling session (for example, drug, alcohol, or financial) resulting from a referral under the Employee Assistance Program. This provision does not include the official duty status an employee is in during the initial referral to the Employee Assistance Program.

6.3.9. Excused absence may be granted to employees participating in management-sponsored volunteer projects (for example, education mentorship or tutoring programs). This provision does not apply to time spent on volunteer activities not sponsored by management. Volunteer activity not sponsored by management may be promoted through established leave programs and the flexibility offered through alternative work schedules.

6.3.10. Excused absence may be granted to employees to assist in emergency situations declared by, or requested from, authorized officials. This provision does not cover employees who respond to emergencies in National Guard or Reserve status.

6.3.11. Excused absence may be granted to an employee to undergo medical examinations required by appropriate military authorities for enlistment or induction into the Military Services. This provision does not cover travel time outside the commuting area or situations in which the employee receives military compensation, can use military leave, or undergoes additional tests, examinations, or treatments for conditions discovered or suspected as a result of the examinations.

6.3.12. Invited Medal of Honor holders may be granted excused absence to attend or participate in events such as the inauguration of the President of the United States, Congressional Medal of Honor Society conventions, and services on Memorial Day or Veterans Day.

6.4 Court Leave and Jury Duty

6.4.1. When an employee is called for court service as a witness or juror, the employee must present the court order, subpoena, or summons, if one was issued, to the supervisor as far in advance as possible.

6.4.2. Certificate of Attendance and Collection of Fees Paid

6.4.2.1. Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity by money order or personal check.

6.4.2.2. The employee must also submit a certificate of attendance from the clerk of the court to the employing activity. The certificate must show the dates of jury duty or witness service and the amount of fees the court paid, separately identifying fees and other allowances or expenses. If the certificate does not identify allowances separately, all monies received are treated as fees for jury duty or witness service and must be collected.

6.4.3. If fees are paid incorrectly to an employee serving in a nonofficial capacity, the employee may not retain the fees. The employee must turn the fees in to the CSR at the employing activity.

6.4.4. Monies submitted to the CSR for jury duty or witness service fees must be accounted for on a DoW (DD) Form 1131, Cash Collection Voucher. The servicing PRO must credit these monies to the appropriation and accounting classification that paid the employee's salary during the jury duty or witness service. See 5 U.S.C. § 5515.

6.4.5. Fees not submitted in a timely manner are subject to payroll deduction. The payroll deduction to collect the fees must be made in the next regular pay period. See 5 U.S.C. § 5515.

6.5 Shore Leave

6.5.1. The time and attendance report must reflect shore leave taken.

6.6 Military Leave

6.6.1. Military Leave

6.6.1.1. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the FY, the servicing PRO must determine the number of days of military leave the employee used during that FY. For an employee who increases the hours in their workweek, the days of used leave are subtracted from the days authorized under the current tour of duty.

6.6.2. To substantiate all types of military leave charges, the employee must submit a copy of their military orders or other documentation directing them to report to active military duty. On return to civilian status from military leave, the employee must submit a certified verification of attendance. If an employee has separate sets of orders, or orders covering separate periods with a return to civilian status between them, military leave must not be charged for the time the employee is in civilian status.

6.7 Furlough

6.7.1. Shutdown Furlough

6.7.1.1. Public Law 116-92 authorizes employees to receive retroactive pay in a shutdown furlough. If a furlough occurs mid-pay-period and an employee receives a partial paycheck, the servicing PRO must apply deductions using the order of precedence in Section 5, Table 4-1. Furloughed employees receive pay for any hours worked before the lapse in appropriations.

7.0 MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

7.1 Unemployment Compensation for Federal Employees (UCFE)

7.1.1. Employing Activity Responsibilities

7.1.1.1. The PRO must provide exact wage data through the HRO to the SESA so the SESA can determine the former employee's weekly and maximum unemployment benefit amounts. The PRO must accurately report all monetary information affecting the claim, such as lump sum annual leave payments, severance pay, annuity pay, or incentive pay.

7.1.1.2. The servicing HRO is the central point of contact for all UCFE matters. The PROs must refer all inquiries they receive (such as state queries, telephone calls, and requests for UCFE documentation) to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

7.1.2. On receipt of the ETA 931, the HRO must report the employee's non-pay status to the SESA, including the LWOP starting and ending dates and any other pertinent data. For non-pay status of more than 30 days, the SF 50 provides the LWOP information; for LWOP of 30 days or less, the biweekly interface extract provides it to the HRO. The HRO must indicate whether an employee on LWOP is awaiting an on-the-job injury approval or disability retirement from the Office of Workers' Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, the SESA is responsible for contacting the OWCP for any data it needs.

7.2 Claims from Employees for Additional Compensation

7.2.1. Claims Submission

7.2.1.1. The PRO may approve and pay claims received from the claimant when there is no question of law or fact.

7.2.1.2. The PRO must act on any claim it receives from OPM, including claims originally received by the DCMO and forwarded to OPM for final review, per the instructions in the letter or order transmitting the claim. The PRO must pay any resulting amount as part of the regular payroll.

7.2.1.3. Claims not received through OPM that the PRO denies administratively must be returned to the claimant with a letter explaining in detail why the claim was disapproved. If the employee appeals, the PRO must forward the claim to OPM via the DCMO with a transmittal letter the PRO prepares.

7.3 Back Pay Under 5 U.S.C. § 5596 (The Back Pay Act)

7.3.1. General

7.3.1.1. The HRO must determine an employee's entitlement to back pay and document the determination in the Remarks section of the SF 50.

7.3.1.2. If a settlement agreement or order uses an undefined term of art like "back pay" without defining it, DFAS will apply the regulatory or statutory definition and process the back pay under the Back Pay Act unless the agreement or order expresses a contrary intent.

7.3.2. Correcting an Unjustified or Unwarranted Personnel Action

7.3.2.1. When an employee has been separated, DoW must complete corrective action on the date DoW reasonably sets for the employee's return to duty and must notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. If the employee fails to report on the date set, DoW may charge annual leave, LWOP, or absence without leave from the date set for return until the employee returns to work. An employee who resigns instead of returning to duty is still entitled to back pay up to the date the employee is considered separated from federal service, since there is no requirement that the employee return to duty.

7.3.3. Deductions of Erroneous Payments From Back Pay

7.3.3.1. The PRO must transfer the recovered annuity amount to the retirement system.

7.3.3.2. The order of precedence for deducting erroneous payments from back pay awards, when the net amount of back pay is insufficient to cover all the deductions, is as follows: retirement annuity payments, refunds of retirement contributions, severance pay, then any lump sum payment for accrued annual leave.

7.3.4. Back Pay and Offsetting UCFE

7.3.4.1. If a reinstated employee is entitled to back pay, the HRO must determine whether the employee applied for unemployment compensation via the UCFE program within the last 52 weeks. If the employee applied for or received unemployment compensation, the HRO must promptly notify the SESA of the back pay payment date, the amount, and the period covered.

7.3.4.2. DoW will not deduct unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. A state agency may also determine an overpayment occurred and notify the federal government as the employing agency. See 65 Comp Gen 865 (1986) and DoWI 1400.25-V850.

7.3.5. Tax Withholding and Reporting in Back Pay Matters

7.3.5.1. A settlement or order may require an employing agency to issue a lump sum payment to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies must identify the nature of each lump sum payment as wages or non-wages. The PRO must review the nature of the payment before processing and must contact the agency if the identity or apportionment of the payment is in question.

7.3.5.1.1. If a settlement or order requires an employing agency to pay a lump sum and the payment is not clearly identified as damages or attorney fees, the payment is generally considered wages for tax purposes. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. Federal and state taxes, OASDI, and Medicare taxes are withheld from wage payments, which are reported on IRS Form W-2, Wage and Tax Statement.

7.3.5.1.2. DFAS Vendor Pay (or other appropriate vendor pay office) processes lump sum payments of damages, which are reported on IRS Form 1099-MISC, Miscellaneous Income, with no taxes withheld.

7.3.5.2. Treasury operates the Judgment Fund under 31 U.S.C. § 1304, and back pay awards may be paid from it. Treasury regulations require the agency that submits the payment request to issue the tax reporting. For employees paid by DFAS, DFAS will issue the tax reporting

on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See 31 CFR 256.51.

7.4 Continuation of Pay (COP) (Injury Compensation)

7.4.1. Buy Back of Leave

7.4.1.1. The PRO must recover any gross amount paid for leave used during a period retroactively covered by OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee or OWCP depends on whether payment for leave is paid in the current or prior year.

7.4.1.2. The amount collected for leave payments made in the current calendar year is the net pay plus deductions for the following bonds, savings allotments, alimony/child support, rent, indebtedness to the United States, and other deductions the employee received value but not otherwise collected.

7.4.1.3. Current deductions reversed in the payroll system (if applicable and if the moneys are recovered) are: CSRS or FERS; OASDI and/or Medicare; Federal, state, and local taxes; FEHB (if the OWCP payment is for more than 28 days); FEGLI (basic and optional); TSP; union dues; charitable contributions; and military service credit deposits and civilian service credit deposits.

7.4.1.4. The PRO must adjust earnings-to-date in the payroll system for items other than the reversed deductions. Amounts collected from the employee or OWCP must be identified as a cash refund on a voucher for disbursement or collection.

7.4.1.5. The amount collected for leave payments made during a prior year is the gross amount less CSRS/FERS, OASDI or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to CSRS/FERS as a separate credit line item on the SF 2806, Individual Retirement Record CSRS, or the SF 3100, Individual Retirement Record FERS, fiscal side, indicating the year of the adjustment with an explanation in the "Remarks" column. Adjustments are unauthorized for federal, state, and local income taxes.

7.4.1.6. When an employee separates or at the end of the payroll year, the PRO must prepare a W-2, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to accompany the current year's W-2 stating that a prior-year refund was paid in the amount of $XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

7.4.1.7. If circumstances permit, the employee may repay the amount due (after recovery of the amount repaid by OWCP) through partial payroll deductions. The PRO must not reverse deductions under subparagraph 7.4.1.3 until the full amount is paid.

7.4.1.8. Credit the full amount of leave used during the buyback period to the employee's leave account. The PRO must not recredit leave bought back until the total amount is repaid.

7.5 Emergency Evacuation Payments

7.5.1. Purpose

7.5.1.1. The DD 2461, Authorization for Emergency Evacuation Advance and Allotment Payments for DoW Civilian Employees, authorizes and records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee's permanent pay account. In appropriate cases, information on this form may be disclosed to other federal agencies (SSA, IRS, and OPM), to state and local taxing or welfare authorities, and to certain private organizations for crediting payments to the employee's account. The PRO must receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

7.5.1.2. Compute the employee's payments at the rate they are entitled to immediately before the order of evacuation or departure. Adult family members or designated representatives may receive payments as allotments. The PRO must make all advance payments (and any necessary adjustments) per the DoW component's procedures.

7.5.2. Transmission of Data to Safe-Haven Post

7.5.2.1. After authorities issue an evacuation order, the PRO must immediately forward all significant payroll data from the evacuated installation to the safe-haven post.

7.5.2.2. The physical conditions and circumstances at the evacuation installation determine the method and timing for transmitting data. Safeguarding and preserving payroll, leave, and travel records is a primary concern because the records are still needed after the conditions that gave rise to the emergency evacuation are resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

7.5.3. To the extent possible and practicable, the PRO must pay employees and dependents remaining at the evacuated installation per the normal fiscal procedures of that installation. A special advance payroll may be prepared per normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

7.5.4. Actions After Evacuation

7.5.4.1. The PRO with jurisdiction over the employee's account must review the account for necessary adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), after the employee returns to the duty station, or when the employee is officially reassigned. See 5 CFR 550.408.

7.5.4.2. The PRO must adjust the employee's pay based on the rates of pay, allowances, or differentials, if any, to which the employee would otherwise be entitled. Adjustments must reflect any advance payments the employee received. If the employee is indebted for any part of the advance payment(s) made to the employee, dependent(s), or designated representative, the PRO with jurisdiction over the account must recover the debt unless there is an approved waiver. See 5 CFR 550.408.

8.0 DEPARTMENT OF WAR EDUCATION ACTIVITY (DOWEA) EMPLOYEES

8.1 TP Pay Plan

Educators, administrators, and ISS employees who hold a Teaching Position (TP) as defined in 20 U.S.C. § 901 are governed by the policies and regulations the DoWEA prescribes. Educators (teachers, social workers, guidance counselors, school psychologists, and nurses) earn a school year salary based on 190 duty days and typically receive compensation over 22 or 26 pay periods per the employee's written election. Administrators (school principals and assistant principals) and ISS employees earn a school year salary based on 222 duty days, paid over 26 pay periods. These employees do not earn annual, sick, or home leave under Title 5 U.S.C., but are entitled to educator's leave under 20 U.S.C. § 904.

8.1.1. School Year Duty Days

8.1.1.1. The school year for educators consists of 190 duty days and includes no less than 175 days of classroom instruction. The 190 duty days include the days required before and after the first and last day of school when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year begins with no change in school year salary, as long as 190 duty days are required and no less than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty days, the educator receives compensation at the appropriate daily rate as of the 191st working day. If an emergency precludes completion of a full school year at one or more schools, the educators must be furloughed, separated, or salary continued until the full school year salary has been paid out.

8.1.1.2. The school year for administrators consists of 222 duty days and includes no less than 175 days of classroom instruction. The 222 duty days also include any time services

are required for a majority of educators at the school. The school year calendar may adjust after the school year begins with no change in school year salary, as long as the required 222 duty days for principals and assistant principals and no less than 175 days of classroom instruction remain. If the school year extends beyond 222 duty days during a given school year, the administrator receives compensation at the appropriate daily rate as of the 223rd working day. If an emergency precludes completion of a full school year at one or more schools, the administrators must be furloughed, separated, or salary continued until the full school year salary has been paid out.

8.1.1.3. The school year for an ISS employee consists of 222 duty days, the same schedule as administrators. ISS employees coordinate their 222-day schedule with their supervisors at the start of the school year.

8.1.1.4. Overseas school year calendars DoWEA issues may vary due to local customs and holidays. The calendars identify the first and last duty days of the school year, instructional days, and exception days for educators and students. DoWEA must provide a copy of school calendars to the servicing PRO and to the DFAS Information and Technology (I&T) Office no later than 4 weeks before the first duty day of the new school year. Submit calendars and updates by email to the PRO (dfas.indianapolis-in.jfv.mbx.dodea@mail.mil) and DFAS I&T (dfas.indianapolis-in.ztb.list.cin-dcps-dodea@mail.mil) as soon as possible.

8.1.2. The Defense Civilian Personnel Advisory Service (DCPAS) Wage and Salary Division (WSD) establishes the rates of basic compensation for teachers and TP employees in the DoW. DCPAS WSD issues Pay Plan salary schedules in April or May of the current school year, effective retroactive to August 1 of the current school year (the prior calendar year). Use the prior school year salary schedules until the WSD issues salary schedules for the current school year. Separate salary schedules are issued for educator, management, specialist, and administrator overseas school year positions, further differentiated by step and academic salary lane.

8.1.3. Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

8.1.3.1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) if they have been in a pay status at least 150 duty days during their last previous school year as an educator.

8.1.3.2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) if they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

8.1.3.3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) if they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after being in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

8.1.3.4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) if they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

8.1.3.5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) if they have been in a pay status at least 175 duty days during their last previous school year as an educator.

8.1.3.6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) if they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

8.1.3.7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) if they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after being in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

8.1.3.8. A full-time educator assigned to a 190-day position may receive an annual step increase (or service credit toward a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence, only upon return to duty after successfully completing a program of study or employment of one or more years under the Administrative Reemployment Rights Program.

8.1.3.9. Step increases take effect August 1 of each school year following completion of the school year. The step increase is not payable until the educator returns to duty for the subsequent year. When moving to a higher or lower salary schedule, there is no change to the effective date of step increases.

8.1.4. Arrival at Post

8.1.4.1. Newly recruited educators from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. When an educator arrives late to the post of assignment through no personal fault (for example, transportation or processing delays), the educator is administratively excused and paid as though the educator arrived on time and served during the lost time. DoWEA dates the offer letter 14 days before the reporting date. Educators not so described who arrive late at the post of assignment after the start of the school year do not receive compensation for the duty days before the day of arrival unless granted paid leave by a supervisor.

8.1.4.2. Educators who arrive at their post of assignment before the start of the school year normally are not entitled to compensation until the start of the school year. Educators who are required to report at their post of assignment and perform work before the start of the school year receive compensation at the daily salary rate from the prior school year salary schedule for each day worked. This salary is not subject to retroactive adjustment.

8.1.5. Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control (for example, lack of available transportation) are not entitled to compensation for the period between the end of the school year and the date of departure. Educators who are required to perform work after the end of the school year are paid at the daily rate of their salary for each day worked.

8.1.6. While enroute during a permanent change of station (PCS) between school years, an educator is in a non-pay status and receives appropriate per diem payments per the DoW Joint Travel Regulations (JTR). While enroute during a PCS between school years, a principal or assistant principal otherwise in a non-pay, non-duty status remains in a non-pay status and receives appropriate per diem payments per the DoW JTR.

8.1.7. Work at More Than One Post of Assignment

8.1.7.1. When educators PCS during the school year, the servicing office must ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator receives the full school year salary as entitled. If the total number of days actually worked during the school year (including paid leave at the former and new duty stations) exceeds 190 days, the educator receives compensation at the daily rate for any days worked in excess of 190 days.

8.1.7.2. When administrators or ISS employees PCS during the school year, the servicing office must ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee receives the full school

year salary as entitled. If the total number of days actually worked during the school year (including paid leave at the former and new duty stations) exceeds 222 days, the employee receives compensation at the daily rate for any days worked in excess of 222 days.

8.1.8. Substitute Teachers

8.1.8.1. A substitute teacher receives the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

8.1.8.2. The Salary Schedule for "Other Compensation" provides the daily rate for a summer school substitute teacher, which is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. The prior school year rate for a 2025 summer school substitute teacher, for example, is published in the 2024-2025 salary schedules. The minimum increment earned and paid is one-half day, the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period receive a stipend as authorized by the memorandum of understanding (MOU).

8.1.9. Educators, administrators, and ISS employees may be entitled to certain allowances and differentials, such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential, or storage of household goods. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.

8.2 Leave

8.2.1. Accrual of Leave

8.2.1.1. Under 20 U.S.C. § 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay, also referred to as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. If the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accrual is credited to the employee's leave record when the school year begins (normally in August) or whenever the employee enters on duty under DS Regulation 5630.4, DoDDS Absence and Leave.

8.2.1.2. Administrators and ISS employees may earn 13 days of cumulative educator leave with pay under 20 U.S.C. § 904 and DS Regulation 5301.4. The credit reflects on the employee's leave record each year on August 1.

8.2.1.3. If an educator, administrator, or ISS employee separates for any reason before the school year ends, any leave credited but not earned is subtracted from the leave balance. If already used, the servicing office must establish a debt and take appropriate collection action.

8.2.1.4. Educators and ISS employees regularly employed on a part-time basis earn leave in an amount proportionate to the leave earned by a full-time employee. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period if less than 8 months remain in the school year).

8.2.1.5. Substitute teachers employed on a temporary intermittent basis are not entitled to earn leave.

8.2.1.6. Educators and administrators who perform activities during the summer recess period do not earn leave.

8.2.2. Leave Usage

8.2.2.1. The minimum charge for educator leave is one-half day, and additional charges are in multiples of one-half day. An administrative authority may use discretion to excuse an occasional absence from duty of less than one-half day for adequate reasons without charge to educator leave. Report leave charges to the PRO and record them on the employee's timecard.

8.2.2.2. An educator, administrator, or ISS employee may use accrued educator leave during the school year with appropriate advance notice and prior supervisor approval, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee is accepted for an educational program and must report before the end of the school year.

8.2.2.3. Using accrued educator leave during any summer recess period is not permissible. An absence during a summer recess period is without pay.

8.2.2.4. Except for unique tours of duty established by the host nation (for example, Bahrain), Saturdays, Sundays, regularly scheduled holidays (including U.S. and host nation holidays), and other administratively authorized non-workdays are not normally days of leave, per 20 U.S.C. § 904(b). Leave Without Pay (LWOP) is therefore not charged to an educator, administrator, or ISS employee who is in a non-pay status immediately preceding or following a scheduled holiday.

8.2.3. Under unusual circumstances, an educator, administrator, or ISS employee may receive up to 30 days of advanced educator leave (above the amount already credited for the current school year) for use on any scheduled duty day within the school year. Such an advance is subject

to subsequent earning of educator leave or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Submit requests for more than 10 days to the Director for Student Excellence or District Superintendent, as appropriate. Submit approved requests to the PRO upon receipt from the approving official.

8.2.4. An educator's or ISS employee's immediate supervisor may approve an LWOP request of up to 3 days. The Director for Student Excellence or District Superintendent may approve LWOP requests over 3 days but less than 30 days. The Director for Student Excellence may approve LWOP requests of 30 days or more. For administrators, the District Superintendent must approve LWOP requests over 3 days but less than 30 days, and the Director for Student Excellence or their delegate must approve LWOP requests over 30 days.

8.2.5. Conversion of Leave

8.2.5.1. A federal or District of Columbia employee who transfers without a break in service from a different leave system to an educator, ISS employee, or administrator position receives credit for sick leave held immediately before the effective date of the conversion, transfer, promotion, or reappointment. Sick leave so credited is included in the employee's balance of educator leave.

8.2.5.2. No annual leave is credited to an educator, ISS employee, or administrator's balance of educator leave when the employee transfers without a break in service from a different leave system. The employee receives a lump-sum payment for accrued annual leave from the previous employer. Administrators who converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, received annual leave credit during the initial conversion.

8.2.6. Transfer and Recredit of Educator's Leave

8.2.6.1. When an educator, administrator, or ISS employee is separated and reappointed to another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee's educator leave must be certified to the employing agency for credit as sick leave on the SF 1150, Record of Leave Data.

8.2.6.2. If an educator, administrator, or ISS employee accepts temporary federal employment in a non-educator position during a recess period, the educator-leave account must not be transferred to the summer position's leave account. Sick leave earned during the temporary summer employment must be credited, and any unused sick-leave balance must be transferred to the educator-leave account when the employee returns to duty in their regular educator or administrator position.

8.2.7. Liquidation of Leave Upon Separation

8.2.7.1. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee on separation must be liquidated by a lump-sum payment per 5 U.S.C. § 5551 and 20 U.S.C. § 904(f).

8.2.7.2. Lump-sum payment to liquidate educator leave on separation is prohibited. Educator leave that may not be liquidated includes leave earned by an educator, administrator, or ISS employee, and the leave balance under subparagraph 8.2.5.1.

8.2.8. Sabbatical Leave

8.2.8.1. The Director for Student Excellence may authorize yearlong educator leave at half-pay (sabbatical leave) for an educator, administrator, or ISS employee for educational purposes when the Director determines the course of study is appropriate. An SF 50 is not required. The approved training request must reflect that the employee will be in an LWOP status for one-half of each day during the yearlong period.

8.2.8.2. Educators and administrators granted sabbatical leave at half-pay must continue to receive life insurance and health benefits coverage as if in full pay status. Retirement contributions are deducted for only one-half year, but the employee is entitled to a full year of retirement credit. Educator leave is neither earned nor deducted from the employee's leave account during the training period. Any pay step increase that would have been authorized must be processed as if the employee had worked a full school year.

8.3 Pay Status During School Year and Summer Recess

8.3.1. An educator's school year consists of 190 duty days. In most overseas locations these duty days fall on the normal workweek (Monday through Friday). An educator does not work every Monday through Friday during the school year because of exception days (for example, winter and spring recess, federal holidays, and certain host-nation holidays). As a result, the school year may include 22 pay periods spanning about 213 Monday-through-Friday days between the educator's first and last duty day, typically 21 full pay periods plus 3 additional days in the 22nd pay period.

8.3.2. During summer recess, while school is not in session, educators are ordinarily in a non-pay status. Educators returning to duty for the following full school year are entitled to continued LQA payments during summer recess while in non-pay status (see DSSR Chapter 100, Quarters Allowances, and Chapter 700, DoW Teachers). The servicing HRO must notify the servicing PRO of any change in an educator's status, such as transfer, resignation, or retirement.

8.4 Compensation

8.4.1. Educators With a 190-Day School Year

8.4.1.1. For an educator on non-paid absence, such as LWOP or absence without leave (AWOL), biweekly pay is reduced by 1/190th of the school year salary for each scheduled duty day in a non-paid status. Because educators are not paid for federal holidays or recess periods, biweekly pay is not reduced when the educator is in a non-paid status before or after an exception day.

8.4.2. Administrators With a 222-Day School Year

8.4.2.1. In addition to basic pay, administrators assigned to foreign areas where the cost of goods and services is substantially higher are entitled to a post allowance (see 20 U.S.C. § 906). To compute the foreign post allowance, divide the total annual amount payable by 365 calendar days (366 days in a leap year).

8.4.2.2. For an administrator on non-paid absence, such as LWOP or AWOL, biweekly pay is reduced by 1/222nd of the school year salary for each scheduled duty day in a non-paid status. Because administrators are not paid for exception days, biweekly pay is not reduced when the administrator is in a non-paid status before or after a federal holiday or recess day.

8.4.3. ISS Employees With a 222-Day School Year

8.4.3.1. ISS employees build their own calendar, scheduling 222 duty days within the 260-to-262-day school year. The remaining 38 or 39 days are considered non-workdays for this regulation. The ISS employee sets the schedule, then obtains supervisor approval. An ISS employee who schedules work on a federal holiday does not receive holiday pay and still has the same number of non-workdays (38 or 39). However, an employee who schedules work on a holiday or Sunday when normal school operations are in session is entitled to the appropriate premium pay. For example, if school is in session on Sundays by local custom and the employee's approved schedule includes Sunday, the employee is entitled to Sunday premium pay; if Sunday is not normally a workday for school staff, the employee is not. Calculate biweekly pay as follows: Duty Days and "Daily Rate" or "222 Rate" for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee's daily rate, or "222-Rate," is the school year salary divided by 222 days. School Year Days and "School Year Rate" or "260 Rate" for ISS Employees. The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include days that fall within and outside of the school year for educators. The school year days for ISS employees include 222 duty days and exception days that occur on Monday through Friday during the regular school

year. Exception days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the schedule flexibility, ISS employees may elect to work on a federal holiday (but will not receive holiday pay) and schedule non-workdays on days that other educators generally work. Use the number of school year days to determine an ISS employee's school year rate, or "260-Rate." The school year rate is the daily rate used to provide uniform payment for each biweekly pay period. Multiply the school year rate by 10 days to determine the ISS employee's biweekly basic pay amount. Formula for ISS Employee's Biweekly Pay. ISS employees typically receive compensation over 26 pay periods. Use the following to calculate the biweekly pay: School Year Salary ÷ (260, 261, or 262 School Year Days) = School Year Rate, and School Year Rate × 10 Days = Biweekly Pay.

8.4.3.2. In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. § 906. To compute the foreign post allowance, divide the total annual amount payable by 365 calendar days (366 days in a leap year).

8.4.3.3. For ISS employees on non-paid absence (for example, LWOP or AWOL), biweekly pay reduces by 1/222nd of the school year salary for each scheduled duty day the ISS employee is in non-paid status. Because ISS employees are not compensated for scheduled non-workdays, no reduction of biweekly pay is needed when the ISS employee is in non-paid status before or after an exception day.

8.4.3.4. When an ISS employee separates (resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted to the number of actual duty days worked, including any days in paid leave status, by multiplying the 222-Rate daily rate by duty days worked. Any difference between the adjusted school year salary and the salary already paid must be reconciled.

8.4.4. Premium Pay, Sunday Work, and Holiday Work

8.4.4.1. Educators and administrators are not eligible for overtime pay or compensatory time off.

8.4.4.2. Educators appointed to a 190-day position whose regular tour of duty requires Sunday work are entitled to basic pay plus a premium of 25 percent of the daily rate (190-Rate). Administrators on a 222-day position whose regular tour of duty requires Sunday work (where part of the 190-duty-day school year or within summer school session) are entitled to basic pay plus a premium of 25 percent of the regular daily rate (222-Rate). An ISS educator who works on a Sunday when normal school operations are in session is entitled to the appropriate premium pay.

8.4.4.3. Educators appointed to a 190-day position whose regular tour of duty requires work on a federal holiday are entitled to basic pay plus premium pay equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires work on a federal holiday (where part of the 190-duty-day school year or within summer school session) are entitled to basic pay plus premium pay equal to the daily rate. An ISS employee who schedules work on a federal holiday usually does not receive holiday pay; but an ISS employee who works on a federal holiday when normal school operations are in session is entitled to the appropriate premium pay.

8.4.5. Employment During the Summer Recess Period

8.4.5.1. Educators are in non-pay/non-duty status during the summer recess period but may receive pay for certain duties performed then. An educator who participates in a non-summer, school-related activity (for example, agency-sponsored and approved training, early return, and late departure) during summer recess is compensated at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school-related activity (for example, teaching) usually receives two-thirds of the daily rate of the prior school year salary, though exceptions are possible and the notification for teaching summer school may state a different amount. The minimum increment earned and paid for summer recess activities is one-half day. Educators who work an academic enrichment K-8 program during summer recess receive a stipend as authorized by the MOU. This period of employment is exempt from dual-pay provisions per 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions (see DoWEA AI 5303.1).

8.4.5.2. An administrator or ISS employee who participates in a non-summer, school-related activity (for example, agency-sponsored and approved training) during summer recess in excess of the 222-day work year is compensated at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school-related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for summer recess activities is one-half day. This period of employment is exempt from dual-pay provisions per 5 U.S.C. 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions (see DoWEA AI 5303.1).

8.4.6. Post Allowance

8.4.6.1. Under 20 U.S.C. 906, full-time educators, administrators, and ISS employees assigned to a foreign area where the cost of goods and services is substantially higher are eligible, in addition to basic pay, to receive a post allowance. The amount is a flat rate based on the employee's basic salary, family size, and post assignment, and appears on the SF 1190, Foreign Allowances Application, Grant and Report. If an employee's annual salary is adjusted, the post allowance may also be adjusted, in which case the daily rate must be recomputed.

8.4.7. Extra Duty Program for Educators

8.4.7.1. The extra duty program applies to certain DoWEA employees under the pay plan who are assigned extra duty assignments, such as coaching or activity sponsorship, in addition to regular school duties (see DoWEA AI 1417.01, Extra Duty Assignments). Educators receive extra duty compensation only for assignments conducted and completed outside the educator's duty day. When a selected educator performs an extra duty assignment, the educator and school principal must sign an MOU identifying the assignment and stating the duties, hourly range, amount of compensation, and a prohibition on performing duties during regular duty hours. Administrators are not eligible for extra duty assignments; any extra duties an administrator performs are voluntary. Compensatory time and holiday pay are not authorized forms of extra duty compensation.

8.4.7.2. The DCPAS WSD publishes the compensation rate for completing an extra duty assignment as part of the yearly DoWEA salary schedules (Schedule for Other Compensation). Before receiving extra duty compensation, the educator must complete the activity and perform the minimum number of established hours for it. The administrator must certify satisfactory completion and authorize compensation, and must forward a memorandum to the PRO as soon as possible, no later than May 31, to enable payment by the end of the school year.

8.4.7.3. The Director of DoWEA determines an appropriate hourly range for completing each type of authorized extra duty activity. The DCPAS WSD establishes the hourly ranges for extra duty compensation.

8.4.7.4. If the administrator determines an extra duty assignment was completed satisfactorily in less time than the approved MOU identified, compensation must be reduced and the educator must be paid at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or completion is less than acceptable to the administrator, the educator is paid less than the approved MOU amount on a pro rata basis.

8.4.7.5. Substitute teachers are paid for completing an extra duty assignment at the rate published by the DCPAS WSD.

8.4.8. Accelerated Deductions

8.4.8.1. FEGLI and FEHB premium deductions for an educator on a 190-day work schedule accelerate so that the total annual premiums are deducted over 22 pay periods rather than 26 pay periods. This lets the employee maintain coverage and pay no additional premiums during the summer recess non-pay status. The coverage period usually runs from the first duty day of the

school year until the day before the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee on a 222-day work schedule.

8.4.8.2. If an educator resigns at the close of the school year and has elected FEGLI and/or FEHB coverage, the actual separation date is delayed so the employee keeps coverage throughout the period covered by accelerated premium deductions; coverage for an educator employed a full school year continues until the day before the first duty day of the next school year. If the educator separates before the end of the school year, the resignation must specify an earlier coverage-termination date and the employee must acknowledge that coverage continues only 31 days after separation. An educator who separates early is reimbursed proportionately if the separation date precedes the end of the prepaid FEHB coverage period. If an educator converts to or is appointed to a 222-day or calendar-year schedule, accelerated premium deductions may need to be refunded where the conversion takes effect during the prepaid coverage period and withholding in the new position causes duplicate premium payments.

8.4.8.3. Educators enrolled in the FSAFEDS Program and paid over 22 pay periods may elect to accelerate these allotments. The Federal LTC Program does not offer accelerated payments to educators paid over 22 pay periods. For periods of non-pay status, the educator receives a "Bill for Uncollected Payroll Premium."

8.4.9. Other Deductions

8.4.9.1. Allotments of pay for labor organization dues take effect the second pay period in October of each school year for an educator who is a bargaining unit member. The allotment is the dues amount the employee identifies on the SF 1187, Request for Payroll Deductions for Labor Organization Dues, or the amount on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless all parties agree otherwise.

8.4.9.2. Educators who enter the dues withholding agreement when fewer than 12 full pay periods remain in the school year have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

8.4.9.3. An SF 1187 authorization for dues withholding remains in effect when a Not to Exceed (NTE) employee converts to an excepted service position in the bargaining unit before the NTE appointment expires.

8.4.9.4. After each pay period, the PRO must prepare and electronically forward the remittance to the designated labor organization, accompanied by a report listing the names and amounts withheld.

8.4.9.5. An educator's dues withholding authorization carries forward automatically to the next school year unless the employee notifies the PRO to stop the deduction. To cancel labor organization dues deductions, an educator must submit an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to the PRO no later than September 1. Proper completion and timely submission of the SF 1188 is the employee's responsibility. An SF 1188 received after September 1 processes for the next school year.

8.4.9.6. No later than 2 weeks before withholding is to begin, the local or area units of the labor organization must forward a list of employees who have requested dues withholding. The list must identify the bargaining unit name or number, location, address, points of contact, and phone numbers, and must include each employee's name, Social Security Number, location assigned, and amount of dues to withhold for that school year.

8.4.9.7. Savings and other allotments authorized in Section 12 deduct over the number of full pay periods in the school year.

8.4.9.8. An educator, administrator, or ISS employee may elect a percentage or a dollar TSP deduction per the guidelines in Section 12. If the employee elects percentage withholding, TSP deductions are also taken from the annual retroactive salary adjustment each year.

8.4.10. DoWEA employs retired military officers and noncommissioned officers as educators in its overseas JROTC program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

8.4.11. DoWEA employees may apply for a waiver of erroneous payments of pay and allowances by following the procedures in Section 9. The PRO must forward DoWEA employee applications to the DoWEA Human Resources Division, Classification and Compensation Section, for adjudication rather than to the Debt and Claims Management Office at DFAS.

9.0 UNDERPAYMENTS, COLLECTION OF NONDOW DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

9.1 Underpayments

9.1.1. General

9.1.1.1. All salary payments must be paid per the time and attendance reported and certified by the employee's supervisor. Reported time and attendance that is less than an employee's normal work schedule is presumed to accurately reflect the employee's hours of work and non-work. Any time and attendance errors must be corrected and certified to adjust underpayments.

9.1.2. Special Payments

9.1.2.1. An employing activity must submit a request to the PRO for a special payment. The PRO must request copies of substantiating and supporting documentation to process the special payment. The PRO makes the final determination on whether a special payment is appropriate and will process a special payment only under the following circumstances:

9.1.2.1.1. A special payment may be issued to correct a salary underpayment when an employee has received less than 90 percent of their regular biweekly pay and allowances. The request must be made by the commanding officer/director and must include a certified (or corrected) time and attendance report. PRO Directors may waive the 90 percent rule when extenuating circumstances exist.

9.1.2.1.2. A special payment may be issued to pay an employee erroneously omitted from the payroll. Before processing, the PRO must verify the individual's employment using the SF 50, Notification of Personnel Action. The request must be made by the commanding officer/director and must include a certified and corrected time and attendance report and any necessary source documents to support deductions.

9.1.2.1.3. A special payment may be issued to an employee placed in LWOP status for payroll processing when LWOP is approved for conversion to advanced annual, sick, or donated leave. The commanding officer/director may request the special payment after determining a financial hardship exists and that the employee has received less than 90 percent of their regular biweekly pay and allowances. The request must include a certified and corrected time and attendance report.

9.1.2.1.4. A special payment may be issued to a beneficiary entitled to receive a deceased employee's unpaid compensation under 5 U.S.C. § 5582. The PRO may issue the special payment only after the employing activity's human resources office submits sufficient documentation to support the payment. For computation and more on deceased employee unpaid compensation, see Section 11.

9.1.2.2. A special payment requested for the following reasons will not be processed:

9.1.2.2.1. The PRO will not honor a request for partial payment of salary before the regular pay date.

9.1.2.2.2. The PRO will not process a request for special payments for overtime or other premium pay earned but not reported, and therefore not paid in the corresponding

pay period. However, authorization for a special payment for other reasons will include payment of any unpaid premium pay for the corresponding pay period.

9.1.2.3. The PRO must compute special payments to current and former employees using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable) less required deductions and withholdings withheld from the employee's biweekly pay. Gross-to-net special payment computations apply as follows:

9.1.2.3.1. If the employee received less than 90 percent of their biweekly pay, the employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items unless previous payroll processing has satisfied those deductions. The employee is responsible for existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle, including voluntary allotments.

9.1.2.3.2. If the employee received no biweekly pay, the gross entitlements, less applicable deductions and withholdings, are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

9.1.2.3.3. An employee's final pay may be issued as a special payment. The gross entitlements, less required deductions and withholdings are payable to the employee. The employee is responsible for voluntary allotments. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate any previously established debt. See Volume 16.

9.1.2.4. Employees will receive special payment disbursements in the same manner as their net pay, by electronic funds transfer (EFT). If the employee has a waiver of the EFT requirement for payroll disbursements, the PRO will send a U.S. Treasury check via express mail to the employee's address of record. Payments are normally issued within 3 business days after the PRO receives the special payment request and required supporting documentation.

9.1.2.5. For special payments made after the last regular pay period of the tax year but before the end of the calendar year, the PRO must withhold federal, state, and local taxes and Social Security/Medicare from the special payments. When computing or deducting Social Security, the PRO must ensure the employee has not reached maximum withholdings for the year. The PRO must forward the withholdings to the applicable offices as soon as possible. The PRO

will include all deductions and contributions for Social Security/Medicare and federal, state, and local taxes for canceled checks or special payments.

9.1.2.6. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue the W-2c and the IRS Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, per IRS Publication 15, (Circular E), Employer's Tax Guide.

9.1.2.7. Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

9.2 Collection of Non-DoW Debts by Salary Offset; Judgments Against Employees for Debts Owed to the Federal Government

9.2.1. Non-DoW Federal Creditor Agencies

9.2.1.1. When non-DoW federal creditor agencies (except the IRS or U.S. Courts) identify DoW employees with outstanding debts, those agencies must address their salary offset requests to the Secretary of War designee for such collection, DFAS Cleveland (CL): DFAS-AHADC/CL, 1240 East 9th Street, Cleveland, OH 44199-8002. A request for offset must include certification that due process rights have been afforded to the indebted employee by the non-DoW creditor agency. Debts established in the payroll system for non-DoW employees serviced by DFAS who later become DoW employees must be transferred systematically to the employing DoW agency for continued collection.

9.2.2. Government Travel Charge Card (GTCC) Contractor

9.2.2.1. The travel charge card contractor must forward delinquent debts to the DFAS-CL Salary Offset Project Office.

9.2.2.2. Undisputed 120-day-old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

9.2.2.3. The file must include the travel charge card contractor's financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

9.2.2.4. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

9.2.2.5. The Salary Offset Project Office must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as federal salary offset requests from other federal agencies.

9.2.2.6. The Salary Offset Project Office must manage the debt balance during the salary offset process. If changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

9.2.2.7. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file to monitor amounts collected and remaining debt balances due.

9.2.3. Under 31 U.S.C. § 3716(h) and 31 CFR 285.6, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of federal non-tax payments. DFAS does not offset non-tax state debts from federal employee salaries.

9.2.4. When a U.S. Court determines that a federal employee is indebted to the United States and enters a judgment against the employee, PL 97-276, section 124 (published as a note to 5 U.S.C. § 5514) allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any federal agency requesting salary offset under this authority must send a request for offset to the PRO with a copy of the judgment. The PRO may request DFAS Office of General Counsel (OGC) to review the judgment if questions arise. After confirming the validity or interpretation of the judgment, the PRO will:

9.2.4.1. Compute the amount to be collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or, for an individual not entitled to basic pay, other authorized pay.

9.2.4.2. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

9.2.4.3. Forward a copy of the offset request to the employee with written notification of the deduction amount and the pay period the deduction will start.

9.2.4.4. Apply final pay (salary and lump-sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

9.2.4.5. Forward payment each pay period to the agency requesting salary offset.

9.3 Child Support, Alimony and Commercial Garnishments

9.3.1. DFAS serves as the paying agency for DoW and for non-DoW federal agencies. In this capacity, DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of the legal garnishment process for agencies paid by DFAS. Submit court orders, related documents, and forms for child support, alimony, and commercial garnishments to the Garnishment Law Directorate by mail, fax, or online through the askDFAS module: DFAS Office of General Counsel, Attn: Garnishment Law Directorate, PO Box 998002, Cleveland, OH 44199-8002. Upon review of the court order, DFAS will process the garnishment deduction in the payroll system. Cancellation of the order is automatic on the date of separation from DoW, upon death of the employee, or upon court notification that the garnishment is terminated. The employee cannot voluntarily stop court-ordered deductions.

9.3.2. Commercial Garnishments

9.3.2.1. Under 15 U.S.C. § 1673(a)(1), involuntary withholding for collection of a commercial debt is limited to a maximum of 25 percent of the employee's disposable earnings; state law prevails when it provides a maximum collection percentage less than 25 percent. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equals or exceeds 25 percent of the employee's disposable pay, the PRO will not process any commercial debt deduction. Further limitations on the amount to be garnished are in 5 CFR 582.402. There is no limit on the percentage for garnishment for federal, state, or local tax obligations, or for bankruptcy court orders.

9.3.3. Involuntary state tax levies will be processed similar to commercial garnishments and are submitted to the Garnishment Law Directorate to begin legal review. The PRO can establish voluntary state tax levies as allotments.

9.4 Bankruptcies

9.4.1. This section applies to DoW employees who have filed a bankruptcy petition under 11 U.S.C., Chapter 7 or Chapter 13. The law waives the U.S. Government's sovereign immunity for compliance with payroll deduction orders issued by the bankruptcy courts (11 U.S.C. § 106); collections will be processed per the court order. DFAS serves as the paying agency for DoW and

non-DoW federal agencies, and DFAS-OGC, Garnishment Law Directorate, is the designated agent for service of personal bankruptcy cases for agencies paid by DFAS. Submit bankruptcy notices and Chapter 13 withholding orders to the Garnishment Law Directorate by mail, fax, or online using the askDFAS module: DFAS Office of General Counsel, Attn: Garnishment Law Directorate, PO Box 998002, Cleveland, OH 44199-8002.

9.4.1.1. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the United States as a creditor, the PRO files a proof of claim with the bankruptcy court for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

9.4.2. Chapter 13 Bankruptcies (The Plan)

9.4.2.1. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee's income to the trustee named in the order. Payment to the trustee will be made per the employee's normal pay cycle. Bankruptcy law authorizes withholding up to 100 percent of the employee's disposable earnings, as directed by the court-ordered wage order.

9.4.2.2. If the United States is both the employer and creditor when the individual files bankruptcy under Chapter 13, the government's priority under 31 U.S.C. § 3713 may be asserted absent a judicial determination to the contrary. The appropriate PRO must timely file Official Form 410, Proof of Claim, with the bankruptcy court.

9.5 Tax Levy for Unpaid Federal Income Tax

9.5.1. Authority

9.5.1.1. After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are authorized only after the total tax liability is paid or arrangements are made with the IRS.

9.5.2. When the IRS serves Form 668-W, Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, it continues in effect until the collection is complete or the IRS releases the levy.

9.5.2.1. The PRO must follow the instructions on the 668-W and provide notice to the employee that a levy has been received.

9.5.2.2. The levy attaches to the employee's take home pay minus the allowable exceptions. Unless the IRS instructs otherwise, the employee's payroll deductions in effect when the levy was received will be allowed when determining take home pay. However, a voluntary

allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures apply to specific employees. To determine take home pay, the levy attaches to the gross amount of the employee's accrued wages or salary, less the following deductions: Social Security/Medicare; retirement; FEHB; FEGLI; garnishments for child support or alimony; overpayments due the U.S. Government; and allowable personal exemptions on the 668-W.

9.5.2.3. After the PRO makes the first deduction for the levy against the employee's pay, the PRO must follow the instructions on the 668-W and return Part 3 of the form to the IRS.

9.5.2.4. If the employee has been reassigned to an organization serviced by another PRO, the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

9.5.2.5. If the employee has moved from overseas, transferred to another federal agency, separated, or retired, the PRO will return the levy to the IRS District Director and provide the employee's new address on the 668-W.

9.5.2.6. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

9.5.3. An employee may arrange with the IRS to liquidate a delinquent federal income tax debt through voluntary biweekly payroll deductions. The IRS Form 2159, Payroll Deduction Agreement, must be submitted to the PRO to initiate the deduction process.

9.6 Pay Corrections and Tax Reporting

9.6.1. A payment made to correct an underpayment of earnings ("corrective payment") is reported as wages in the year the corrective payment is issued, even if the underpayment occurred in a prior calendar year. The PRO must process the corrective payment in the current pay cycle and report it as gross wages subject to Social Security/Medicare taxes on the employee's current year W-2. Social Security/Medicare tax must be withheld from the corrective payment. The gross wages must be reported as current quarterly earnings on the IRS Form 941, Employer's Quarterly Federal Tax Return. For separated employees, the PRO may be required to prepare the IRS Form W-2c, Corrected Wage and Tax Statement, if a W-2 was previously issued.

9.6.2. Tax Reporting

9.6.2.1. For active employees, the PRO must follow the debt collection procedures in Volume 16 to establish a debt for the overpaid earnings. If the employee repays the debt, in whole or in part, in the same year the overpayment occurs, the PRO must record the repaid amount

as a reversal in base pay, gross pay, net pay, or other pay as applicable. This action is required to recover income tax withholding and Social Security and Medicare taxes for the repaid wages and to correct the yearly gross income.

9.6.2.2. The PRO must follow the same procedures for active employees in subparagraph 9.6.2.1 but must reestablish the employee on the payroll before processing the required reversals. If a W-2 was previously issued to the separated employee, the PRO must prepare a W-2c.

9.6.2.3. If an active employee repays an overpayment of earnings paid in a prior year, Social Security/Medicare wages and taxes may need to be corrected. If the year of repayment is still within the 3-year statute of limitations for Social Security or Medicare tax refunds, the PRO must prepare a W-2c and W-3c for the prior year to reduce the gross wages subject to Social Security/Medicare (box 3). Wages reflected in box 1 of the W-2c must not be corrected. No adjustments are made for income tax withholding or additional Medicare tax withholding. Per Circular E, the PRO will prepare the 941-X to correct errors on the 941 and retain copies of the corrected forms. If the repayment is beyond the 3-year statute of limitations, the PRO will not make corrections to the prior year W-2 and the 941.

9.6.2.4. The PRO must prepare a tax certificate for the employee representing the repaid wages in the year of repayment. The amount entered on the certificate is the total of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or a credit, in some cases) for the repaid wages on the employee's income tax return for the year of repayment. For additional information, see 26 U.S.C. § 1341 and IRS Publication 525, Taxable and Nontaxable Income.

9.6.2.5. For separated employees, the PRO will follow the procedures for active employees but will retain copies of the W-2c and the 941-X to balance annual federal tax deposits.

10.0 RECORDS, FILES, AND REPORTS

10.1 Records and Files

10.1.1. Payroll Documentation

10.1.1.1. Deductions for CSRS and FERS, life insurance, and health benefit programs with employer contributions are paid to OPM each pay period. The PRO must submit a consolidated SF 2812-A to OPM biweekly through the Retirement and Insurance Transfer System (RITS) to report these deductions. For RITS, see subparagraph 3.3.3.

10.1.1.2. The PRO must reconcile payments to deduction recipients on a cyclical basis, at least annually, with the amounts withheld plus any related employer contributions shown

by the pay or other records, to confirm correct amounts are reported to those authorized to receive the deductions and contributions. Payroll records must provide a clear audit trail from the gross pay calculation to the employee's net pay, by pay period and year-to-date.

10.1.1.2.1. Each DoW PRO must keep a record, for each calendar year, of the total amounts withheld from employees' salaries and the total employer contributions for FEGLI. The PRO must keep these records in a ledger or other appropriate form, or as file copies of the vouchers used to report the information to OPM.

10.1.1.2.2. The PRO must keep a record of employee deductions and employer contributions for health benefits by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data in this record to the National Finance Center FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (CLER) system quarterly. The HRO and the PRO must review any error codes identified in CLER and resolve the discrepancies by comparing the coverage reported by the PRO, the coverage reported by the carriers, the SF 2809, and the SF 2810 sent in support of the coverage.

10.1.1.2.3. The HRO must maintain a record of traditional and Roth TSP deductions and agency contributions for each employee.

10.1.2. Retroactive Computations Involving Former PROs

10.1.2.1. When retroactive payroll computations involve one or more former PROs, the consolidated PRO holds overall responsibility for the adjustment process. If a former PRO is involved, the consolidated PRO must contact each former PRO to obtain the necessary information.

10.1.2.2. If the consolidated PRO cannot obtain the documentation needed to perform the retroactive calculation, it may take one or more of the following steps: Request Archived Documents From the National Personnel Records Center (NPRC). When copies of the SF 135, Records Transmittal and Receipt, are unavailable at the employee's former office, the current PRO must complete a National Archives and Records Administration (NARA) Optional Form 11, Reference Request - Federal Records Centers, with all available information. The employee's name, Social Security number (SSN), known places of employment, names and PRO numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the form. Contact the appropriate HRO. If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the SF 50, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave

adjustments for the employee. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

10.2 Reports

10.2.1. DoW civilian payroll systems must generate reports at regular intervals, as needed, or to meet special requirements. The PRO must support management by generating reports that provide the information needed to ensure the system's integrity. Individuals who create reports must correct errors caused by inaccurate reading or entry of data. Discrepancies in reporting, transmitting, or depositing funds must be resolved promptly. Per GAO-03-352G, Maintaining Effective Control Over Employee Time and Attendance Reporting, reports must be: prepared accurately, promptly, and distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit; based on, supported by, and periodically validated against appropriate detailed information in the payroll system; sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy; discussed periodically with users and modified or eliminated as appropriate to meet user needs; and retained and disposed of in accordance with NARA General Records Schedule 2.0, Human Resources, which includes: NARA General Records Schedule 2.4, Employee Compensation and Benefits Records, and NARA General Records Schedule 2.5, Employee Separation Records, with sensitive data handled in accordance with the provisions of the Privacy Act. See 5 CFR Part 2606.

10.2.2. As-Required Reports

10.2.2.1. The losing PRO must prepare an SF 1150 at the time of the employee's separation if the employee transfers within DoW to another PRO or to another federal agency. All blocks on the SF 1150 must reflect accurate data. Besides transferred leave data, the form's Remarks section reports other employee information, including year-to-date wages for Social Security and Medicare tax purposes, year-to-date TSP deductions, the last deduction for FEHB and FEGLI, the date through which insurance deductions were made, and overseas or territorial differential data.

10.2.2.2. DFAS is responsible for:

10.2.2.2.1. DFAS must retain the employer's copy of the W-2c in the PRO.

10.2.2.2.2. DFAS must attach IRS Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, to the current quarterly IRS Form 941, Employer's Quarterly Federal Tax Return, and enter the adjustment amount on the 941. The PRO must maintain copies of both forms.

10.2.2.2.3. DFAS must retain a copy of the W-2c and the Form 941-X in the current-year quarterly tax folder to balance annual federal tax deposits.

10.2.3. Biweekly Reports

10.2.3.1. The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect accrued and used leave balances for the pay period and year-to-date. The LES must be made available electronically through the DFAS myPay web application, or mailed to the employee's non-work address, every pay period.

10.2.3.2. To process RITS transactions, the PRO must provide the disbursing office with the payroll system-generated hardcopy of the payroll for personal services certification and summary, the SF 2812-A, and any disbursement vouchers for cash payments.

10.2.3.2.1. Cash payments received from employees, such as military deposits and health benefits payments, are current transactions, collected and disbursed from a holding account. The total of the payroll for personal services certification and summary plus cash disbursement vouchers must equal the total on the SF 2812-A. Cash collections for health benefit indebtedness from pay accounts not carried forward from former PROs must be reported to OPM separately on a supplemental SF 2812-A.

10.2.3.2.2. The disbursing office must ensure voucher amounts agree and the vouchers contain proper certifying signatures before authorizing transmission of the file to OPM. The delay between creating the system file and transmission is a necessary internal control for disbursing government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

10.2.3.3. RITS can report on a regular biweekly basis and report adjustments in a supplemental off-cycle mode. Regular biweekly reporting is the preferred method, and the PRO must fully use the payroll system's automated capabilities to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

10.2.3.4. Adjustments for accounts not transferred to the consolidated PRO are accounts that were inactive on former PRO records and did not convert to the consolidated office. Responsibility for these adjustments now rests with the consolidated payroll operation under

DFAS PRO operations. These adjustments may involve correcting a retirement plan, cash collection for military deposits, or health benefit indebtedness.

10.2.3.4.1. The PRO must report these retirement-plan correction adjustments to OPM on a hardcopy SF 2812-A citing the PRO number that originally reported the deductions and contributions. The PRO must prepare and forward to OPM corrected retirement records and registers citing the former PRO. The PRO must forward copies of the SF 2812-A, registers, and records to the departmental reporter for the former PRO so cumulative balances can be adjusted.

10.2.3.4.2. The PRO must report cash collections for military deposits on a hardcopy SF 2812-A citing the PRO number that originally reported the deductions and contributions. The PRO must prepare and forward to OPM corrected retirement records and registers citing the former PRO. The PRO must forward copies of the registers, records, and SF 2812-A to the departmental reporter for the former PRO so cumulative balances can be adjusted.

10.2.3.4.3. The consolidated PRO must report cash collections for health benefit indebtedness via RITS as a supplemental SF 2812-A using the consolidated PRO number.

10.2.3.5. Adjustments for accounts transferred to the consolidated PRO are accounts that were active on former PRO records and converted to the consolidated office. These adjustments may be for accounts that have become inactive since consolidation or that are still active. As part of the consolidated payroll operation, the DFAS PRO is responsible for these adjustments. Records for both the former and consolidated PROs may need correction, depending on the effective date of the correction.

10.2.3.5.1. The adjustment may involve both hardcopy reporting via the SF 2812-A and reporting via RITS. The PRO must report adjustments effective before the transfer to the consolidated office to OPM via the SF 2812-A, citing the former PRO number, and must prepare and forward to OPM corrected retirement records and registers for the portion applicable to the former PRO. The PRO must forward a copy of the SF 2812-A, registers, and records to the departmental reporter for the former PRO so cumulative balances can be adjusted. The PRO must correct the portion applicable to the consolidated PRO through the payroll system and report it via the RITS regular biweekly cycle. The PRO must correct adjustments for accounts that have become inactive since consolidation through the payroll system by reactivating the account.

10.2.3.5.2. The PRO must report cash collections for military deposits via RITS during the regular reporting cycle. The PRO must correct collections for accounts that have become inactive since consolidation through the payroll system by reactivating the account. Correction through the payroll system is necessary to maintain the proper sequencing of system-assigned register numbers.

10.2.3.5.3. The PRO must report cash collections for health benefit indebtedness via RITS during the regular biweekly reporting cycle.

10.2.3.6. The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoW agency to which the collections apply, the PRO name and address, the employee's name, the amount collected for each employee, the period the collection applies to, and the total collections remitted to the non-DoW agency.

10.2.3.7. The PRO must forward a biweekly report of employees with salary offsets for non-DoW federal agencies to the DFAS site that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection, pay date of the last collection, and the debt balance. For employees with more than one debt to a non-DoW federal agency, the PRO must provide this information for each debt.

10.2.3.8. Each pay period, the PRO must prepare a listing for each recipient of withheld union dues. At a minimum, the listing must include the PRO's name and address, the labor organization or association the listing pertains to, employee names and the dues deducted for each, the total amount collected, and system-generated remarks that explain any lack of deductions.

10.2.3.9. The PRO must provide a transmittal report to the Central Campaign Administrator to include: The employing agency, e.g., Army, Navy, Air Force; the employee names and deduction amounts per individual employee; the pay period number; and the pay period date of the CFC data. See 5 CFR 950.801.

10.2.4. Quarterly Reports

10.2.4.1. Upon request, the PRO must furnish feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The HRO must prepare and submit the final report.

10.2.4.2. The employing activity must report the parking fringe benefit valuation directly to the servicing PRO quarterly to ensure proper reporting of income and collection of taxable wages on the W-2.

10.2.4.3. The report must include the monthly value of the transportation fringe benefits and the reportable taxable benefit.

10.2.4.4. When directed, the PRO must furnish data to the appropriate functional organization on civilian employees participating in Direct Deposit/Electronic Funds Transfer

(EFT). DoW managers use this feeder information to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal Service within 25 days after the end of each quarter.

10.2.4.5. For SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment, the PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB.

10.2.5. Semiannual Reports

10.2.5.1. For the Report of Work Years and Personnel Cost, the consolidated PRO must provide feeder-type data on the leave data for part C. OMB uses this report to estimate the cost of proposed federal pay increases, evaluate the financial effects of proposed legislation on civilian compensation and benefits, and analyze federal employee pay and personnel benefits.

10.2.6. Annual Reports

10.2.6.1. The PRO must issue a W-2 to each employee no later than January 31st of the year following the applicable tax (calendar) year, including employees who died or separated during the year. If an individual requests the form earlier in writing, the PRO must issue it within 30 calendar days after receipt of the request or after the final payment, whichever is later. DoW PROs must use the DFAS-approved standardized W-2 each year.

10.2.6.2. Each DoW Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit an annual report on its foreign language pay program to the Under Secretary of War for Intelligence through the Director, Human Capital Management Office, per DoW Instruction (DoWI) 1400.25-V2016. Each annual report must:

10.2.6.2.1. Include a copy of the Component's current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report.

10.2.6.2.2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements.

10.2.6.2.3. Identify the total number of DCIPS employees receiving foreign language pay and whether they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees receiving foreign language pay by each language.

10.2.6.2.4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language.

10.2.6.2.5. Identify, for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language.

10.2.6.2.6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations on foreign language pay policy, payment trends (by language and amount) from the previous year, and a brief statement on the effectiveness of incentive pay in recruitment.

11.0 SPECIAL CATEGORY EMPLOYEES

11.1 Overseas Employees

11.1.1. Canadian Employees

11.1.1.1. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the employee must be paid premium pay at 1.5 times the regular rate of pay, plus either holiday pay equal to regular wages earned in the four weeks before the holiday divided by 20, or compensatory time off (subject to local labor laws per DoWI 1400.25-V1231). The legal Canadian holidays are listed in the FMM.

11.1.1.2. Canadian employees accrue sick leave at 4.25 hours each pay period, except 6.25 hours in the last pay period of the leave year. Total annual accumulation is 112.5 hours (15 days).

11.1.1.3. For Canadian employees, the workday is 7.5 hours and the workweek is 37.5 hours.

11.1.1.4. Canadian employees receive step increases until they reach the top step. A step increase requires the supervisor's written certification that the employee demonstrated an acceptable level of competence during the waiting period. The certification must be forwarded to the Human Resources Office before the effective date. Step increases are effective at the start of the first pay period after the anniversary date.

11.1.1.5. Retroactive pay adjustments for Canadian employees are based on the agreements covering Canadian Civil Service employees and are payable to employees separated during the retroactive period.

11.1.1.6. For Canadian employees, aggregate LWOP of more than 80 hours during the step-increase waiting period delays the increase. Extended LWOP also affects leave accruals.

11.1.1.7. Canadian national employees are eligible for all awards except quality step increases.

11.1.1.8. Employee Canada Pension Plan contributions are deducted from Canadian employees' salaries, and the U.S. Government pays the employer's contribution.

11.1.1.9. For Canadian employees, the U.S. Government pays an amount equal to the employee's contributions to the Registered/Retirement Pension Plan, up to the legal maximum of annual salary set under applicable Canadian law.

11.1.1.10. Canadian employees are paid a lump-sum severance amount per the schedule that follows.

11.1.1.10.1. Lay-off: two weeks of pay for the first complete year of continuous employment and one week for each additional complete year, to a maximum of 28 weeks.

11.1.1.10.2. Resignation: an employee who resigns with 10 or more years of continuous employment is paid one-half week of pay for each complete year, up to a maximum of 26 years, to a maximum of 13 weeks.

11.1.1.10.3. Retirement: an employee entitled on retirement to an immediate annuity (or an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act) is paid one week of pay for each complete year of continuous employment, to a maximum of 28 weeks.

11.1.1.10.4. Death: the employee's estate is paid one week of pay for each complete year of continuous employment, to a maximum of 28 weeks.

11.1.1.11. Canadian employees enrolled in the Ontario Health Insurance Plan are reimbursed an amount equal to the Canadian government contributions under the plan. Reimbursement claims must be supported by receipts and submitted annually by the end of the calendar year.

11.1.1.12. The U.S. Government participates in the Canadian Employment Insurance Program for Canadians employed in Canada by the DoW. DoW installations employing personnel in Canada must follow Canada Revenue Agency guidance. The U.S. Government contributes an amount equal to that paid by a Canadian government employer, and the employee's contributions are deducted from salary.

11.1.1.12.1. The PRO must use the Canada Revenue Agency T4001 Employer's Guide - Payroll Deductions and Remittances to determine insurable employment and earnings for withholding.

11.1.1.12.1.1. Funds must be withheld from the pay of all insurable Canadian employees at the rate set in the Canada Revenue Agency T4001 Employer's Guide.

11.1.1.12.1.2. The employer's share must equal 1.4 times the amount withheld from the employee's pay on each payroll voucher. The contribution is charged to the fund from which the employees' salaries are paid.

11.1.1.12.2. The DoW must not make retroactive payments of deductions to the Canada Revenue Agency if the employee has not given correct information to the employing installation. This includes adjudicated cases.

11.1.1.12.3. DoW records of deductions, contributions, and remittances are subject to audit by Canadian authorities. The PRO must send copies of records required by Canadian authorities on request; audit requirements may be met by sending copies of covered-personnel records and insurance remittance documents to the proper Canada Revenue Agency district office.

11.1.1.13. Canadian employees' income tax contributions are deducted from their biweekly salary.

11.1.1.14. Accidental life insurance is a voluntary contribution deducted from the Canadian employee's biweekly salary at the employee's request.

11.2 Reemployed Annuitants

11.2.1. Purpose

11.2.1.1. The Secretary of War has authority under 5 U.S.C. § 9902 to reemploy annuitants without a reduction in pay or annuity, as implemented in DoWI 1400.25-V300. A reemployed annuitant hired by DoW on or after November 25, 2003, may receive full annuity and salary upon appointment, with no salary offset for the annuity and no further retirement deductions. Exception: a discontinued service retirement (DSR) annuitant whose annuity is based on involuntary separation for reasons other than misconduct or delinquency, hired by DoW on or after November 25, 2003, may instead elect retirement contributions and earn further retirement credit rather than receive full salary plus annuity. See CSRS/FERS Handbook, Chapter 44.

11.3 Deceased Employees

11.3.1. Payment

11.3.1.1. When payment is to be made to the duly appointed legal representative of the estate or to a person entitled under the law of the deceased's domicile, the servicing PRO

may require the claimant to submit evidence of entitlement under state law. Such evidence includes, but is not limited to, funeral expense receipts, a small estate affidavit, trust documents, court orders granting summary administration, letters of administration, and, where necessary, the deceased person's will.

11.3.1.2. If the beneficiary's actions caused the death of the employee, the servicing PRO must not pay the employee's unpaid compensation to that person unless the PRO receives and determines that evidence clearly absolves the beneficiary of any felonious intent.

11.3.2. Computation

11.3.2.1. Allotment deductions for the pay period in which death occurred are not withheld.

11.3.3. The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum accrued-leave payment.

11.3.4. Death Gratuity Payments for Federal Employees

11.3.4.1. The gratuity payment is not wages for Social Security, Medicare, or federal, state, or local tax withholding. The Defense Finance and Accounting Service (DFAS) must prepare an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, and Insurance Contracts, and forward it to the personal representative.

11.3.4.2. Under 5 U.S.C. § 9904, DoW civilian employees assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those the Secretary of State provides Foreign Service members under 22 U.S.C. § 3973. Per 22 U.S.C. § 3973, a death gratuity is paid when an employee dies from injuries received in the performance of duties. The gratuity amount equals Level II of the Executive Schedule under 5 U.S.C. § 5313 at the time of the employee's death. This gratuity must be paid as follows, regardless of other designated beneficiaries: First, to the widow or widower, as defined under 5 U.S.C. § 8101(6) and (11); or Second, to the child, or children as defined under 5 U.S.C. § 8101(9), in equal shares, if there is no widow or widower; or Third, to dependent parent, or dependent parents, defined under 5 U.S.C. § 8101(7), in equal shares, if there is no widow, widower, or child. If there are no survivors as indicated in subparagraph 5.9.2, the death gratuity must not be paid.

11.4 Legally Incapcitated Employees

11.4.1. The servicing HRO initiates an SF 50 action showing the employee's separation for mental incapacity, and may place the employee on extended leave of absence by an SF 50 action. Once the servicing PRO is notified that the employee is declared legally incapacitated, no

payments are made to the employee. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to claim amounts due mentally incapacitated or former employees, but the claim must be filed in writing over the signature of the person claiming on the employee's behalf. If the claimant is not a guardian or committee, the servicing PRO must consult its Office of General Counsel before making payment.

11.4.1.1. The initial claim filed by the guardian or committee of the estate of a legally incapacitated employee must include a court certificate showing the claimant's appointment and qualification as guardian or committee. After the first payment, subsequent recurring payments may be made to the same payee without further claim as long as the appointment remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must cite the voucher on which the initial claim was paid.

11.4.1.2. If a guardian or committee has not been and will not be appointed, the initial claim must be supported by a sworn statement that includes the following information: the claimant's relationship to the legally incapacitated employee, if any; the name and address of the person having care and custody of the legally incapacitated employee; a remark that any amount paid to the claimant must be applied only to the use and benefit of the legally incapacitated employee; and a remark that no appointment of a guardian or committee is contemplated.

11.4.2. Claims for unpaid amounts owed to legally incapacitated employees may be paid once the claim and the claimant's entitlement have been verified.

11.5 Missing Persons, Captured or Interned

11.5.1. An employee in a missing status is entitled to receive or have credited to their account, for the period in that status, the same pay and allowances to which the employee was entitled at the start of that period or becomes entitled to after (5 U.S.C. § 5562). The servicing PRO retains responsibility for the employee's pay, leave, and retirement records.

11.5.2. Termination

11.5.2.1. If the employee returns from missing status, a statement of the special leave account balance must be furnished to the HRO. The employee must elect in writing to receive either a payment or a credit for the leave. If the employee requests payment, the payment is made using the employee's rate of pay in effect at the time the leave was forfeited.

11.5.2.2. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee's appropriated fund account.

11.6 Temporary and Term Employment

11.6.1. Purpose

11.6.1.1. Temporary and term appointments fill positions when there is no continuing need for the job. Employees in either category are not entitled to competitive status or reinstatement eligibility based on this service. Within DoW, temporary and term appointments may last longer than the time restrictions of 5 CFR Part 316 and may allow such employees consideration for permanent employment.

11.6.2. Temporary Employment

11.6.2.1. Per DoW policy, a component may make a temporary appointment to:

11.6.2.1.1. Noncompetitively fill a short-term position based on a critical hiring need not expected to last more than 1 year. A critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as extraordinary workload or unusual or unanticipated events creating the need to fill the position(s). Such appointment may be extended up to 6 additional months but must not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of War Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017; and

11.6.2.1.2. Temporarily fill a position for less than 1 year and extend such appointment in increments of up to 1 year, not to exceed a total of 3 years. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of War Memorandum "Extensions of Term Appointments in the Competitive Service in the DoW," dated August 10, 2018 and 5 CFR 316.401.

11.6.3. Term Employment

11.6.3.1. Per DoW policy, a component may make a term appointment to:

11.6.3.1.1. Noncompetitively fill a short-term position based on a critical hiring need expected to last more than 1 year. Critical hiring need means the need to fill the position(s) to meet mission requirements brought about by circumstances such as extraordinary workload or unusual or unanticipated events creating the need to fill the position(s). Such appointment must not exceed a total of 18 months and does not convey noncompetitive conversion to any other appointment. See Deputy Secretary of War Memorandum, "Noncompetitive Temporary and Term Appointments to Meet Critical Hiring Needs in the Department of Defense," dated July 14, 2017;

11.6.3.1.2. Fill a position initially for more than 1 year, but not more than 6 years. Components may extend term appointments beyond 6 years and up to 8 years in increments of up to 1 year according to policy. Under certain conditions prescribed in policy, an employee in a term position may be noncompetitively converted to a career or career-conditional appointment. See the OUSD (P&R) Memorandum "Modification of Temporary and Term Appointments Within the Department of Defense," dated June 12, 2017 as modified by Deputy Secretary of War Memorandum "Extensions of Term Appointments in the Competitive Service in the DoW," dated August 10, 2018; and

11.6.3.1.3. Per the direct-hire authority, initially appoint a current post-secondary student for a period expected to last more than 1 year and not to exceed the time limits stated in 5 CFR 316.301, to include any future legislative or regulatory modification to those limits. Within 120 days of successful completion of their academic program, the student may be noncompetitively converted into a career or career-conditional appointment. See the OUSD (P&R) Memorandum "Modification of Direct-Hire Authority for the Department of Defense for Post-Secondary Students and Recent Graduates," dated January 15, 2019.

11.7 Air Traffic Controllers (ATC)

11.7.1. Differential pay is authorized for certain DoW employees. The Secretary of War has authorized 5 percent ATC premium pay under 5 U.S.C. § 5546a(a)(1). Payment of the premium is mandatory for DoW ATCs in the GS-2152 occupational series who occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the servicing PRO via an SF 50.

11.8 Personnel on Long-Term, Full-Time Training

11.8.1. Leave

11.8.1.1. Personnel on long-term, full-time training continue to accrue annual leave. Ordinarily, an employee is charged annual leave during school vacation periods that fall on government workdays unless the employee returns to the work site or has made documented arrangements with their DoW point of contact to be actively involved in academic work. These documented arrangements should be made well in advance of the vacation periods. Annual leave charges are reported on the employee's time and attendance report. See OPM Training and Development Policy.

11.9 Emergency Medical Technician (EMT)

11.9.1. EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See

5 CFR 630.201. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. Sleep and meal time must also be documented. The EMT's hourly rate is multiplied by 40 hours, and base pay and premium pay are based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

11.9.2. The HRO determines the amount of premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis or to paid leave. An EMT is paid under regular overtime rules. Refer to 5 CFR Part 551 for additional guidance on pay administration for EMTs under FLSA.

11.10 Firefighters

11.10.1. Trade-of-Time

11.10.1.1. Both firefighters in a trade-of-time arrangement must be supervised by the same fire chief and must be capable of performing the core duties that could be required during traded hours. If one firefighter under an arrangement is at a lower grade than the other, the fire chief may withhold approval when the affected unit would not have the skills among those assigned to an affected shift to accomplish its mission.

11.10.1.2. Firefighters may trade only hours within the firefighter's regular tour of duty established for leave-charging purposes. Trading time is not restricted to the same pay period.

11.10.1.3. Firefighters may agree to substitute either entire shifts or a portion of a shift.

11.10.1.4. All trading time agreements must be in writing and signed by both firefighters and the fire chief before a trade can occur. The agreements must contain the elements required by OPM's Memorandum, Firefighter Trading Time Policy.

11.10.1.5. Proposed trade-of-time arrangements are not entitlements. Reasons for disapproval may include, but are not limited to:

11.10.1.5.1. The proposed arrangement would result in either firefighter having a balance of committed but not-yet-executed substitution hours, under one or more pending-completion qualified trade-of-time arrangements, in excess of 144 hours.

11.10.1.5.2. A proposed substitution would occur more than 1 year after the date the qualified trade-of-time arrangement was approved.

11.10.1.5.3. Either firefighter owes a debt of hours to the agency, as described in subparagraph 16.11.3.5.

11.10.1.5.4. The arrangement involves trading hours for which pay is computed using a different methodology. The pay of both firefighters must be determined using the same methodology.

11.10.1.6. If a substituting firefighter fails to work during the agreed-upon substitution period, the excused firefighter is entitled to credit for hours and pay as if the substitution had been made. The substituting firefighter becomes indebted to the agency and must later perform work outside the firefighter's tour of duty to satisfy the debt of hours, as assigned by an authorized agency official.

11.10.1.6.1. Debt-repayment hours are not credited as hours of work in determining the firefighter's pay entitlements in the pay period in which they are performed.

11.10.1.6.2. A substituting firefighter who, without authorization, fails to report when scheduled to substitute under a qualified trade-of-time arrangement is considered AWOL and subject to appropriate discipline, unless the DoW component retroactively approves the absence after reviewing the circumstances.

11.10.1.6.3. A firefighter who owes a debt of hours and, without authorization, fails to report when scheduled to perform work to satisfy that debt is considered AWOL and subject to appropriate discipline, unless the DoW component retroactively approves the absence after reviewing the circumstances.

11.10.1.7. A firefighter with a debt of hours may not enter into a new trade-of-time arrangement until the debt is eliminated.

11.10.1.8. A firefighter owing a debt of hours may be allowed to reduce or eliminate the debt by agreeing to adjustments in the firefighter's balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid time-off awards, if allowed by DoW component policies.

11.10.1.8.1. If a firefighter owes a debt of hours when separating from Federal service, transferring to a different agency, or moving to a position in the same agency in which the employee is no longer an eligible firefighter, the debt must be recovered to the extent possible by offsetting any balances of annual leave, compensatory time off (for overtime work, travel, or religious observances), or paid-time-off awards.

11.10.1.8.2. Any remaining hours debt must be converted to a monetary debt owed to the agency. The monetary debt is determined from the firefighter's pay entitlements

at separation and the hourly value of the hours using the same method used to compute the cash value of annual leave hours, except that no increase based on post-separation pay-rate increases applies (the increases that would otherwise apply in the lump-sum annual-leave payment based on projection of the lump-sum leave period). See 5 CFR 550.1204.

11.10.1.9. Credit for hours and associated pay for an excused firefighter must be determined as if the excused firefighter performed the work performed by the substituting firefighter; a substituting firefighter may not receive credit for hours and associated pay based on periods of substitution. Hours worked by a substituting firefighter under a qualified trade-of-time arrangement must be disregarded when determining that firefighter's eligibility for overtime pay or calculating such pay under 29 U.S.C. ch. 8 (Fair Labor Standards Act) and 5 U.S.C. 5542(h)(1)(A). Instead, the excused firefighter must be credited with hours worked by the substituting firefighter in determining the excused firefighter's overtime pay entitlements.

11.10.1.10. Hours worked by a substituting firefighter under a qualified trade-of-time arrangement are included in creditable service for leave accrual, retirement, and other purposes for the excused firefighter, not the substituting one.

11.10.1.11. A firefighter injured while substituting for another firefighter under a qualified trade-of-time arrangement is not, by reason of that substitution, affected in the substituting firefighter's possible entitlement to workers' compensation benefits.

11.10.1.12. A substituting firefighter is considered to be in the performance of duty during a period of substitution for workers' compensation purposes, except that any payments (such as continuation of pay) for the remainder of the affected biweekly pay period must be based on pay to which the substituting firefighter is entitled, without regard to pay for hours worked on behalf of an excused firefighter.

11.10.1.13. Excused firefighters are not considered to be in the performance of duty during the period when a substituting firefighter is working on their behalf.

11.10.1.14. If a firefighter had been scheduled, before the work injury, to work as a substituting firefighter during a future period when the firefighter is receiving continuation of pay or wage-loss compensation, the firefighter's leave status is considered to satisfy the firefighter's work-hours obligation, but only if the other firefighter under the affected qualified trade-of-time arrangement had already completed their part of the trade.

11.10.1.15. If neither firefighter had completed their respective parts of the trade before the work injury leading to workers' compensation benefits, the trade-of-time arrangement is automatically cancelled.

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11.10.1.16. DoW components must keep records of a qualified trade-of-time arrangement, including uncompleted arrangements, for 4 years after the last substituted work performed under the arrangement.

11.10.1.17. DoW components must keep current records showing pending-completion qualified trade-of-time arrangements for each firefighter, including the current balance of hours committed but not yet executed for substitution, as required to apply the rule in subparagraph 16.11.3.4.1.

11.11 Judges

11.11.1. Judges

11.11.1.1. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoW Military Retirement Fund (MRF) in lieu of an annuity under CSRS or FERS; survivor and former-spouse annuities may also be elected. See 10 U.S.C. 945. The DFAS Indianapolis site serves as the payment-records office for retiree and survivor entitlements and must perform functions such as:

11.11.1.1.1. DFAS must maintain individual retirement records of individuals who elect annuity benefits under 10 U.S.C. 945.

11.11.1.1.2. DFAS must issue annuity payments from moneys in the DoW MRF, including collecting applicable federal and state income taxes and debts owed the U.S. Government.

11.11.1.1.3. DFAS must arrange with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoW MRF.

11.11.1.1.4. DFAS must withhold, as appropriate, contributions from the annuity for FEHB and FEGLI, make correct agency contributions, and transmit these moneys to the CSRDF.

11.11.1.1.5. DFAS must readjust the annuity payment when events change the retiree or survivor entitlements.

11.11.1.1.6. DFAS must account for retirement moneys received from OPM and disburse them to benefit recipients, insurance carriers, and federal and state tax entities.

11.11.1.1.7. DFAS must cease annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. 945(g).

11.11.1.2. Judges receiving an annuity under 10 U.S.C. 945 must notify WHS of their election of judicial retirement benefits under 10 U.S.C. 945(g).

11.12 Auxiliary Chaplains and West Point Military Academy Chaplains

11.12.1. Civilian clergy may be assigned to perform essential religious services of the chapel program beyond the staffing capabilities of commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the Armed Forces Chaplains Board and must meet any additional qualifications required by the Armed Forces.

11.12.2. Appointing and Paying Auxiliary Chaplains

11.12.2.1. Auxiliary chaplains may be appointed by the HRO on an intermittent basis. They are paid on a fee basis from the employing activity's appropriated funds for civilian personnel, such as Operation and Maintenance funds. The HRO may appoint auxiliary chaplains under the excepted service authority in 5 CFR 213.3101.

11.12.2.2. Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

11.12.2.3. Auxiliary chaplains have no entitlement to leave.

11.12.2.4. The employing activity's HRO determines the pay scale for auxiliary chaplains. Social Security, Medicare, and federal and state income tax withholdings are made per the tax documents the chaplain files. These withholdings do not apply to chaplains under non-personal service contracts.

11.12.3. Under 10 U.S.C. § 7437, the President may appoint a chaplain to serve at the United States Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance equal to the basic allowance for housing (BAH) allowed a lieutenant colonel and to fuel and light for quarters. Because utility costs are already factored into the BAH rate, no separate allowance for fuel and light is paid. The chaplain's salary is taxable and subject to income, Social Security, and Medicare tax withholding. The BAH is not subject to income tax withholding under 26 U.S.C. § 107, which excludes from a minister's gross income the value of rental allowances received for a home. Social Security and Medicare taxes must be withheld from the BAH.

11.13 Service Secretaries

11.13.1. Time and attendance is not reported for Service Secretaries. Accrual or use of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

11.14 LEOS

11.14.1. Premium Pay

11.14.1.1. The HRO determines the rate of annual premium pay for standby duty and sends it via SF 50 to the servicing PRO. (See Section 5, Table 4-1 for the deductions withheld.) Standby duty pay is generally not used for federal law enforcement employees; for more information, refer to Section 4. Standby duty pay under 5 CFR 550.141 may not be paid to an LEO receiving availability pay. See 5 CFR 550.163.

11.15 Military Sealift Command (MSC)

The pay of officers and crew members of vessels must be fixed and adjusted from time to time as nearly as is consistent with the public interest per prevailing rates and practices in the maritime industry. See 5 U.S.C. § 5348. Hours of work and premium pay for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoW Wage Setting Authority in coordination with OPM.

11.16 De Facto Employees

11.16.1. Payment of De Facto Employees

11.16.1.1. Payment of de facto employees for services rendered to the government depends on the facts of each individual's situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate payment of a de facto employee. An agency de facto determination invalidates any debt established for wages paid.

11.17 Highly Qualified Experts (HQES) and Highly Qualified Experts-Senior Mentors (HQES-SMS)

11.17.1. Employees hired as HQEs are given "Excepted Not-to-Exceed" appointments (up to 5 years) under an Experts Other pay plan. The HQE or HQE-SM must sign a written service agreement.

11.17.2. HQEs and HQE-SMs are not eligible to receive performance awards.

11.18 Research Positions in the Scientific and Technology Reinvention Laboratories (STRL)

The 2023 NDAA (PL 117-263) authorized the Secretary of War to carry out a program to fix the rate of basic pay, not to exceed 150 percent of Level 1 of the Executive Schedule, for certain research and technology positions in the DoW STRL. These positions are term and temporary appointments not to exceed 5 years. See 10 U.S.C. § 4094 and 87 FR 40200.

12.0 ALLOTMENTS AND VOLUNTARY DEDUCTIONS

12.1 Allotments

12.1.1. Mandatory Allotments

12.1.1.1. An employee may file an SF 1188, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity must furnish the SF 1188 to employees upon request.

12.1.1.2. If an employee is suspended or expelled from membership in the labor organization, termination of dues is effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives written notification from the labor organization that the employee was suspended or expelled.

12.1.1.3. The agency must automatically terminate a labor organization dues allotment when the employee ceases to be a member of the bargaining unit. The employee need not submit a cancellation form or take any other action to terminate the allotment. If the agency does not terminate the allotment in a timely manner, the PRO must refund any erroneously deducted dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

12.1.1.4. If the salary is sufficient to cover the deduction, the PRO must deduct the full allotment amount each pay period even if the employee is in a pay status for only part of a pay period. The PRO must make no deduction if the salary is insufficient to cover the full allotment deduction.

12.1.1.5. The PRO must not make retroactive deductions for a period during which the employee's net pay was insufficient to cover the allotment, and must not make adjustments in future pay periods for amounts it failed to deduct during a current pay period.

12.1.1.6. Eligible employees enrolled in a high deductible health plan (HDHP) may establish a Health Savings Account (HSA) with a trustee or custodian and request allotments to fund it. The allotment continues until the employee revokes or modifies the election, and an employee may modify an HSA allotment at any time to effect a prospective change. Employees are responsible for ensuring their enrollment and contributions comply with IRS rules and stay within annual limits set under 26 U.S.C. 223. Payroll providers are not responsible for verifying employee eligibility or confirming that employee contributions are within annual limits.

12.1.2. Discretionary Allotments

12.1.2.1. An employee may elect to contribute voluntarily to the Military Welfare Societies (MWSs) as an authorized charitable campaign. The MWSs include the Army Emergency Relief Society, the Navy-Marine Relief Society, and the Air Force Aid Society. Except for the Combined Federal Campaign (CFC), MWSs must not solicit Federal civilian employees.

12.2 Federal Employees Health Benefits (FEHB)

12.2.1. FEHB Premium Contributions

12.2.1.1. The PRO must not deduct the regular biweekly FEHB premium withholding from an employee's lump-sum leave (LSL) payment. The PRO may collect from the LSL payment any previously established debt resulting from the employee's underpayment or failure to pay premiums.

12.2.1.2. When an employee transfers from one PRO to another without a break in service of more than 3 days, health plan enrollment and coverage continue without change. Each PRO is responsible for FEHB premium withholdings and contributions for the time the employee occupied a position it serviced. If the employee transfers to a different PRO other than on the first day of the pay period, the PRO must prorate the withholdings and contributions using the Daily Proration Rule (see paragraph 3.2.7).

12.2.1.3. If an employee retires and is eligible to continue enrollment as an annuitant, the PRO's responsibility for FEHB premium withholdings and contributions is based on the annuity start date. If the annuity starts after the end of the final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the final pay period, the PRO makes withholdings and contributions through the day before the annuity start date using the Daily Proration Rule. OPM makes withholdings beginning with the annuity effective date.

12.2.1.4. If an employee dies and there is no survivor annuity, or the employee maintained self-only enrollment, the PRO must make full FEHB premium withholdings and

contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO must prorate the calculation using the Daily Proration Rule and the employee's date of death.

12.2.1.5. An employee restored to duty retroactively after an erroneous suspension or removal may elect to have enrollment retroactively reinstated or may enroll in the plan and option of choice as a new employee. If the employee elects retroactive reinstatement, the PRO must take premium deductions for the suspension or removal period from the retroactive pay adjustment (back pay award) and must make the government premium contributions as though the suspension or removal had not occurred.

12.2.1.6. If enrollment is terminated or reinstated because of an employee's entry into or return from military service, the PRO must apply the Daily Proration Rule. The effective date of the action is the date the employee entered or returned from military service.

12.2.1.7. During LWOP or insufficient pay, the employee remains responsible for paying the employee's share of the FEHB premium unless the employee terminates enrollment. The PRO must not withhold the employee's share for a pay period when the employee is on LWOP or has pay insufficient to cover the full premium. The PRO must continue to forward the full FEHB premium (government contribution and employee share) to OPM each pay period, must advance salary to cover the employee's share, and the employee incurs a debt for the advance.

12.2.1.8. The payroll system must be capable of identifying all employees on LWOP or with pay insufficient to cover premiums. The PRO must provide written notice to the employee as soon as it becomes aware that premium payments cannot be withheld from the employee's salary. The PRO must provide the notice per the FEHB Handbook and 5 CFR 890.502(b), sent by first-class mail or delivered in person; if mailed, the notice is considered received 5 days after its date. The notice must advise the employee of the following: Options for continuing or terminating enrollment; effect of termination; if the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums; if the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and if the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.

12.2.1.9. If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave (pay-as-you-go), incur a debt for unpaid premiums while on leave (catch-up), or pre-pay premiums before going on LWOP. The PRO must

notify the employee of the available choices (using the notice in paragraph 3.2.6.3) and must provide the employee a method to make direct premium payments. An employee who elects to incur a debt must repay it in full or be subject to debt collection. Pre-paid premiums may be deducted from pay or paid out-of-pocket; out-of-pocket payments are after-tax monies.

12.2.1.10. If the employee does not sign and return the written notice within 31 days of receipt (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810. The effective date of termination is retroactive to the end of the last pay period in which premiums were withheld from pay.

12.2.1.11. If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee's share of the FEHB premium from the annuity or workers' compensation benefits payment. If the employee's share was paid during LWOP and withholding is also taken from the annuity or workers' compensation benefits for the same period, the PRO must refund the duplicate amounts to the employee. If the disability retirement annuity does not begin on the day after the last day of pay, the PRO must not refund premium payments until it receives an OPM notice that the disability retirement application is approved.

12.2.1.12. A temporary employee enrolled in FEHB must pay both the employee share and the government share of premiums during LWOP. If the employee accepts a temporary position with another employing office, the enrollment must transfer from the original office to the new office. If the employee is still in LWOP when the temporary position at the new office ends, the enrollment must transfer back to the original office. The original office must determine the remaining time the employee may continue FEHB coverage under LWOP and must terminate the enrollment if the original temporary position has expired. Both offices must coordinate so that withholdings and contributions are made timely.

12.2.1.13. The Daily Proration Rule is the formula used to calculate partial employee withholdings and government contributions for FEHB premiums. Unless otherwise provided, the PRO must make the full withholding and contributions for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances: The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period; The employee retires other than at the end of a pay period and is eligible to continue FEHB enrollment; The employee dies, and there is a survivor annuitant eligible to continue FEHB enrollment; or The employee terminates or reinstates enrollment because of entry into or return from military service.

12.2.1.14. Each PRO (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee occupied a position the PRO serviced. The PRO must compute daily FEHB premium withholding and contribution rates as follows.

12.2.1.15. The PRO must record payments received or payroll deductions withheld in the OPM deposit fund for FEHB withholdings. If the employee separates, the PRO must offset the amount owed against any entitlements due. If the employee retires and final pay does not cover the debt, the PRO must use OPM Form 1522 to offset against a CSRS or FERS annuity and annotate the SF 2806 (CSRS) or SF 3100 (FERS) that the separating employee was indebted. There is no minimum amount subject to offset. The PRO must refund any duplicate payments that are later offset.

12.2.1.16. When an employee with a debt for unpaid FEHB premiums transfers to a different PRO, the PRO must show the date of last withholding and amount due on the SF 1150, Record of Leave Data. The gaining PRO must collect amounts due, pay them to the former employing office, and report them to OPM.

12.2.2. Retroactive Changes and Adjustment of Errors

12.2.2.1. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the coverage change the employing agency provided. The Barring Act (statute of limitations) under 31 U.S.C. 3702(b)(1) does not apply to these changes.

12.2.2.2. If the PRO overdeducts the FEHB premium owed by the employee, the PRO must refund the overdeduction to the employee and adjust the government contribution in a subsequent pay period.

12.2.3. Temporary Continuation of Coverage (TCC)

12.2.3.1. Once the HRO establishes TCC eligibility, the HRO must forward the election form to the National Finance Center (NFC), which administers the TCC program for DoW. The NFC notifies eligible individuals, provides benefit information, processes enrollment changes and cancellations, collects premiums, and sends them to OPM.

12.3 Allotments for Federal Flexible Spending Account Program (FSAFEDS)

12.3.1. Allotments for FSAs

12.3.1.1. Allotments withheld from the employee's pay must be forwarded to BENEFEDS on the same date payroll is paid.

12.3.1.2. Upon the employee's return to pay status, the PRO must restart the allotment. FSAFEDS recalculates future allotment amounts based on the number of pay dates remaining in the benefit period so the employee reaches the annual election amount.

12.4 Federal Employees Group Life Insurance (FEGLI)

12.4.1. FEGLI Premium Withholdings and Contributions

12.4.1.1. During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the employee's share of the FEGLI premium from biweekly pay. Premium withholding is subject to the following requirements.

12.4.1.1.1. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

12.4.1.1.2. If the employee's BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

12.4.1.1.3. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate, then prorate the annual rate over the number of pay periods in the year to determine the withholding amount.

12.4.1.1.4. The PRO must report FEGLI withholdings and contributions to OPM each pay period as described in Section 10. See 5 CFR 870, subpart D.

12.4.1.2. Withholdings must be made from an employee's salary when the employee is in pay status for any part of a pay period. If salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in Section 5. After all other required deductions are made, if pay is not enough to cover the full life insurance premiums, the amount withheld must first apply to Basic insurance, then any remaining pay must apply to Optional insurance (first Option B, then Option A, then Option C). See 5 CFR 870.404(f).

12.4.1.3. The HRO must review and determine insufficient pay when an employee's pay, after all other applicable deductions, is expected to be insufficient to cover the premiums for 6 months or more, and must notify the employee. The employee may reduce or cancel other deductions or reduce FEGLI coverage to increase available pay, or may elect to make direct payments to the employing office for periods of insufficient pay. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

12.4.1.3.1. The HRO must terminate all coverage if pay is not sufficient for any premium withholding.

12.4.1.3.2. If the employee has pay available to cover part of the premiums, the HRO must administratively terminate as much coverage as necessary to allow premium withholdings in the following order: Multiples of Option C, Option A, Multiples of Option B, then Basic insurance.

12.4.1.4. If the HRO terminated coverage administratively, the HRO must automatically reinstate FEGLI coverage when the employee's pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums as soon as the pay becomes sufficient.

12.4.1.5. Except as described at subparagraph 6.10.1, the PRO makes no FEGLI premium withholdings from back pay awarded to an employee determined to be erroneously suspended or terminated.

12.4.1.6. No insurance premium is withheld from the LSL payment when the employee separates from Federal service. If the employee has an established debt being collected for underpayment of premiums, the agency may collect the debt from the LSL payment.

12.4.2. PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI must obtain verification before paying beneficiaries of enrollees with $200,000 or more of FEGLI coverage, and will request the insured's current salary, annual salary (if different), and Optional insurance enrollment details, if applicable.

12.4.3. Retroactive Changes and Adjustment of Errors

12.4.3.1. If an employee receives a retroactive pay increase delayed beyond its effective date due to administrative error or oversight, and the increase raises life insurance premiums, the PRO must apply the increased premium deductions retroactively.

12.4.3.2. When the PRO erroneously overwithholds premiums from an employee's salary, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess government contribution.

12.4.3.3. When less than the proper amount of FEGLI premiums is withheld from an employee's salary, the underdeduction is an overpayment of regular pay that must be collected as a debt (see Volume 16); collection may be exempt from due-process requirements under 5 CFR 550.1104(c). The agency must submit the uncollected amount due, including government contributions, to OPM within 60 calendar days after the agency discovers the underdeduction, regardless of whether collection from the employee has been made. Government contributions must be adjusted when payment is received from the employee.

12.4.3.4. When the PRO must adjust withholdings for a separated employee, it withholds the adjustment from the final salary payment to the employee (or, if deceased, to the employee's beneficiary or estate).

12.5 Disability Insurance for Employees of the Uniformed Services University of the Health Sciences (USUHS)

Full-time civilian faculty appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory long-term disability insurance coverage. To participate, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee each contribute 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the plan.

12.6 National Guard Association of United States (NGAUS) Insurance Trust (IT) Program

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the NGAUS Insurance Trust (NGAUS-IT), which provides disability and life insurance through its underwriter, ReliaStar Life Insurance Company. Participating Technicians agree on the NGAUS-IT enrollment form to have premiums deducted from their biweekly pay. ReliaStar confirms enrollment approval and notifies the CSRs of deduction start dates, amounts, and any revisions due to age or salary changes; CSRs enter the deduction information into the DCPS. The PRO deducts premiums for the entire pay period regardless of the day of termination, and proration is not required.

12.7 Thrift Savings Plan (TSP)

12.7.1. Correction of Late Contributions

12.7.1.1. The PRO must submit late contributions to TSP as soon as the error is discovered and must show the "as of" date for the contributions. TSP calculates breakage for both employee and agency contributions per 5 C.F.R. 1605.15.

12.7.2. Correction of Employing Agency Errors

12.7.2.1. The PRO must issue written notification to the employee acknowledging that an agency error caused a smaller amount of employee contributions than should have been made. The notification must advise the employee that they may, but are not required to, elect a schedule to make up the deficient contributions through future payroll deductions. The employee has 30 days from receipt of the notification to set up a makeup schedule.

12.7.3. Corrections Following

12.7.3.1. The employee receives the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

12.7.4. Contributions Missed

12.7.4.1. The PRO must deduct USERRA makeup employee contributions from future pay. Employees must meet the conditions in 5 C.F.R. 1620.40. The allowable makeup amount is offset by amounts the employee contributed to TSP while performing military service, and total contributions must not exceed the IRS limit in effect for the year the contribution would have been made.

12.8 Post-56 Military Deposit

12.8.1. General

12.8.1.1. An employee may make a Post-56 Military Deposit in installments or a lump sum. Installments must be in whole dollar amounts of not less than $25 per pay period, except the last payment, which may be any amount to complete repayment. Unpaid balances accrue interest at the rate OPM sets through BALs. The employee must submit payments other than payroll deductions directly to pay.gov or to DFAS-Cleveland, ATTN: J3DCBB/559, 1240 East 9th Street, Cleveland, OH 44199. Payment must be a negotiable instrument payable to "Disbursing Officer." Mailed payments must reach the disbursing officer by the close of business on the last regular business day before the interest accrual date; the date of receipt by the disbursing officer, not the postmark, is the date of payment. The PRO computes interest on the unpaid balance on the employee's interest accrual date.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 9: "TRAVEL POLICY"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 9

TRAVEL POLICY

1.0 GENERAL

1.1 Overview

The policies addressed in Volume 9 apply to all personnel traveling under orders funded by the DoW. The scope and provisions in the volume align with the Joint Travel Regulations (***JTR***) which is the overarching directive for travel and entitlements.

This includes military members, civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoW invitational travel authorizations. Individual DoW Component travel implementing guidance remains in use to provide direction for travel order preparation, administration and accounting. General policy guidance to official travelers on transportation allowances is also provided.

1.2 Authoritative Guidance

Refer to the authoritative guidance document on the AskDFAS webpage.

1.3 Definitions

Refer to the Glossary of terms document on the AskDFAS webpage.

1.4 Procedures

Refer to the procedures document listed on the AskDFAS webpage.

2.0 VOLUME INFORMATION

The policies addressed in this section apply to all personnel traveling under orders funded by the DoW. This includes military members, civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoW invitational travel authorizations.

2.1 Additional Guidance

2.1.1. Additional guidance pertinent to the U.S. Air Force and Space Force is in the Department of the Air Force Instruction 24-602, Volume 1, Passenger Movement.

2.1.2. Additional guidance pertinent to the U.S. Navy is available in the Navy Passenger Transportation Manual (OPNAVINST 4650.15C CH-1).

2.1.3. Additional guidance pertinent to the U.S. Marine Corps is in the Marine Corps Assignment, Classification, and Travel System Manual (ACTSMAN).

2.1.4. Additional guidance pertinent to the use of Nonappropriated Funds is in the DoW Instruction 1400.25, Volume 1405.

2.2 Exceptions

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is the approving authority for exceptions to policy. Requests for exceptions must include a justification, a recommendation and approval from the appropriate DoW Component command channel at or above the level of the Deputy Chief Financial Officer (DCFO), OUSD(C). Send requests through the appropriate DoW Component to the Defense Finance and Accounting Service (DFAS), Director, Accounting and Finance Policy Division (DFAS-ZPT), 8899 E. 56th Street, Indianapolis, IN, 46249. DFAS-ZPF will review and recommend approval/disapproval to the DCFO, OUSD(C), who will make the final decision.

2.3 Effective Date of JTR Changes

See the information on "EFFECTIVE DATE OF REGULATION CHANGES" in the Introduction to the JTR for explanations of JTR effective dates. The DFAS-ZPT may release policy memorandums affecting Volume 9 that implement PDTATAC determinations, if necessary. These policy memorandums remain in effect until published in a change to Volume 9.

2.4 Responsibilities

The OUSD(C) has ultimate responsibility for the policies contained in Volume 9. The DoW Components may submit requests for changes to DFAS-ZPT. The DFAS-ZPT will review requests and initiate recommended changes to Volume 9 if necessary.

3.0 TRANSPORTATION ALLOWANCES

This section provides general policy guidance to official travelers on transportation allowances.

3.1 Use of Privately Owned Vehicle (POV)

An Authorizing Official (AO) may authorize, but cannot direct a traveler to use a POV in connection with travel on official Government business. This limitation also applies to travel as a passenger in a POV.

3.2 When POV Use is More Advantageous to the Government

POV use on a temporary duty (TDY) assignment is not automatically considered to be advantageous to the government.

3.3 Allowable Travel Time Policy

The standard DoW procedure for administering travel time for all DoW travelers is based on the official distance, the type of transportation authorized, and the transportation used.

3.3.1. Day of Arrival at the TDY Point. When the traveler is required to perform duty at the TDY point on the day of arrival, that day is a day of duty. Travel time is granted prior to that first duty day. When the traveler performs no duty at the TDY point on the day of arrival, that day is a travel day.

3.3.2. Day of Departure From the TDY Point. When a traveler is required to perform duty at the TDY point on the day of departure, that day is a day of duty. Travel time is granted after that last day. When a traveler is not required to perform duty at the TDY point on the day of departure from the TDY point, that day is a travel day.

3.4 First Class Or Business Class Accommodations

It is DoW policy that travelers using commercial air carriers for official travel must use economy or coach accommodations. This does not preclude the traveler from accepting a complimentary seating upgrade offered by the carrier.

3.5 Unused/Lost/Stolen Transportation Requests Or Tickets

If a traveler does not use the ticket (paper or electronic) for Government-procured transportation, the traveler must return that ticket to the TO/TMC. Travelers utilizing electronic tickets for which they do not have an issued boarding pass must return a copy of their itinerary to the TO/TMC. The traveler must complete and have the issuing authority (i.e., TO/TMC) sign an original and one copy of a ***DD Form 730***, Receipt for Unused Transportation Requests and/or Tickets, Including Unused Meal Tickets. The ***Standard Form (SF) 1170, Redemption of Unused Tickets***, may also be used if its use is in accordance with Service regulations. The traveler must attach a copy of the DD Form 730/SF 1170 (or other receipt) to the travel claim. If a traveler loses a paper ticket or transportation request, the traveler must contact the TO/TMC for assistance. A traveler remains financially responsible to the Government for the cost of a lost or stolen paper ticket or transportation request, regardless of fault or negligence. See ***31 U.S.C.§ 3711*** and Volume 16. If the travel order directs use of Government-procured transportation, do not reimburse the traveler for personally procured transportation unless the AO provides a statement to allow reimbursement. See ***DoW Instruction 5154.31, Volume 2***.

3.6 Involuntarily Relinquished Airline Accommodations

Penalty payments or credits issued by air carriers under certain provisions of their tariffs for failing to furnish accommodations for confirmed reserved space belong to the U.S. Government, and not the traveler. Travelers must request that the transportation carrier show "Treasurer of the United States" as the payee on the compensation check and forward the payment according to Service/DoW Agency directives.

3.7 Reimbursement for the Cost of Damages to Commercial Rental Vehicles

Rental cars covered by the DTMO rental car agreement include full liability and vehicle loss, and damage insurance coverage in the Government rate. Reimbursement or payment to the rental agency for damages must be made by the Government, or by the traveler if it is determined that the traveler was not within the scope of employment when the loss occurred. When Government reimbursement is approved, and extra collision insurance is not purchased or included in the basic rental contract (e.g., in accordance with DTMO negotiated agreements), the traveler may be reimbursed for personal funds paid to the rental agency for the full amount of damage sustained, or the deductible amount (when contained in the rental agreement), for a vehicle properly rented and damaged in the performance of official business.

3.8 Prohibition on Self Approval

Appointed AOs and approving officials may not approve their own vouchers for payment of local travel.

4.0 TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES

This section identifies the DoW financial management policies and guidance governing travel administration for travelers performing Temporary Duty (TDY) travel, and for travel advances.

4.1 Responsibilities

Departmental Accountable Officials (DAO) must be appointed and terminated using a DoW (DD) Form 577, Appointment/Termination Record - Authorized Signature.

4.2 Reviewing Officials

The person appointed as a reviewing official may not serve concurrently as a certifying or disbursing officer. Except where impracticable within afloat or tactical operating forces, persons appointed as reviewing officials must not be in the supervisory chain of command of a certifying or disbursing officer.

4.3 Certifying Officers.

Certifying Officers are pecuniarily liable under Title 31 United States Code (U.S.C.), section 3528 (31 U.S.C. § 3528). Also, see Title 41 Code of Federal Regulations (CFR) (41 CFR § 301-71.203) and Volume 5. Responsibilities for individuals appointed as Certifying Officers are applicable to both Defense Travel System (DTS) and non-DTS travel claims.

4.4 Responsibilities of Others Involved in the Travel Process

Government Travel Charge Card (GTCC) Agency Program Coordinators (APCs). APCs implement and execute the GTCC program. See DoW Instruction (DoWI) 5154.31, Volume 4 and the DoW GTCC Regulations for additional information and APC responsibilities.

4.5 Automated Information System (AIS) Administrators.

The AIS administrators operate and maintain systems to support travel management. They support the allowance, certifying, and disbursing systems.

4.6 Suspected False Claims Travelers

Suspected False Claims Travelers are liable under 18 U.S.C. § 287 and 18 U.S.C. § 1001, and the False Claims Act 31 U.S.C. §§ 3729 through 3731, if they knowingly submit false, fictitious, or fraudulent claims. When a suspected fraudulent claim is presented for payment, certifying officers or disbursing officers must follow the policies and procedures outlined in Volume 5.

4.7 Travel Orders

Travel orders are prepared in accordance with DoW Component management guidance and administrative instructions including the JTR, paragraph 010206 for Service members and civilian employees, and the JTR, paragraph 030501 for invitational travel authorizations. The travel order establishes in writing the conditions for official travel and transportation at government expense.

4.8 Funding

4.8.1. All orders, wherever possible, must be funded by the traveler's organization unless group orders or alternative methods are more efficient. If funding is to be provided by another office, the traveler's organization must obtain a fund cite from that office in an amount sufficient to pay for the travel prior to issuing travel orders.

4.8.2. In the event of a split-year funded trip, the traveler must return to his or her official duty station if no DoW Appropriation Act has been signed or continuing resolution has been enacted. Expenses incurred in returning to the traveler's duty station will be posted in the new fiscal year as necessary costs to close down operations.

4.9 Itinerary Variations

Variations Authorized. The authorization of travel variations should not be used in place of adequate advance planning, nor must they be used to grant an open travel authorization. Variations must be authorized in the order and are permitted only when considered mission essential in accordance with Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) Travel Orders.

4.10 Object Classification Accounting

Object Classification Accounting for TDY travel is accomplished through the use of a single object classification code. All TDY orders must be issued using the single object classification code of 21, “Travel and Transportation of Persons.” Temporary exemptions to the

mandatory use of the two-digit (21) object classification code to accommodate component-unique accounting requirements may be permitted only with the advance approval of the Under Secretary of Defense (Comptroller) or designee.

4.11 Registration Fees

All registration fees incurred while DoW travelers are on TDY travel must be charged to object classification code 21, "Travel and Transportation of Persons."

4.12 Travel Advances

4.12.1. Policy. Advance payment of travel allowances may be issued to Service members (37 U.S.C. § 452) and civilian employees (5 U.S.C. §§ 5705 and 5724). However, travel advances must not be authorized unless an exemption to GTCC use is granted in accordance with the GTCC Regulations, section 0406. Personnel who are exempted from mandatory use of the GTCC may obtain travel advances only via EFT. See section 5.0 for limitations on advances. The Commander or supervisor, in coordination with the disbursing officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission. See DoWI 5154.31, Volume 4 for additional guidance on the GTCC program. To determine if an individual is exempt from mandatory use of the GTCC, see the GTCC Regulations.

4.12.2. Cadets and midshipmen travel in accordance with the policies of the respective service academy. If a cadet or midshipman requires a travel advance or seeks settlement at a disbursing office.

4.13 Invitational Travel Authorizations

Travel advances may be authorized for travelers using invitational travel authorizations. The amount of the advance must be approved by the order-issuing AO and included on the invitational travel authorization. Limit advances to the authorized amount.

4.14 Travel Advance Limitations

When GTCC use is exempted in accordance with the GTCC Regulations, section 0406, DoW Components must limit travel advances to those estimated expenses that a traveler is expected to incur for authorized travel including travel incident to TDY, permanent duty travel (PDT) or civilian employee temporary change of station (TCS). This limitation applies to all advances. See Procedural Guide for more detailed information on advances.

4.15 Household Goods (HHG) Amount

4.15.1. Civilian Employees. An advance for the cost of HHG transportation must be limited to the cost of shipping the estimated weight of the civilian employee's HHG within the maximum weight for which a civilian employee is eligible at the applicable rate and distance shown in the commuted rate table. An advance for the cost of temporary storage must be limited

to the applicable commuted rate for the weight of HHG and period of storage, not in excess of 90 days and not in excess of the maximum HHG weight for which a civilian employee is eligible.

4.15.2. Service Members. An advance for the cost of HHG transportation is limited to 60 percent of the constructed cost of the personally procured move monetary allowance. See the JTR, subparagraph 051502.G.3.

4.16 Temporary Lodging Amount

4.16.1. Civilian Employees. Advances may be paid for Temporary Quarters Subsistence Expense (TQSE) in 30-day increments for subsistence expenses covered in the JTR, Table 5-84. The initial advance of funds for TQSE must not exceed the maximum amount allowable under the JTR, Table 5-85 for the first authorized period of 30 days or less. Thereafter, advances for subsequent 30-day periods may be paid as authorized by the DoW Component. When an advance is needed for the second and subsequently authorized 30-day periods, DoW Components should advise civilian employees to submit the request for advance in sufficient time to allow for processing, approval, and issuance of the advance. *

4.16.2. Service Members. An advance for the cost of Temporary Lodging Expense (TLE) may be paid for the average number of days that TLE is paid in connection with a PCS. See the JTR, paragraph 050602.

4.17 Dislocation Allowance (DLA)

DLA advance payments may be issued to Service members 30 days prior to travel rather than 10 days prior to travel as directed for other travel advances. All other conditions related to the advance payment and final settlement of travel allowances remain in effect.

4.18 Group or Charter Arrangements.

When payment for transportation under group or charter arrangements cannot be made to a carrier with Government-procured transportation documents, an advance may be paid based on the estimated cost of the transportation to be furnished.

4.19 Requesting an Advance.

4.19.1. Requesting an Advance. Subject to the conditions in subparagraph 4.19.2 an advance must, upon request, be paid to a civilian employee or Service member. The appropriate office must compute the amount paid. An exception to this requirement is authorized when individual travel orders are received via the Department of the Navy certified Automated Travel Order delivery system. An advance is subject to the conditions stated in the following subparagraphs:

4.19.2. Number of Advances Authorized. Ordinarily, only one advance may be paid for a specific purpose under the same travel order. An exception to this rule may be made for civilian employees or Service members on TDY in excess of 45 days aboard Navy ships or civilian employees or Service members on other TDY assignments under an individual travel order in

excess of 45 days at a place where there are no facilities available for processing travel vouchers. The total of the amounts advanced during the TDY assignment may not exceed the total amount authorized to be advanced in the traveler's orders.

4.20 Advance Repayment

4.20.1. General. A civilian employee or Service member who has received an advance must submit a travel claim voucher within 5 working days of the civilian employee's or Service member's return after the end of each trip so that settlement of the advance account can be made. The responsible settlement office that accounts for funds against which the advance is charged is responsible for settlement or collection action in accordance with the applicable Component's accounting or disbursing regulation. The DoW Components must implement internal controls to assure that:

4.20.1.1. Travelers with outstanding travel advances are notified of any delinquencies in filing vouchers and repaying outstanding travel advances, and

4.20.1.2. Outstanding travel advances and unpaid travel vouchers are reviewed and settled prior to an individual's separation.

4.20.2. Accounting for Advances. Accounting for advances for travel purposes, recovery, and reimbursements must be in accordance with procedures prescribed by the Government Accountability Office (GAO). See the GAO Policy and Procedures Manual for Guidance of Federal Agencies, GAO Title 7, Fiscal Guidance.

4.21 Advances for Service Member Separatees or Retirees

A Service member who is separating or retiring may be paid an advance through EFT incidental to separation/retirement no more than 10 days prior to the Service member and/or dependent(s) actual travel dates. Upon completion of the travel, a Service member who has received an advance must submit the travel claim to the appropriate settlement office.

4.22 Travel Status

4.22.1. General Travel. Status begins when a traveler departs the home or office and ends when the traveler returns to the office or home. See the JTR, paragraph 010203, and Appendix A.

4.22.2. Aircrew. Generally, aircrew travel status begins with take-off from the PDS and ends with landing at the PDS. See the JTR, subparagraph 010203.D.

4.23 Furnished Meals

4.23.1. Complimentary Meals Furnished by a Hotel. When a traveler is furnished a complimentary meal by a commercial lodging establishment for which a charge is not added in the lodging cost, that meal is not a deductible meal. There is no deduction from the M&IE rate regardless of whether the meal is consumed by the traveler. For rules concerning lodgings and

meals furnished by Government contract, see the JTR, paragraph 020304. Additional information on what constitutes deductible/non-deductible meals can be found in the JTR, Table 2-18.

4.23.2. Meals Furnished at Conferences. When some but not all meals are included in conference fees, the proportional meal rate applies on each day one or two meals are provided, except on travel days to and from the PDS. Light refreshments, including a continental breakfast, are a deductible meal when served at a mealtime (e.g., breakfast 0600-0800). Light refreshments served during a break (not at a mealtime) are not a deductible meal. See the JTR, subparagraphs 030201.B and 030201.C.

4.24 Government Quarters and Government Dining Facility Availability

Travelers are not required to obtain written non-availability statements before obtaining reimbursement for commercial lodging costs and the local M&IE rate. The availability of Government quarters, contract quarters, and dining facilities must be confirmed when a reservation request is made.

4.25 Temporary Duty (TDY) at an Installation

4.25.1. Military Personnel TDY to an Installation. Service members are required to check for Government quarters availability when TDY to a U.S. installation. Availability or non-availability documentation must be obtained per the JTR, paragraph 020303. Service members should use adequate available Government quarters when TDY to a U.S. installation; however, when adequate Government quarters are available on that U.S. installation and other lodgings are used, lodging reimbursement is limited to Government quarters cost. See the JTR, paragraph 020303.

4.25.2. Civilian Personnel TDY to an Installation. A civilian employee is encouraged, but not required, to use available Government quarters unless traveling to an ILP site. A civilian employee is required to use Government quarters at an ILP site. See the JTR, subparagraph 020303.B.2. If the electronic reservation system cannot reserve Government quarters, then make reservations through Department of Defense Lodging, or by contacting the Government quarters facility directly. In compliance with the requirement to exercise prudence when incurring expenses, civilian employees should exercise the same care in incurring expenses for Government travel that a prudent person would exercise if traveling at personal expense. An AO should request reduced per diem when a per diem rate is more than the amount necessary, based on known lodging or meal cost reductions in effect due to prearrangements, special discounts, or other reasons. The AO must request and authorize reduced per diem before travel occurs. Only a DoW Component head may authorize a reduced per diem rate for a civilian employee, except as otherwise specified in the JTR. See the JTR, paragraphs 010102, 020303, and 020308.

4.26 Special Status and Per Diem Rates

Reduced or zero per diem rates for a special status, such as field duty, sea duty, hospitalization, rehabilitation, and essential unit dining, take effect at 12:01 a.m. the day after the

traveler enters the status and ends at 12:00 a.m. the day preceding the day the traveler leaves that status. See the JTR, paragraph 020315.

4.26.1. Occasional Meals or Lodging. Occasional meals or occasional lodging may be authorized or approved when a traveler must either purchase meals from commercial or nonappropriated funds (NAF) sources, or obtain lodging through commercial, Government, or NAF sources when per diem is not otherwise authorized. See the JTR, paragraph 020305.

4.26.2. Travel Orders. Travel orders must identify the reduced per diem rates, availability or non-availability of Government quarters, authorization for Government or proportional meal rate as applicable, identification of special status, and reference to the letter or message in which they were established.

4.27 Consecutive TDY

4.27.1. Per Diem. Per diem is payable for the interval between two periods of TDY if the interval exists through no fault of the traveler and the traveler either remains at the first TDY location or travels to the next TDY location within the allowable travel time.

4.27.2. Authorized Delay En Route. A traveler may receive per diem if awaiting transportation at an authorized delay point between TDY locations. To attain savings to the Government, combine what would have been two separate TDY trips into one longer trip and provide for AD at an intermediate location. Per diem is payable for the interval between the two periods of TDY. The amount of per diem paid is based on the location of the AD.

4.28 Leave, Permissive TDY, or Administrative Absence In Conjunction with Funded TDY

4.28.1. Permissive/Administrative Travel Time. A traveler who takes leave, permissive travel, or an administrative absence before or after a funded TDY is entitled to travel allowances from the PDS to the funded TDY location and return to PDS. If the traveler takes leave, permissive travel, or an administrative absence between two TDY locations, the traveler is entitled to allowances for direct travel between the two TDY locations.

4.28.2. Travel Time When Using a POV. Permissive or administrative travel time is authorized when a traveler is authorized to travel by POV for personal convenience on funded TDY and reimbursement is based on a constructive schedule. Compute the allowable travel time based on the provisions of the JTR, paragraph 020302. Permissive or administrative travel time is not authorized when the orders direct a mode of transportation and that mode is available but not used. Per diem is not authorized for the additional period.

4.29 Return to the PDS During TDY

Authorized Return When a travel order authorizes return to the PDS, the traveler is authorized travel, transportation allowances, and per diem for travel from the TDY site to the PDS and return to the TDY site.

5.0 PERMANENT DUTY TRAVEL (PDT)

This section provides general policy for the preparation, submission, and processing of permanent duty travel (PDT) claims for travelers. There are a number of PDT benefits or allowances that DoW members and civilian employees may be authorized when traveling from one Permanent Duty Station to another at the direction of the Service or agency for which they are working.

5.1 Defense Travel System (DTS)

The DTS does not currently support PDT, and should not be used by DoW travelers for arranging travel or settling claims involving PDT.

5.2 Personally-Procured Move (PPM) Monetary Allowance

A Service member or a deceased member's next of kin may elect to personally-procure HHG transportation and be paid a monetary allowance of 100 percent of the Government's "Best Value" cost for the actual HHG weight transported up to the maximum authorized weight allowance. The member must have orders authorizing PDT, temporary duty (TDY) with HHG allowances, or a short distance HHG move in accordance with the JTR, section 0519. The TO will provide the member with a DoW (DD) Form 2278, Application for Personally Procured Move (PPM) and Counseling Checklist. This form shows the Government Constructed Cost (GCC) or contract cost for moving the HHG, based on a weight estimate provided by the traveler. A Service member, or next of kin who personally arranges for HHG transportation without going through a Government transportation office is responsible for all issues and costs related to circumstances outlined in the JTR, subparagraph 051502.A.

5.3 Actual Expense Reimbursement for Personally-Procured Shipment or Storage of HHG

5.3.1. Supporting Documents.

5.3.1.1. Receipts for expenses of $75 or more

5.3.2. Payment. If the claim is proper and supported by the appropriate documentation, the disbursing office must pay the claim.

5.4 Dislocation Allowance

DLA is paid to members as specified in the JTR, section 0505. If a change of grade occurs between the issue date of orders and the effective date of orders, a copy of the promotion/demotion orders may be submitted with the claim versus an amended order.

5.5 Effect of Assignment to Quarters

A member without dependents, who is above the pay grade of E-5, may receive DLA if the member elects not to occupy assigned quarters of the United States or a housing facility under the jurisdiction of a uniformed service, and the quarters or facility do not meet the minimum adequacy

standards established by the Secretary of Defense for members in such grade. Do not advance or pay DLA to a member under these circumstances without a statement from the gaining organization that assigned quarters do not meet the minimum adequacy standards. See the JTR, subparagraph 050505.B.

5.6 DLA Advance Payments

DLA advance payments may be issued 30 days prior to travel rather than 10 days prior to travel as directed for most other travel advances in Chapter 5. All other conditions related to the advance payment and final settlement of travel allowances as outlined in Chapter 5 remain in effect. Components may alternatively opt to authorize use of the Government Travel Charge Card (GTCC) for DLA expenses in accordance with the DoW GTCC Regulations, paragraph 040505.

5.7 Civilian Temporary Quarters Subsistence Expense (TQSE)

A DoW employee's PDT orders must authorize the initial TQSE period and specify whether the Lodgings Plus (LP) method or the Lump Sum (LS) method is authorized. Additional periods of TQSE (LP) require amended orders. The employee must provide a statement in advance selecting TQSE (LS), which certifies that TQSE expenses will be incurred. The disbursing office does not determine the number of TQSE days authorized. Receipts are required for all TQSE (LP) lodging expenses as specified in the JTR, Chapter 5, subparagraph 054206.C. Advances and payments for TQSE are based on the provisions of the JTR, Chapter 5, paragraph 054206.G.

5.8 Home Marketing Incentive Payment (HMIP)

The document submitted for payment of HMIP may be a locally-developed form used as an attachment to the travel settlement claim, DD Form 1351-2. The form, at a minimum, must contain the following information:

5.8.1. Employee’s name (last, first, middle initial);

5.8.2. Employee’s Social Security Number;

5.8.3. Employee’s present position, title, grade;

5.8.4. Employee’s current organization;

5.8.5. Employee’s current duty phone;

5.8.6. Computation of HMIP to include the final payment amount (the relocation services company must complete the amended sale transaction and submit the employee’s real estate invoice for payment before the computation can be completed);

5.8.7. Traveler’s signature; and

5.8.8. Order approving official’s signature.

5.9 HMIP Income Tax Considerations

HMIP is considered income, and a W-2 must be processed showing the taxes withheld and the employee income. No authority exists to pay either a withholding tax allowance (WTA), or a relocation income tax allowance (RITA) to offset the Federal, state, and local income taxes on the incentive payment. Payment offices must obtain an approved document (as described in paragraph 10.2) with a DD Form 1351-2 and a valid copy of PDT orders for payment.

5.10 Payment of Travel Vouchers Involving OCONUS Permanent Duty Assignment for DOW Civilian Employees

Proceeding To, or Round Trip Travel From, a PDS OCONUS. Reimbursement vouchers for travel to a PDS OCONUS under an original agreement, or for round trip travel from a PDS OCONUS under a renewal agreement, must be prepared upon completion of the travel and submitted to the travel computation office servicing the OCONUS station for payment.

5.11 Transfer From PDS OCONUS

When employees transfer from OCONUS duty stations, they must submit reimbursement vouchers to the travel computation office that supports the new duty station.

5.12 Returning From OCONUS Employment for Separation From the Service

5.12.1. General. Prior to departure from an OCONUS duty station, an employee who is being returned for separation for any reason must be furnished written instructions by the releasing activity on the following:

5.12.1.1. How to record trip itinerary,

5.12.1.2. Which travel expenses are reimbursable,

5.12.1.3. How to keep a record of these items, and

5.12.1.4. How to complete and sign documents that are to be forwarded for the purpose of finalizing pay and reimbursement of travel claims.

NOTE: Except as provided in subparagraph 11.3.2, the OCONUS releasing activity, in conjunction with the servicing travel computation office, must process final pay and settlement of travel claims for employees who are returned for separation.

5.12.2. Navy Employees. Travel claims of the following Navy employees must be submitted to the office that supports the location to which the employee returns:

5.12.2.1. Employees who are returned from OCONUS for separation under overseas agreements or for purposes of retirement, and

5.12.2.2. Foreign nationals who are returned to their places of residence in foreign countries for separation under employment agreements or for purposes of retirement.

5.12.3. Allowance Determination. The appropriate finance office must determine an employee's travel, transportation, and relocation allowances. The allowance determination must occur prior to processing the employee's separation. Travel, transportation, and relocation allowances previously furnished and/or to be furnished are computed by the activity where the violation occurred.

5.12.4. Statement of Liability or Credit. For each transportation agreement violation, the finance office must provide the employee with a statement of the employee's liability or credit that indicates in detail the liabilities, obligations, and credits (and an explanation of how the credits are used or applied). A copy is sent to the civilian personnel officer for inclusion in the employee's personnel folder. The employee must also be informed of the right to file a claim if he or she disagrees with the statement of liability or credit.

5.12.5. Collection. If the finance office determines that an employee is indebted to the Government, the office must immediately initiate collection action.

6.0 EVACUATION ALLOWANCES

This section provides general financial policy for evacuated military/uniformed member dependents and civilian employees and/or their dependents.

6.1 Orders

Copies of the departure orders support evacuation advances and payments. If departure orders are not available, refer evacuees to the local personnel organization. The Defense Travel System does not support evacuation travel. For more information see the Defense Travel Management Office's ***"Who may use the Defense Travel System"*** document.

6.2 Evacuation From Foreign Locations

6.2.1. Military Member Dependents. The JTR, Chapter 6, sections 0602 and 0603 cover allowances for the dependents of Service members authorized or ordered to evacuate from locations outside the continental United States. Uniformed members are not evacuated; however, they may be issued orders for temporary duty (TDY) travel as required.

6.2.2. DoW Civilian Employees and/or Families. Title 5, United States Code (U.S.C), section 5725 (***5 U.S.C. § 5725***) provides authority for transportation at the Government's expense for an employee's dependents and household goods to a safe haven location when an evacuation is authorized or ordered. The JTR, Chapter 6, section 0604 addresses regulations governing evacuations from foreign areas. ***Title 5 U.S.C. § 5522*** provides authority for advance pay, allowances, and differentials when an employee and/or their dependents are authorized or ordered to evacuate the employee's permanent duty station. The DSSR, section 600, "Payments During

An Ordered/Authorized Departure" relates to the evacuation of civilian employees of the United States and their dependents from or within any foreign area.

6.3 Evacuations From United States and Non-Foreign Outside the Continental United States (OCONUS) Locations

6.3.1. Military Member Dependents. The JTR, Chapter 6, sections 0602 and 0603 cover allowances for the dependents of Service members authorized or ordered to evacuate from locations within the United States. Uniformed members are not evacuated; however, they may be issued orders for TDY travel as required.

6.3.2. DoW Civilian Employees and/or Families. Evacuations within the United States and non-foreign OCONUS locations (including evacuations during a pandemic health crisis) are administered under authority cited in 5 CFR 550.401 through 550.409.

6.4 Finance Office Guidance

The finance office that supports the evacuation point or safe haven area must assist any evacuated traveler with all financial matters.

6.5 Claims

6.5.1. Claims Preparation. All claims for payment of evacuation allowances should be submitted to the appropriate supporting DoW component. The supporting finance office must assist evacuees with claim preparation.

6.5.2. Payment Method. Initial evacuation advance payments are usually mass evacuation payments. Finance offices are encouraged to use DoW ***(DD) Form 1351-6***, Multiple Payments List, as a supplement to ***DD Form 1351-2***, Travel Voucher or Subvoucher, to expedite payments. However, this alternative payment method does not lessen the need for proper documentation. Payments to dependents must be made only upon presentation of a valid travel order issued by a competent authority.

7.0 PROCESSING TRAVEL CLAIMS

This section provides general policy to travelers for the preparation, submission, and processing of travel claims for electronic submission through the DTS and for PDT and Temporary Duty Travel forms for hard-copy submission.

7.1 Payment Method

Electronic funds transfer is the mandatory travel-claim settlement method within DoW. Split disbursement -- direct EFT payment to the Government Travel Charge Card (GTCC) contractor for GTCC charges and to the cardholder for any residual amount -- is also mandatory. Supervisors may authorize an alternative payment method in limited cases where the traveler lacks access to a financial institution capable of receiving EFT transmissions.

7.2 Adjustments of $10 or Less

The Disbursing Officer (DO) must pay the traveler all amounts due on the original settlement claim. The DO is not required to collect amounts of $10 or less on final settlement or on an overpayment of $10 or less subsequently detected. The DO must process supplemental payments of $10 or less only when specifically requested by the traveler.

7.3 Over Advances

If upon a travel-claim settlement the DO determines that a traveler received an excessive advance and the excess is greater than $10, the DO must issue a letter of indebtedness and provide the traveler an opportunity to repay the excess immediately. If immediate payment is not made, the DO must initiate collection action per DoW FMR Volume 16.

7.4 Overpayments

If the DO detects an overpayment greater than $10, the DO must issue a letter of indebtedness requesting remittance. The traveler must pay the indebtedness within 30 calendar days of the notification date; otherwise, the DO must initiate collection action per DoW FMR Volume 16.

7.5 Income Taxation of Reimbursable TDY Allowances

When a civilian employee performs a TDY assignment at one location for more than a year, the Internal Revenue Service (IRS) considers the duty station to be permanent, and any reimbursement (e.g., per diem) is considered taxable income (see ***Title 26, United States Code (U.S.C), section 162(a)*** and ***Internal Revenue Ruling 99-7***). The IRS may consider a TDY assignment at one location for less than a year to be permanent, depending upon the specific circumstances. Travel Authorizing Officials must determine, IAW the JTR, paragraph 010206, that the assignment is not a Temporary Change of Station (TCS) or a Permanent Change of Station (PCS) move before authorizing a long-term TDY assignment away from the permanent duty station (PDS) for more than 180 days. When TDY reimbursements are taxable income, the travel office must compute all applicable tax withholdings, deduct them from the traveler's claim(s), and issue an IRS Form W-2, Wage and Tax Statement, to the traveler. The IRS Form W-2 must include income and the tax withholding amounts. Civilian employees who perform long-term TDY assignments for which TDY allowances are taxable are also authorized an Extended TDY Tax Reimbursement Allowance (ETTRA) IAW the FTR, Part 301-11, Subpart F. At a minimum, travelers will submit a DoW (DD) Form 1351-2, Travel Voucher or Subvoucher, a copy of their travel orders, and the IRS Form W-2 issued from the travel settlement office to claim the ETTRA. NOTE: The traveler must submit travel claims involving taxable TDY allowances on a DD 1351-2 to the appropriate travel settlement office. DTS does not compute claims involving income taxes; do not use DTS in these instances.

7.6 Claim Preparation

7.6.1. Completion. The traveler is responsible for preparing their DD 1351-2 to claim reimbursement for official travel. Even when another party prepares the claim, the traveler retains responsibility for the truth and accuracy of all information. When the traveler or a legally appointed designee signs the form, the traveler attests that all statements are true and complete and acknowledges liability for filing a false claim. All claims and attached statements must be completed in ink, by typewriter, or by computer-generated form.

7.6.2. Reimbursements for Other Traveler's Expenses. Reimbursement to travelers for expenses incurred by other travelers is prohibited. Travelers are reimbursed only for expenses they themselves incur. Approving Officials, Authorizing Officials, and Certifying Officers must deny all travel claims that include expenses of other personnel. Approving such a claim subjects the approving official to potential pecuniary liability (see Chapter 5, paragraphs 2.1 and 2.2).

7.6.3. Statements for Common Carrier Reimbursement. When a traveler claims reimbursement for common carrier transportation paid in cash, the traveler must include the following statement on the claim: "I hereby assign to the United States any rights I may have against other parties in consideration with any reimbursable carrier transportation charges described herein."

7.7 Other Instructions

The traveler must attach all lodging receipts regardless of amount and receipts for all other expenses of $75 or more to the claim. If a receipt is impracticable to obtain or has been inadvertently lost or destroyed, the traveler must provide a written statement explaining the circumstances.

7.8 Authorizing Official Responsibilities

7.8.1. The AO must confirm authorized travel and ensure the following before reviewing and signing a travel claim:

7.8.2. Approving Items. Before approving an item involving a transportation mode not authorized in a travel order, the AO must require the traveler to explain the necessity for that mode on the claim. When a traveler claims a POV expense under orders authorizing travel by common carrier or Government vehicle and the travel-approving official does not determine that POV use is in the Government's best interest, reimbursement is limited per JTR paragraphs 020210 and 020302. An AO may also approve:

7.8.3. Items Requiring Advance Authorization. The following items require advance authorization and may not be approved after the fact on the travel claim:

7.8.3.1. Use of reduced fares for group or charter arrangements,

7.8.3.2. Payment of a reduced per diem rate for subsistence expenses,

7.8.3.3. Acceptance of payment from a nonfederal source for travel expenses, and

7.8.3.4. Travel expenses related to attendance at a conference.

7.9 Review

7.9.1. The traveler must submit original lodging receipts regardless of amount.

7.9.2. The traveler must submit receipts for all single expense items of $75 or more.

7.10 Submission of Travel Claims

Travelers must submit all TDY and PDT travel claims within five working days of return to, or arrival at, the PDS. For extended TDY over 45 days, and for reservists on Annual Training, Active Duty Training, or Inactive Duty Training known to exceed 45 days, travelers must submit a claim for each 30-day period within five working days after that period ends.

7.11 Travel and Transportation for Funeral Honors Detail

Funeral honors duty travel allowances may be authorized for Reserve Component (RC) military members and individuals not employed by the Government per the JTR. Claims for the Funeral Honors Duty Allowance $50.00 stipend authorized in Volume 7A, Chapter 58, and Volume 7B, Chapter 22, are not travel allowances and must be submitted to and paid through the appropriate Military Pay office.

7.12 Separated or Retired Members

7.12.1. A separated or retired member who has not received an advance must forward the claim to the disbursing office responsible for that person's pay accounts before separation or retirement. The DO must pay all claims submitted within one year of separation or retirement. The disbursing office supporting U.S. Marine Corps separatees or retirees must pay all claims submitted within 60 days of the month of separation or retirement. Claims received after these filing periods must be forwarded to the applicable Service address:

Army: Defense Finance and Accounting Service (DFAS),
ATTN: Travel Pay, MilPCS,
325 Brooks Road, Rome, NY 13441-4501

Navy: Travel Processing Center at the separatee's or retiree's separation point

Air Force: Member's last servicing Financial Services Office (FSO)

Marine Corps: Member's last servicing Finance/Disbursing Office (FO/DO)

7.12.1.1. Officers. Travel allowances payable to a separating or retiring officer must be applied to offset any indebtedness to the Government when paid as an advance or settlement.

7.12.1.2. Enlisted Personnel. Travel allowances payable in advance to separating or retiring enlisted personnel for personal travel home may not be applied to offset any debts to the Government. Travel allowances payable to enlisted members after they have returned home must be withheld and applied against their debts.

7.12.1.3. Dependents and Household Goods Claims. Advances and settlements of dependent travel allowances and household goods allowances must be withheld and applied to indebtedness to the Government.

7.13 Deceased and Next of Kin

7.13.1. Attendance at a Deceased Member's Memorial Ceremony

7.13.1.1 Claims. ITAs must be issued to eligible family members attending a memorial service. The traveler must complete this trip within 2 years following the member's death, unless the Service Secretary waives the time limitation.

7.13.2. Unsettled Claims for Deceased Travelers. The individual designated by the Service to settle a deceased member's affairs is responsible for preparing the travel claim for the deceased member's travel. The finance official computes and forwards all claims to the supporting DFAS/Service site (see paragraph 6.6.4 for address) for payment or collection. For deceased civilian employees, the surviving spouse, legal representative, executor, or administrator must sign any outstanding travel claims; the travel office computes these claims locally. Travel settlements for GTCC holders are subject to split disbursement per 10 U.S.C. § 2784(a) and the DoW GTCC Regulation. Following payment to the GTCC issuer, any remaining expense reimbursement must be forwarded to the member's or civilian employee's pay activity for inclusion in the death claim payment. All reimbursements for non-card holders must likewise be forwarded to the appropriate pay activity for inclusion in the death claim payment.

7.13.3. Claims for Dependents of Deceased Members. If classification of a TDY order is necessary, the order must be classified, marked, and handled per the applicable DoW Component security regulation.

7.14 Travel Under Classified Orders

If classification of a TDY order is necessary, classify, mark, and handle the special order according to the applicable DoW Component security regulation.

7.14.1. Voucher Support. Distribute classified orders only to persons with the proper clearance who require a copy of the order. An unclassified extract from a classified order may support the payment voucher if it provides sufficient information, permitting an unclassified travel claim. For classified locations, the traveler must indicate each location in the travel claim itinerary

as site 1, site 2, and so forth. The DO must pay the claim when the per diem rate can be applied. If the disbursing official does not have knowledge of the location, or the traveler declines to show the location, the DO must process the travel claim and documentation per Service instructions.

7.15 Navy Oceanographic Office

The disbursing office of the ship must pay travel claims of civilian employees of the Navy Oceanographic Office for travel aboard survey ships when presented before completion of travel. The disbursing office of the traveler's duty station must pay travel claims filed after return to the traveler's duty station.

7.16 U.S. Coast Guard

7.16.1. Coast Guard members who travel on orders citing DoW appropriations must file travel claims using the same procedures as active-duty DoW members at the disbursing office of the unit whose funds are cited. Disbursing offices must settle these vouchers on the same basis as those of any other member. If excess travel time is involved, forward a copy of the settlement voucher to:

Commanding Officer (TVL)
U.S. Coast Guard Pay and Personnel Center
444 SE Quincy Street
Topeka, KS 66683-3591

7.16.2. U.S. Coast Guard Travel on Other Than DoW Appropriations When a Coast Guard member requests a travel advance or settlement payment on orders citing a non-DoW appropriation, the disbursing officer may provide payment and seek reimbursement from:

Commanding Officer
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA 23326-1000

7.17 Travel and Living Allowance (T&LA) for International Military Students and Guest Instructors.

International Military Students and Guest Instructors paid Travel and Living Allowance (T&LA) as defined in DSCA Manual 5105.38-M (Security Assistance Management Manual), Chapter 10, must submit travel claims along with copies of their travel orders/authorization and required receipts to the appropriate travel settlement office per DSCA Manual, Chapter 10, Section C10.13.

7.18 Advance Decision, Doubtful Claims and Reclaim or Reconsideration Requests

7.18.1. Request for Advance Decision

A DoW (DO) or certifying officer may request an advance decision on any questionable claim presented for payment. Accountable officials and others with final adjudication responsibility may also request an advance decision on doubtful claims (those involving doubtful questions of law or fact) before a claim is prepared or presented. The request must be prepared and submitted per Volume 5. Submit the original request package and two copies to the DFAS Indianapolis office through the supporting DFAS site for the DoW Component funding the travel order. An accountable officer seeking an advance decision on a JTR interpretation issue must forward the request through the Per Diem Travel and Transportation Allowances Committee. Forward requests to the applicable address:

Army, Marine Corps, Navy, and all Defense Agencies:

DFAS-IN/JJFKCE, (ESS Travel Pay
8899 East 56th Street,
Indianapolis, IN 46249

Air Force: Member's last servicing Financial Services Office (FSO)

7.18.1.1. Amounts Over $250. The supporting DFAS site must review each advance decision request and contact the DO to resolve any questions. Requests for amounts over $250 require advance decisions by the Defense Office of Hearings and Appeals (DOHA) for Service members and the Civilian Board of Contract Appeals (CBCA) for DoW civilian employees. All requests for advance decisions must be forwarded through the General Counsel of the requesting Component or DFAS to the General Counsel, DoW, before referral to any authorized official outside DoW (see Volume 5, Chapter 12, Section 3.0).

7.18.1.2. Amounts Under $250. If the advance decision request is for $250 or less, the General Counsel, DoW, may refer the request to the General Counsel, DFAS. The General Counsel, DFAS, must review the request and issue an advance decision per DoWI 1340.21, Enclosure 8, paragraph E8.5.3.

7.19 Reconsideration Requests and Reclaims

When the travel office makes an allowance determination that the traveler disagrees with, the travel office must issue the traveler a written explanation and advise the traveler of the right to have the claim reconsidered. If the traveler does not accept the explanation, the DO must assist with resubmission of the claim. To have a claim reconsidered (see exceptions in paragraph 8.4), submit:

7.19.1. Submit a letter of position from the travel computation office, through the major Command, to the appropriate DFAS site. The DFAS site must respond to the DO or traveler. If the traveler does not accept the decision, the DFAS site may forward the claim as a reclaim or appeal to DOHA or the CBCA. A reclaim or appeal is forwarded because the claimant is

unwilling to accept the decision, not because the travel office or accountable official has doubts about whether the claim should be paid. The travel office or accountable official must forward such claims through the appropriate DFAS site to DOHA for Service members and to CBCA for DoW civilian employees at the following addresses:

Defense Office of Hearings and Appeals (DOHA), Claims Division
PO Box 3656
Arlington, VA 22203-1995

Civilian Board of Contract Appeals (CBCA)
ATTN: Clerk of the Board
1800 F Street, NW
Washington, DC 20405

7.20 Waivers

Travelers or Components must submit waiver requests for erroneous travel payments and transportation allowances to the DFAS Indianapolis site. See Volume 16, Chapter 4, for waiver processing procedures.

7.21 Unions and Third-Party Review

When a traveler's claim is covered by a collective bargaining agreement, neither the Department, the Office of Personnel Management, the CBCA, nor DOHA has jurisdiction over the claim unless the collective bargaining agreement explicitly excludes travel claims from its grievance procedure.

7.22 Claim for Late Payment Fee

7.22.1. Submission of Travel Claim. Travelers must submit a properly prepared travel claim to their supervisor/approving official within five working days after completion of travel. The disbursing office must pay the travel claim within 30 calendar days after the claim is signed and dated as received by the supervisor/approving official. The supervisor/approving official or the travel computation office has seven calendar days to notify the traveler if the travel claim is not proper or complete for payment.

7.22.2. Late Payment Fee and Charges. If the disbursing office does not pay a travel claim within 30 calendar days after the approving office receives it, that office may be required to pay a late payment fee. The fee accrues at the Prompt Payment Act interest rate beginning on the 31st day after the submission of a proper travel claim and ending on the date the Government disburses payment. No fee is required for amounts less than $1.00. Interest payment funding instructions are in Volume 10, Chapter 7, paragraph 2.9. The Government must also pay the traveler an amount equal to any late payment charge the card contractor would have been able to charge had the traveler not paid the bill. The IRS has determined that the late payment fee is reportable as interest and that the equivalent of the late payment charge is reportable as additional wages. Travelers must also be reimbursed for late fees imposed by the bank when the Government's untimely processing

caused the nonpayment; the bank does not assess late fees until 75 days following the billing statement.

7.22.3. Claims for Late Payment Fees. Late payment fees must be calculated and paid at the time the travel claim is processed. Travelers who believe late payment fees were not included in their travel claim calculation may submit supplemental travel claims for late payment fees. Claimants must submit each supplemental claim through the office where the claim is reviewed and approved. That office must annotate the claim with the date of receipt of the original travel claim.

7.22.4. Receipt of Travel Claim for Late Payment Fee. Upon receipt of a travel claim for a late payment fee, the travel computation office must review the claim and calculate the number of elapsed calendar days beginning with the supervisor/approving official's signature and date of receipt and ending with the date the claim was paid. The date the supervisor/approving official receives the proper travel claim counts as day 1; the payment date counts as the last day. If the elapsed days exceed 30 calendar days, the travel computation office must multiply the amount paid on the delayed travel claim by the daily Prompt Payment Act interest rate by the number of days in excess of 30. The disbursing office must pay the traveler by EFT, or by check if the previous payment was by check. The disbursing office must use the same accounting classification as the original travel claim for the supplemental claim amount. When required, the disbursing office must prepare IRS Form 1099-INT (Interest Income) for the traveler per IRS regulations.

7.22.5. Travel Claim Forwarded to Another Activity. When a travel claim requires review by another activity, the 30-day clock continues to run. If the travel computation office disallows a claim, the claimant earns no late payment fee. If the travel computation office allows part of the claim, that portion is subject to the late payment fee and earns interest from the original submission date. Claims returned to the traveler for errors or because the claim is incomplete do not earn interest. The 30-day clock begins when a corrected claim is submitted to the supervisor/approving official.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 10: "CONTRACT PAYMENT POLICY"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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September 2026

VOLUME 10

CONTRACT PAYMENT POLICY

1.0 GENERAL

1.1 Purpose

Volume 10 establishes the financial management policy for the entitlement, computation, certification, and disbursement of payments to vendors, contractors, and other payees under Department of War contracts and related instruments. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.2 Authoritative Guidance

Please refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Please refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Please refer to the Volume 10 Supplemental document listed throughout this volume.

2.0 FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

2.1 GENERAL

2.1.1. DoW officials must ensure DoW organizations maintain control of payments to vendors and contractors. Internal control and limitation requirements ensure payments are based on the terms and conditions in accepted purchase orders, contracts, and unilateral and bilateral modifications.

2.2 INTERNAL CONTROLS

2.2.1. Per the Federal Managers' Financial Integrity Act (FMFIA), the DoW Component Head must establish controls that reasonably ensure obligations and costs comply with applicable law; that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and that revenues and expenditures are properly recorded to permit reliable financial reporting and accountability over assets.

2.2.2. Financial managers must develop detailed policies, procedures, and practices for contract and vendor pay entitlement operations and ensure they remain a continuous, integral part of ongoing operations, consistent with the Government Accounting Office (GAO) Standards for Internal Control in the Federal Government and Office of Management and Budget (OMB) Circular A-123, Appendix D.

2.2.3. DoW must make timely and accurate payments and collections per applicable laws and regulations, including requirements to identify, report, and reduce improper payments. Financial managers responsible for internal controls must:

2.2.3.1. Create, document, and maintain an organizational structure and business processes that appropriately segregate assigned duties, emphasize adherence to policies and procedures, and use sound internal accounting and system access controls.

2.2.3.2. Implement finance and accounting systems that comply with the federal financial management systems requirements, maintain accurate and complete accounting and entitlement records from contract execution through closeout, and monitor the causes of late payments and interest penalties. Subject any effort to develop or modify a critical financial management system to the compliance process.

2.2.3.3. Establish systematic controls that provide adequate audit trails to trace financial events from source documents to general ledger account balances through successive levels of summarization and financial reports and statements. Ensure all transactional data is accurately coded and errors are researched and corrected.

2.2.3.4. Use electronic processes and digital signatures, as prescribed by OMB Circular A-130, Appendix II, whenever possible and in the best interest of the Government.

2.2.3.5. Use systems that ensure the authenticity of electronically transmitted data, including the electronic signature. These controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected.

2.2.3.6. Ensure prevalidation and payment documentation to vendors and contractors is retained per Volume 1 and readily available to support future audits. Retain original payment documentation and associated supporting documentation per Section 8.0. The documentation must be of sufficient quality to let an independent third party understand and verify the basis of the prevalidation and the payments. Electronic record storage requires adequate controls to ensure digital images accurately represent the corresponding paper documentation and to detect changes to an original digital image. The certifying officer must retain documentation, both paper and electronic.

2.2.3.7. Implement finance and accounting data structures that comply with the Standard Financial Information Structure (SFIS) and the Standard Line of Accounting (SLOA).

2.2.4. Managers responsible for determining entitlements, authorizing, or executing payments and collections must:

2.2.4.1. Periodically (minimum annually) validate cash management and payment performance quality and effectiveness.

2.2.4.2. Periodically (minimum annually) test the effectiveness of internal controls, document the results, and take necessary corrective actions.

2.3 PREVALIDATION

2.3.1. General Prevalidation

2.3.1.1. Before payment, the undisbursed balance of each applicable obligation must be sufficient to cover the planned disbursement and all previously scheduled disbursements.

2.3.1.2. Prevalidation must validate the line of accounting on the planned disbursement against that on the obligating document before the financing or invoice payment is made.

2.3.2. The following prevalidation thresholds apply to Non-Mechanization of Contract Administration Services (non-MOCAS) and MOCAS payments.

2.3.2.1. All non-MOCAS payments must be prevalidated.

2.3.2.2. The following prevalidation thresholds must be used for MOCAS payments:

2.3.2.2.1. All dollar value payments on contracts awarded after fiscal year (FY) 2004 must be prevalidated.

2.3.2.2.2. For contracts issued during FY 2004 and prior, payments greater than $5,000 must be prevalidated.

3.0 DISCOUNT OFFERS AND REBATES/REFUNDS

3.1 POLICY

3.1.1. Discounts

3.1.1.1. Per 5 Code of Federal Regulations (CFR) 1315.7(a), when a vendor offers a DoW Component a discount, whether stipulated in the contract or offered against an invoice, the Component must take the discount if economically justified, but only after acceptance of the goods or services. Federal Acquisition Regulation (FAR) 32.111(b) requires FAR 52.232-8, "Discounts for Prompt Payment," in all fixed-price supply and service contracts. The contractor may extend the discount period or increase the discount percentage beyond a previous offer. The offer may be written or, for specific invoices, oral. For an oral offer, the entitlement office must attach to the invoice a conversation record showing the name, position, and telephone number of the person offering the discount, the discount terms, and the date of the offer. The entitlement office may require written confirmation of the oral offer.

3.1.1.2. Entitlement offices must schedule discounted payments as close to, but not later than, the last day of the discount period. Per 5 CFR 1315.4(h), payment is considered made on the date printed on the check or on the electronic funds transfer settlement date. If the payment office cannot apply the discount, it must make payment per the payment due date guidelines in 5 CFR 1315.4(g).

3.1.1.3. Components must take cash discounts when the discount terms applied in the conversion formula yield an effective annual discount rate equal to or greater than the Current Value of Funds Rate (CVFR), calculated with the Fiscal Service Discount Calculator. DoW Component payment systems must build in processes that take cash discounts as a matter of routine, without special handling.

3.1.1.4. When the discount terms in the contract and the invoice differ, DoW Components must take the most cost-effective discount.

3.1.1.5. Compute discounts on the approved gross amount of the invoice, except as follows.

3.1.1.5.1. Deduct separately listed taxes or freight charges.

3.1.1.5.2. Deduct taxes that are not proper charges under international or status-of-forces agreements.

3.1.1.5.3. Compute the discount on the actual cash balance due when there is a trade-in.

3.1.1.5.4. When the entitlement system can trace and pay individual line items on an invoice, the invoice may be split into multiple payments. Each line item must meet the receipt and acceptance requirements to take the discount offered against the invoice.

3.1.1.5.5. When a contract or purchase order modification changes or adds discount terms, take the discount on any later payment made by the new or revised discount date.

3.1.1.6. Discounts may be taken on amounts legally withheld and later released if related amounts were paid per the discount terms. The discount period for the released payment begins when the entitlement office receives notice of the release.

3.1.1.7. The following requirements apply when liquidated damages apply and a contract for supplies, services, research and development, or construction includes FAR 52.211 - 11, FAR 52.211-12, or DFARS 252.217-7009.

3.1.1.7.1. When liquidated damages apply and the contract or invoice offers a discount for early payment, compute the discount on the gross contract price without regard to the liquidated-damages amount.

3.1.1.7.2. When liquidated damages apply to a modified price and the contract offers a discount for early payment, compute the discount on the modified price without regard to the liquidated damages.

3.1.1.8. After a progress payment is made, the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments.

3.1.1.8.1. When the discount terms are met, take the discount against the gross amount of the invoice. If the discount date is not met, take the discount only against the liquidation amount.

3.1.1.8.2. If the contractor has had the use of these progress payments, the payment office is entitled to take a prompt payment discount on them when they are recouped.

3.1.1.8.3. If the discount is offered for the first time on an invoice and the contract has no discount clause, do not take the discount on the progress payment liquidation portion of the invoice.

3.1.1.9. A contractor may offer a voluntary discount after contract completion, including final payment. Voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after contract completion as rebates; deposit them in the Miscellaneous Receipts Account of the Treasury.

3.1.1.10. When contracts have Free on Board Origin terms, payments made before delivery of supplies to the carrier or to the destination are entitled to the discount offered on the contract.

3.1.1.11. Components must track the amount of discounts lost, or not taken, as part of their overall payment operations. Entitlement or disbursement systems must be able to identify and periodically report discounts lost to management for assessment and appropriate corrective action.

3.1.1.12. Components must retain documentation supporting discount transactions per Volume 1 and keep it readily available to support audits. The documentation must let an independent third party understand and verify the basis of the entitlement and the determination of a discount.

3.1.2. Rebates/Refunds

3.1.2.1. Components must maintain internal controls and procedures to maximize sales/productivity refunds and to identify and collect corrective rebates. Components must retain documentation supporting rebate/refund transactions per Volume 1 and keep it readily available to support audits. The documentation must let an independent third party understand and verify the basis of the rebates/refunds.

3.1.2.2. Pay GPC billing statements as soon as administratively possible when the rebate offered exceeds the cost of funds defined in 5 CFR 1315.8. The Defense Finance and Accounting Service must determine and make available, as needed, GPC payment data comparing the Current Value of Funds to the rebate discount points for the payment cycle day. Components and the payment office must use this data for a cost-benefit analysis of the cost of early payment (the interest the DoW would earn at the CVFR for each day payment is not made), comparing the basis points offered by the card issuer against the corresponding basis points of the Treasury CVFR. DoW Components must forward approved GPC billing statements to the payment office in time to process the payment, receive a rebate for early payment, and avoid interest penalties per 5 CFR 1315.8.

3.1.2.3. The charge card issuer must calculate the rebate and return it to the DoW customer designated in the contract. DoW Component entities that receive and use rebates/refunds must employ internal controls and procedures to ensure rebates are received when due under their GPC contract and are calculated properly.

3.1.2.4. Per 10 U.S.C. 4754, DoW rebates attributable to GPC use may be credited to operation and maintenance and/or research, development, test, and evaluation accounts that are current when the rebates are received. For example, a rebate received in the new fiscal year against

a bill paid in September of the prior fiscal year may be credited to the account(s) current after October 1 of the new fiscal year. This includes the operational portion of a nonappropriated or working capital fund account.

4.0 CONTRACTUAL CLAIMS

4.1 INTERNAL CONTROLS

Internal controls must prevent duplicative or erroneous payments (for regulatory compliance, refer to Section 2.0). Managers responsible for determining entitlements, authorizing or executing payments, and performing collections must perform periodic (minimum annual) risk assessments per the GAO's Standards for Internal Control in the Federal Government and OMB Circular No. A-123, to ensure sufficient management controls keep DoW funds spent appropriately and per all applicable laws and regulations. Refer to Volume 4, for additional guidance on improper payments and related risk assessments.

4.2 RETENTION

The certifying officer must retain payment documentation, both paper and electronic. Electronic record storage requires adequate controls to ensure digital images accurately represent the corresponding paper documentation and to detect changes to an original digital image. Refer to Volume 1, Figure 9-1 for DoW financial records retention policy. Title 44, U.S.C. § 2909 prescribes the authority to retain records longer than specified in the U.S. National Archives and Records Administration, General Records Schedules.

4.3 ASSIGNMENT OF CLAIMS

4.3.1. Conditions

4.3.1.1. If an agency pays a party other than the assignee when a properly filed and approved assignment of claims is on record, the Government may incur liability to the assignee.

4.3.1.1.1. When such an error occurs, the agency remains liable to the assignee for the amount of the payment, subject to potential defenses.

4.3.1.1.2. The agency must initiate collection against the payee for any erroneous payment.

4.3.2. Actions Required for Assignment of Claims

4.3.2.1. If the Administrative Contracting Officer (ACO) determines the assignment is valid, the disbursing officer of the designated payment office must acknowledge the notice of assignment and take the following actions:

4.3.2.1.1. Authorize payment to assignees only after receiving the following assignment documents:

4.3.2.1.1.1. A copy of the notice of assignment acknowledged by the contracting officer.

4.3.2.1.1.2. A copy of the signed notice and a true copy of the instrument of assignment from the assignee.

4.3.2.1.1.3. A copy of the notice acknowledged from the surety or sureties, if any, or a copy received from the surety or sureties via the assignee.

4.3.2.2. Components and agencies must maintain procedures ensuring the appropriate payment office receives a copy of the instrument of assignment and the signed notice of assignment.

4.3.3. Letter Contracts

4.3.3.1. If a letter contract is assigned, definitization of the contract does not void that assignment.

4.3.3.2. Contracting officers and the disbursing officer of the designated payment offices must accept receipt for, and honor the assignment of, the proceeds of a definitive contract superseding a letter contract.

4.3.4. Assignment of claims under open-end, call-type, or indefinite-delivery-type contracts is authorized, provided orders of $1,000 or more are placed before the assignment, or the basic contract imposes a minimum obligation of $1,000 or more. When the designated payment office cannot determine whether an assignment of claims applies to an individual call or order under an indefinite-delivery-type contract, the office must withhold payments until the ACO determines the status and validity of the assignment. Refer to FAR 16.1 for information on contract types.

4.3.5. Release

4.3.5.1. The designated payment office must make remaining payments to the contractor only after it receives the following release documents:

4.3.5.1.1. A true copy of the instrument of release of assignment.

4.3.5.1.2. The original and two copies of the release notice.

4.3.6. If a contractor attempts to change the payee identity by changing Electronic Funds Transfer (EFT) or other information in the System for Award Management (SAM) without complying with the rules governing novation agreements and assignment of claims, the payment information will be incorrect within the meaning of the "Suspension of Payment" paragraph of the contract's EFT clause (FAR 4.1102(d)). Assignees must register separately in SAM to ensure the financial institution identified in the assignment meets the EFT requirement.

4.4 CONTRACT DISPUTES

4.4.1. The Bureau of the Fiscal Service (Bureau) administers and certifies payments from the Judgment Fund for the settlement and final judgment in a CDA case (Treasury Financial Manual (TFM), Volume 1, Part 6, Chapter 3100; 28 U.S.C. § 2517; and 31 U.S.C. § 1304). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made by the activity accountable for the contract obligation, per 41 U.S.C. § 7108(c).

4.4.2. Questionable and Fraudulent Claims

4.4.2.1. Fraudulent and questionable claims must not be paid. For additional information, refer to Volume 5.

5.0 MISCELLANEOUS ADVANCE PAYMENTS

5.1 GENERAL

5.1.1. Title 31 U.S.C. § 3324 prohibits advance payments. Exceptions are authorized only by specific appropriation acts or other laws, or as granted by the President under 31 U.S.C. § 3324.

5.1.1.1. An electronic request for advance payment must contain all elements of a proper invoice (5 CFR § 1315.9(b)(1)). Electronic submission is preferred.

5.1.1.2. All claimants subject to the U.S. Internal Revenue Service code must provide a Taxpayer Identification Number (TIN) per 31 U.S.C. § 3325(d).

5.1.1.3. Advance payment requests must be submitted to the designated payment office per DoW and Component submission policies, using a vendor invoice, Standard Form (SF) 1034, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent.

5.1.1.4. A designated approving official and a properly appointed certifying officer must approve all advance payments before disbursement, confirming the voucher information agrees with all supporting documentation. The certifying officer also certifies that the vouchers are correct and proper for payment from the appropriations or other funds cited, and that the proposed payments are legal, proper, and correct (Volume 5).

5.1.1.5. A copy of all supporting documentation must accompany each advance payment request to ensure auditability and validate entitlement systems' payment records. Certifying officers must retain all payment documentation (Volume 5).

5.1.1.6. A prevalidation process must match the proposed advance payment to the obligation of funds recorded in the accounting records before disbursement (Volume 3).

5.1.1.7. Agencies and organizations requesting and approving miscellaneous advance payments must ensure the advance does not exceed the value of the items or services being procured.

5.1.1.8. Components must establish controls for liquidating advance payments and assign responsibility for follow-up action. Before liquidation, internal controls must confirm validation and documentation show the items or services were received and met the organization's requirements. Components must resolve discrepancies promptly upon identification, which may include establishing and collecting debts from members, employees, or commercial, Federal, or state entities (see Volume 16 for debt collection).

5.2 STATUTORY ADVANCE PAYMENTS

5.2.1. Amounts may be paid in advance to licensed or regulated childcare providers for services to be rendered during an agreed period (40 U.S.C. § 590(g)(4) and 10 U.S.C. §§ 1791- 1800). Authorized advance payments for childcare in an approved program, in areas where DoW-provided childcare is not available, must include a copy of a signed contract between the family and the provider outlining the fees supporting the payment (DoD Instruction 6060.02).

5.2.2. Advance payment is authorized for subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, and other publications for official use (31 U.S.C. § 3324(d)(2)). The total subscription cost is a valid charge to the appropriation for the

fiscal year (FY) current when the subscription is ordered. A subscription may extend beyond the current FY, but the authorized payment must not cover more than a 1-year (12-month) subscription from the same FY appropriation.

5.2.3. Tuition may be paid in advance. 5 U.S.C. § 4109 provides general authority for advance tuition payments for civilian and military personnel, and 10 U.S.C. § 2396(a)(3) authorizes them for military personnel of friendly foreign countries. Advance tuition payments are payable when an educational institution requires payment at enrollment.

5.2.3.1. The SF 182, Authorization, Agreement and Certification of Training, must identify the training facility by name and address, the amount payable to the facility for the tuition advance, and the amount payable to the trainee for books and library and laboratory fees. The SF 182 must be submitted to the entitlement office to support the advance payment and be signed by an approving official and certifying officer before payment.

5.2.3.2. Controls must be in place to liquidate the advance payment (subparagraph 1.2.10). For tuition advances, controls must include obtaining documentation that the student successfully completed the training paid in advance. If the student owes the DoW, the Component must collect any outstanding amount due and forward a DoD (DD) 1131, Cash Collection Voucher, to the designated disbursing office to complete liquidation.

5.2.4. Title 10 U.S.C. § 2396 authorizes advances of Federal monies for compliance with foreign laws, rent in foreign countries, tuition, public utility services, pay and allowances, and supplies and services of Armed Forces of friendly countries.

5.3 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

5.3.1. Overview

5.3.1.1. Agencies may make intra-governmental payments in advance of performance only in the areas identified in this section. Unless specifically authorized by law, legislative action, or Presidential authorization, the DoW Component must not advance funds to non-DoW Federal entities or pay advance billings without receipt of goods or services. Where a specific appropriation or law authorizes DoW to advance funds, that appropriation or law must be cited on the obligating and interagency agreement documents and orders (Volume 11A).

5.3.1.2. Components must establish follow-up actions and controls to ensure receipt and acceptance of the items or services before liquidating the advance payment, as prescribed by the Treasury Interagency Agreement Guide and subparagraph 1.2.10. Intra-governmental advance payments are made through the Intragovernmental Payment and Collection

(IPAC) system or G-Invoicing; Fiscal Service requires federal entities to use G-Invoicing under 31 U.S.C. 3512(b) and 31 U.S.C. 3513.

5.3.2. With approval from the General Services Administration (GSA), one Federal agency may lease from another a portion of its leased office space (Federal Management Regulation, Subchapter C, section 102-73.60). The parties may agree to a lease payment in advance, or on another agreed basis, for the proportionate cost of the space, utilities, and services furnished (40 U.S.C. § 585).

5.3.3. Title 44 U.S.C. § 310 authorizes advance payments for printing, binding, or supplies ordered from the U.S. Government Publishing Office (GPO). The requesting agency must process these advance payments using IPAC to establish GPO deposit accounts.

5.3.4. Title 40 U.S.C. § 581(g) authorizes GSA to bill tenants for building rent in advance. The charge is a fixed rate per square foot of assigned space based on building operation and maintenance costs, and need not itemize separate cost factors for utilities, rent, or elevator service.

5.3.5. DoW authorizes annual advance payments to the U.S. Postal Service (USPS) for post office box rental (B-57828, 25 Comp. Gen. 834 (June 5, 1946)). Fees are for a six-month period and are payable for two periods at a time, not to exceed two consecutive six-month periods. Federal agencies whose payment period coincides with the Federal FY may pay box fees during the first quarter. USPS refunds a portion of the rental when the box is surrendered before the end of the rental period. Per 41 CFR 102-192.50, the following methods are available for advance payments for box rentals:

5.3.5.1. Payments to service providers other than USPS must use Fiscal Service payment methods, such as automated clearing house electronic funds transfer or another Fiscal Service approved means.

5.4 OTHER ADVANCE PAYMENTS

5.4.1. Attendance at Meetings and Conferences

5.4.1.1. Components may authorize payment of registration fees before attendance at meetings of technical, scientific, professional, or similar organizations.

5.4.1.2. DoW civilian employees and uniformed service members may attend and participate in conferences, meetings, and recognized professional organizations to maintain and improve professional competency at Government expense, subject to availability of funds, specific management approvals, and work responsibilities. Documentation supporting the approval must accompany the advance payment request (SF 182 or electronic equivalent), and a management official must approve the request before submission to the certifying officer.

5.4.1.3. If the payment is non-refundable and the individual fails to attend for reasons beyond their control, do not collect the registration fees from the individual. If the failure to attend is for a reason the DoW Component deems inexcusable, the individual must repay the amount advanced. If the individual does not voluntarily settle the indebtedness, the Component must act to collect the outstanding advance from money due the employee or member (salary offset policy is in Volume 16).

5.4.2. Advance payments to state and local governments for goods and services are authorized. Under FAR 32.409-3(e), the contracting officer may omit the requirement to deposit the advances in a special account if the approving official determines that other adequate security protects the Government's interest.

5.4.3. When submitting a petition for immigrant status for a person whose services are required, the fee must accompany the petition and is payable in advance to the U.S. Department of State (22 CFR 22.1-22.7). 22 CFR 22.3 prescribes remittances in the United States and 22 CFR 22.5 prescribes remittances to Foreign Service posts.

5.4.4. When approved, membership dues or fees in professional societies or associations acquired for the benefit of the DoW Component are payable in advance. Appropriated funds expended for membership must acquire services that benefit the Component, not an individual. The head of the agency or designee must determine the membership requirement, and the individual employee must provide verification of membership to validate the advance payment.

5.4.5. Components may authorize an advance payment for a license to use a patent or to purchase a copyright. The subject matter of the purchase must be within the authorization of the current FY appropriation (10 U.S.C. § 3793). FAR 27 and DFARS 227 prescribe the related patent, data, and copyright policies and contract clauses.

5.4.6. Payment of a utility service account activation fee or connection charge is allowable (FAR 41.1, FAR 41.2, and FAR 52.241-9). The U.S. Government pays connection charges, whether refundable or non-refundable, to the utility supplier for the required connecting facilities, which the supplier installs, owns, operates, and maintains. Refundable connection charges are an advance payment, and the Government recovers them through a specified monthly refund or a credit on the utility service billings.

5.4.7. Foreign Country-Related Requirements

5.4.7.1. Where a foreign country requires personnel to obtain motor vehicle driver permits to perform official duties, the permit fees may require an advance payment, and a tour of duty in a foreign country justifies the expenditure.

6.0 FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

6.1 GENERAL

6.1.1. Authoritative Guidance

6.1.1.1. IRS-published regulations take precedence over DoW policy for resolving tax-related issues. Components must consult their designated legal counsel on legal questions or apparent conflicts between this section and IRS regulations.

6.2 RESPONSIBILITIES

6.2.1. Defense Logistics Agency-Energy (DLA-Energy) DLA-Energy

6.2.1.1. DLA-Energy must make any application for tax refunds applicable to DLA-Energy programs. If DLA-Energy supports a Federal civilian agency, that civilian agency must collect the data needed to apply for tax refunds.

6.2.2. DoW Components must take maximum advantage of exemptions from excise taxes.

6.2.3. Contractors, Vendors, and Individual Payees

6.2.3.1. Per FAR 29.304, a DoW Component may require contractors, vendors, and individual payees requesting payment to take certain action on payment, nonpayment, refund, protest, or other treatment of state and local specified taxes. The Component acts in consultation with the contracting officer, varying the action by tax consequences, nature of the purchases, and applicable contract clauses. An entitlement or disbursing office must elevate any concern about a contractor tax-related payment request or refund to the contracting officer for resolution.

6.2.3.2. Per 31 U.S.C. § 7701(c) and FAR 4.902, and subject to the Internal Revenue Code, all payees doing business with the DoW must furnish their Taxpayer Identification Number (TIN) as defined by 26 U.S.C. § 6109 (an SSN, Individual TIN, or Employer Identification Number). A payment office must not authorize payment without a TIN or SSN on record for the required payee, except as described in paragraph 6.5.

6.2.3.3. If a contractor or other payee believes a tax form (IRS Form 1099-MISC, 1099-INT, 1099-NEC, or 1099-C) was improperly issued or incorrect, the payee must provide written evidence to the appropriate tax office to obtain a correction.

6.2.4. The Fleet Card issuer (third-party payor) must work with DLA-Energy and DFAS to maximize excise tax reclamations; rules and procedures vary by state, and states generally

require reclamations after payment is made. Refer to the GSA SmartPay website for additional Fleet Card tax information.

6.2.5. For entitlement systems managed by DFAS, and ERP-managed systems that have coordinated with DFAS (except the Defense Health Agency and U.S. Army Corps of Engineers, where responsibility is otherwise assigned), DFAS must perform the duties listed in this paragraph.

6.2.5.1. DFAS must compute all appropriate tax withholdings, make deposits to the U.S. Department of the Treasury, and file the appropriate tax documents with the IRS.

6.2.5.2. DFAS must pay excise taxes as appropriate.

6.2.5.3. DFAS must reclaim Federal and state excise tax related to fuel purchases, based on data from DLA-Energy or Fleet Card issuers. DFAS reclamation responsibilities include filing for the National Guard.

6.2.5.4. DFAS must record any taxes recovered in the applicable accounting systems.

6.2.5.5. DFAS must review payment information to determine whether a payment is reportable under current IRS guidelines.

6.2.5.6. When DFAS serves as the disbursing office for entitlement or ERP systems it does not own, DFAS must perform the duties listed in this paragraph.

6.2.5.6.1. DFAS must issue annual instructions on the requirements for submitting necessary tax reports to DFAS for distribution to recipients.

6.2.5.6.2. DFAS must coordinate the issuance of hardcopy or electronic tax statements within the IRS-mandated timelines.

6.2.6. The Office of the Staff Judge Advocate or General Counsel must provide available payment data for all settlements of personnel cases. The document forwarded to the paying office must identify each settlement payment type (for example, compensatory damages, attorney fees, back pay, or interest) and the dollar amount for each type; the paying office uses this information to determine proper tax reporting. These offices must also provide the information required to report payments to attorneys under 26 U.S.C. § 6045(f), separate from the claims settlement payment.

6.2.7. Third-party payors must prepare and file IRS Form 1099-K, Payment Card and Third-Party Network Transactions, for certain payments they made, even if the items procured

were delivered to DoW. DoW is not responsible for filing an IRS Form 1099-MISC when third-party payors make the covered payments.

6.2.8. Convenience Check Account Holder

6.2.8.1. The convenience check account holder must perform tax reporting on the convenience checks they issue and obtain a signed IRS Form W-9, Request for Taxpayer Identification Number and Certification. Refer to the IRS instructions for Form 1099-MISC and 1099-NEC for detail on payment types that are not reportable to DFAS. As checks are written, the account holder must capture the following check recipient data.

6.2.8.2. For certain DoW agencies, DFAS must report to the IRS the miscellaneous and non-employee income paid to vendors and contractors. DFAS coordinates with the GSA SmartPay contract designated bank and the account holder to obtain the information needed to issue tax forms and report to the IRS. Section 18 contains additional policy on the use of convenience checks.

6.2.8.3. The convenience check account holder must perform all backup withholding actions required upon receipt of an IRS CP2100 notice (see the IRS website, Backup Withholding "B" program). See paragraph 6.5 for additional information on backup withholding.

6.3 FEDERAL EXCISE TAX (FET)

6.3.1. Except for IRC exemptions set out in FAR 29, the Government must pay FET on fuel purchases. If a contract does not specify that the contract price excludes FET, assume the price includes the tax and pay only the contract price. If the contract price specifically excludes the tax, FET for fuel purchases must be billed on the invoice as a separately identified item, distinct from the contracted fuel price.

6.3.2. Refund requests must be filed on IRS Form 8849, Schedule 1, Nontaxable Use of Fuels.

6.3.3. Quarterly FET Return

6.3.3.1. Unless the IRS District Director otherwise notifies the accounting office responsible for reporting DLA-Energy activity, that office must prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS of sales to taxable customers. File the return on IRS Form 720, Quarterly Federal Excise Tax Return, for the first calendar quarter when the tax liability is incurred and each subsequent calendar quarter until a final return is filed. Mark final returns "FINAL"; they apply only when no FET is owed or reportable in future quarters. See IRS Pub 510 for additional guidance.

6.3.3.2. The accounting office must prepare IRS Form 720 per the IRS Instructions for Form 720.

6.3.4. Collections for FET

6.3.4.1. FET collections are made to deposit fund accounts. Transfer collected excise taxes per the most current IRS instructions. Transfers are generally required semi-monthly and must be made electronically to the Treasury.

6.3.4.2. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the DoW.

6.4 STATE AND LOCAL TAXES

6.4.1. State and Local Taxes

6.4.1.1. Unless the contract states otherwise, state and local taxes are presumed included in the contract price. When a valid fixed-unit-price contract has no clause to adjust prices if state taxes are imposed on the contractor, there is no authority to pay taxes above the stipulated unit price.

6.5 CUSTOMS DUTIES

6.5.1. U.S. Customs Duties on Foreign Purchases

6.5.1.1. If an importation is not duty-free, charge the duty to the same appropriation and fiscal year used to fund the purchase, even when the importation and purchase fall in different fiscal years (expired funding is available for such adjustments per Volume 3). Customs and Border Protection's classification of imports generates the amount due. Prepare payment vouchers showing the payment amount, annotated with the source and calculated duty, with remittance addressed to the Collector or Deputy Collector at the port of entry. Before payment, the entitlement office must obtain the ACO's approval to ensure the customs duties are not already covered in the contract price and that exemption certifications have not been issued for the items.

6.6 MISCELLANEOUS

6.6.1. If a local government levies an environmental assessment that is a fee, the payment is authorized. If the assessment appears to be a tax of questionable legality, the payment is not authorized. Consult the Component's legal counsel to determine whether to pay.

6.6.2. Backup Withholding

6.6.2.1. In most instances, under 31 U.S.C. 3325, DoW may not make a payment without a valid TIN. If payment is appropriate without a TIN and a signed IRS Form W-9, and no exception to backup withholding applies, backup withholding must occur. Backup withholding requirements are enforced payment-by-payment, regardless of payment size. When an individual or entity has not provided a TIN and a signed IRS Form W-9, the backup withholding requirements in 26 U.S.C. 3406 apply.

6.6.2.2. DoW activities must perform backup withholding on reportable payments when the IRS informs the paying office that the payee provided an incorrect TIN and reportable payments total $600 or more during the calendar year, when an information return was required concerning the payee for the preceding calendar year, or when backup withholding was required from the payee for the preceding year.

6.7 FEDERAL TAX REPORTING

6.7.1. Taxable Payments

6.7.1.1. At the end of each calendar year, payment or entitlement offices must report certain payments to the IRS. 26 U.S.C. 6041, 26 U.S.C. 6041A, 26 U.S.C. 6045(f), FAR 4.904, and current IRS instructions establish the reporting requirements. Payment or entitlement offices must provide payees with an IRS Form 1099 by the IRS-specified date.

6.7.1.2. Various payments to military members and civilian employees are subject to IRS reporting on Form W-2 (for example, military award payments), and some require tax withholding reported on Form W-2. The appropriate system must make these payments so accurate withholdings are applied and reported on the annual Form W-2 by the IRS-specified date. Payment through a vendor pay office is authorized only if the proper withholdings are computed, included, and presented for payment. At year-end, payment or entitlement offices must report these payments on Form W-2 per current Social Security Administration and IRS guidelines.

6.7.2. Tax Reporting

6.7.2.1. Each DoW Component must prepare an IRS Form 1099 on its contract or vendor payments for applicable services that total $600 or more, or royalties of $10 or more, in a calendar year to a single person or business entity, unless an exception applies. For DFAS-serviced Components, DFAS prepares, prints, and distributes the Form 1099 to the payee and forwards the same information to the IRS. If a Form 1099 needs correction, the paying office that maintains the underlying payment record provides the information to make it; if the payee believes the form

was improperly issued or incorrect, the payee must provide the written evidence needed for correction.

6.7.2.2. Consolidate payment data across the various payment systems for the same contractor to determine whether an entity was paid more than $600 in reportable payments.

6.7.3. IRS Form 1099 Information Reporting

6.7.3.1. When paying a complainant back pay on a claim that originated with a DoW activity whose civilians DFAS pays, forward the claim to a civilian pay office for payment and issuance of an IRS Form W-2. DoW activities must forward all claims representing back pay to their supporting payroll office.

6.7.3.2. The office forwarding personnel claims (see Section 11) for payment, such as taxable settlement awards, must provide the information required for tax reporting with the settlement documents. All settlement payments are presumed taxable unless the settlement agreement indicates otherwise or they meet a specific nontaxable category.

6.7.3.3. The total amount paid to an attorney for legal services, other than contractual legal services, must be reported on an IRS Form 1099 as required by 26 U.S.C. 6045(f). "Attorney" includes a law firm or other provider of legal services, such as a corporation. This requirement applies regardless of whether the legal services are provided to the Government and whether the attorney is the sole payee. For payment by check, payment is made to the attorney or law firm if it is named the sole, joint, or alternate payee. When a single payment requires two Forms 1099, issue one to the complainant and one to the attorney. The office forwarding the claim must provide information including payee name(s), payee TIN, amount paid, payee address(es), and settling-activity identification.

6.7.4. Filing Information Returns With the IRS

6.7.4.1. Activities preparing information returns must be able to reconstruct the data or records used to prepare the IRS Form 1099. Retain the data or records for at least three calendar years, plus the current calendar year, after filing the information return (see IRS General Instructions for Certain Information Returns). These records substantiate the reported amounts by showing all relevant payments, including payments from multiple contracts. The retention period for IRS Form 1099-C or backup withholding data is four calendar years after filing the information return. The issuing location must keep a copy of information returns or be able to recreate the tax document.

6.8 TAX ON CERTAIN FOREIGN PROCUREMENT PAYMENTS

6.8.1. Per 26 U.S.C. § 5000C and implementing regulations such as FAR 29.402-3, a 2% tax applies to certain foreign procurement payments unless an exemption in paragraph 6.8.2 applies. Inclusion of FAR 52.229-12 in the contract identifies the tax, effective for contracts issued after June 5, 2020 (date of the FAR final rule), and requires paying agents to withhold up to 2% of applicable payments.

6.8.2. Exemptions

6.8.2.1. If the vendor claims a full exemption in its offer, the vendor need not submit an IRS Form W-14 with each invoice, and the paying agent will not withhold the 2% excise tax. Per FAR clause 52.229-12, if circumstances change during contract performance and the full exemption no longer applies, the vendor must notify the contracting officer and begin submitting an IRS Form W-14 with each invoice.

6.8.2.2. If the vendor claims only a partial exemption, or no exemption, with its offer, FAR clause 52.229-12 requires the vendor to submit an IRS Form W-14 with each invoice, indicating the amount or percentage of the invoice that is exempt from the tax. The excise tax withholding is applied at the payment level, not at the contract level. The vendor must revise each IRS Form W-14 submission to reflect the exemption (if any) that applies to that invoice.

6.8.2.3. If the vendor has claimed only a partial exemption, or no exemption, in its offer and does not submit an IRS Form W-14 with an invoice, the default withholding percentage is 2% for that payment request.

6.8.3. Withholding Requirements

6.8.3.1. Unless the vendor has claimed a full exemption in its bid/offer, paying agents must withhold the tax from invoices per the IRS Form W-14 accompanying each invoice. Withholding is typically 2% of the invoice amount unless the vendor has claimed a partial exemption on the W-14 (for example, only a portion of the goods were manufactured, or services provided, in a country that has an international procurement agreement or tax treaty with the United States).

6.8.3.2. If the vendor has not claimed a full exemption in its offer and does not provide an IRS Form W-14 with an invoice, the default withholding is 2% of the invoice amount.

6.8.4. Responsibilities

6.8.4.1. The contracting officer must tell the paying agent whether the contractual payments are subject to the 2% Foreign Excise Tax by including the appropriate FAR provisions

and clauses (52.229-11 and 52.229-12), and must identify in the contract whether the vendor claimed a full exemption in the original offer/proposal.

6.8.4.2. The paying agent must withhold the 2% Foreign Excise Tax per the IRS Form W-14 that the vendor/payee submits with each payment request, file the reports to report tax withholdings to the IRS, and submit the withheld funds to the IRS.

6.8.4.3. The acquiring agency and paying agent must make every effort to identify, withhold, and report applicable tax withholdings to the IRS. Per IRS guidance, if the acquiring agency fails to withhold the tax, the foreign contracting party must file a U.S. income tax return and pay the tax due. The acquiring agency or the paying agent is not liable for any tax not withheld (see the U.S. Government Reporting section on the IRS webpage).

6.8.5. Refunds for Over-withholdings

6.8.5.1. The paying agent may not refund over-withholdings claimed by a vendor. Per 26 CFR 1.5000C-2(e), if the foreign contracting party (payee) discovers that amounts withheld on prior payments exceeded the amount required to satisfy its tax liability under section 5000C, it may request the acquiring agency to decrease withholding on future payments for which withholding is required under section 5000C. The request must be in writing, signed under penalties of perjury, state the amount by which the foreign contracting party requests to increase or decrease future amounts withheld under section 5000C, and explain the reason for the request.

6.8.6. Payments on Classified Contracts

6.8.6.1. Payments against classified contracts are subject to withholding of the 2% Excise Tax. The acquiring agency or paying agent must determine whether reporting such tax/withholdings will compromise national security. If so, the reporting may be scaled back or eliminated.

6.8.7. The paying agent/office must file the following reports and submit withheld taxes to the IRS.

6.8.7.1. Paying agents must submit/deposit withheld funds to the IRS via the Electronic Federal Tax Payment System within the timeframes required by 26 CFR 1.5000C-3(b).

6.8.8. The paying agent withholding applicable taxes must retain all documentation supporting the contract payments and all tax-related information supporting the withholdings, per Volume 1. This includes any documentation supporting the determination of whether to withhold, how much to withhold, and what was actually withheld, such as contracts, invoices, receiving reports, payment/Electronic Funds Transfer information, and the vendor's IRS Forms W-14, 1042, 1042-S, and W-9.

7.0 PROMPT PAYMENT ACT

7.1 PROMPT PAYMENT ACT POLICY

7.1.1. Payment terms ordinarily imposed by contract, or by the PPA and its implementing regulations, may be replaced by payment terms imposed by another governmental authority. In this section, days are calendar days unless stated otherwise. The PPA applies to the following, unless the payment meets an exemption:

7.1.1.1. Procurement Contracts. All payments for contracts for the procurement of goods or services;

7.1.1.2. Vendor Payments. All vendor payments and payments to persons, organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor; and

7.1.1.3. Utility Payments. All utility payments, including telephone service, are subject to the PPA. Where state, local, or foreign authorities impose generally applicable late payment rates for utility payments, those rates must take precedence, and PPA interest rates will not apply.

7.1.2. Before making an invoice or interest payment, DoW Components must ensure appropriate payment documentation is established and matched: the contract, receipt/acceptance report, and a proper invoice, unless not required by the contract. Subparagraphs 7.1.2.1 and 7.1.2.2 identify when an invoice or receipt/acceptance report may not be required. DFARS 232.70 prescribes DoW policies for submitting and processing payment requests and receiving reports electronically, specifies exceptions, prescribes Wide Area Workflow as the accepted electronic form, and permits the TRICARE Encounter Data System as the electronic format for receiving reports for health care services. Retain payment documentation per Volume 1, readily available to support future audits. Retain original payment documentation and associated supporting documentation per Section 8.0.

7.1.2.1. The contract is an enforceable agreement between the agency and the contractor or vendor that supports payment of invoices and interest penalties. Contracts must contain the data elements required under 5 CFR 1315.9(a) as part of the payment documentation. If errors in a contractual document affect payment processing, the entitlement office must notify the contracting office to request corrective action. The payment office must not change contract terms; terms may be changed only by formal contract modification.

7.1.2.2. DoW payments must be based on receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and on satisfactory contract

performance. FAR 32.905(b) details the information required for a proper invoice. Per FAR 32.905(b)(2), an interim payment request under a cost-reimbursement service contract is a proper invoice if it includes all information required by the contract. The office designated by the purchase order, agreement, or contract to first receive and review invoices (the designated activity) must immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, the designated activity must return it to the vendor or contractor.

7.1.2.2.1. When the designated activity returns an invoice as improper, it must explain why and clearly mark the request to the vendor or contractor for a corrected invoice. Notification must be within 7 days of invoice receipt (5 days for perishable agricultural commodities, dairy products, and edible fats or oils and food products prepared from them; 3 days for meat, meat food, fish, and seafood products). If a DoW Component fails to notify within these timeframes, the days allowed to pay the corrected proper invoice are reduced by the days delayed beyond the allowable return-notification requirement. For example, a 30-day invoice returned as improper on the 11th day after receipt, minus 7 days allowed, equals a 4-day delay, reducing the corrected invoice payment due date by 4 days; the corrected invoice is payable in 26 days from receipt before interest accrues. Per FAR 32.906(b)(4), if a designated activity erroneously rejects a proper invoice, the original invoice receipt date is used to compute the payment due date and any interest penalties due.

7.1.2.3. Receipt of goods does not ordinarily provide a basis for payment. Payment must be based on acceptance of the goods or services, authenticated by the government official's signature. Acceptance must occur as a condition of payment except in the following instances.

7.1.2.3.1. For contracts incorporating the Fast Payment Procedure clause at FAR 52.213-1, payment offices may use the contractor's invoice submission as certification of delivery of supplies and as the basis for authorizing payment. Pay these invoices within 15 days after invoice receipt. Components must have policies and controls to follow up after payment to ensure receipt of acceptance documentation for the payment and contract files. Acquisition requirements governing the fast payment procedure are in FAR 13.4 and DFARS 213.4. Refer to paragraph 7.0 of section 9 for additional fast payment procedure financial management policy.

7.1.2.4. The agency receiving official must forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

7.1.2.5. Government acceptance is commonly deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services per the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contractual requirement. A contract may specify a longer acceptance period; the date of actual acceptance or the date the acceptance period ends then substitutes for the 7th day after delivery (refer to DFARS 232.904).

The date the designated acceptance period ends is the constructive acceptance date. Constructive acceptance is used to calculate PPA interest and applies to both destination and source acceptance contract terms. Forward government proof of acceptance to the designated payment office.

7.1.2.5.1. If actual acceptance occurs within the constructive acceptance period, any interest penalty must be based on the actual date of acceptance.

7.1.2.5.2. If actual acceptance occurs after the constructive acceptance period, any interest penalty must be based on the constructive acceptance date.

7.1.2.5.3. The constructive acceptance requirement does not compel DoW Components to accept supplies or services or make payment before fulfilling their designated responsibilities and internal control activities.

7.1.2.6. If payments cannot be made due to non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow up with the contracting or receiving office to ensure these documents are forwarded timely. Make these follow-up requests in time to prevent loss of economically justified discounts where possible and to avoid unnecessary late-payment interest penalties.

7.1.2.7. When authorized, the head of the contracting activity of an operational area, in consultation with the cognizant comptroller supporting the contracting activity, must determine whether a contract and related payment are subject to the requirements of FAR 32.9 and include the applicable payment clause in the contract.

7.1.3. The billing office designated in the contract to receive the invoice must record the receipt date on the invoice immediately upon receipt of the contractor's invoice or payment request. The annotation must be clearly identifiable to the designated activity processing the payment. The receipt date determines the payment due date, the date by which an improper invoice must be returned, and the date interest begins to accrue if payment is late. If the designated activity fails to annotate the receipt date, the invoice receipt date is the date the contractor placed on the invoice. For electronically transmitted invoices, the invoice received date is the date the designated activity receives a readable transmission, or the next business day if received after normal working hours. For invoices made electronically available in feeder systems such as the Government purchase card bank system or the transportation Third Party Payment System, the invoice receipt date is the date the invoice is made available to DoW, not when invoices are transmitted to the entitlement office (Section 18.0).

7.1.4. For payments subject to FAR 32.9, the payment due date is the date by which payment must be made to avoid paying PPA interest.

7.1.4.1. If the payment due date is not specified in the contract, the date by which a proper invoice must be paid is the later of:

7.1.4.1.1. Thirty days after the date the designated activity receives the proper invoice; or

7.1.4.1.2. Thirty days after government acceptance of supplies delivered or services performed, or the applicable date of constructive acceptance, whichever is earlier.

7.1.4.2. A contract modification may be required to determine the payment due date (e.g., an award fee). If a payment cannot be entitled without a contract modification, the payment clock starts with the effective date of the modification.

7.1.5. The PPA requires timely payment and proper cash management of government resources. DoW must make payments no more than 7 days before the payment due date, but as close to the due date as possible, unless the Secretary of Defense or designee determines, on a case-by-case basis for specific payments, that earlier payment is necessary (FAR 32.906). Use this authority cautiously, weighing early payment benefits against the good stewardship inherent in effective cash management (5 CFR 1315.4(j)).

7.1.5.1. Per 10 U.S.C. 3801(b)(1) and NDAA FY 2021 Section 815, for a prime contractor that is a small business concern, DoW must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due.

7.1.5.2. Per 10 U.S.C. 3801(b)(2) and NDAA FY 2022 Section 814, for a prime contractor that subcontracts with a small business concern, DoW must, to the fullest extent permitted by law, establish an accelerated payment date with a goal of 15 days after receipt of a proper invoice for the amount due if the prime contractor agrees to pay the subcontractor on the accelerated schedule, to the maximum extent practicable, without further consideration from or fees charged to the subcontractor.

7.1.5.3. Payment is considered made on the date printed on the check or on the Electronic Funds Transfer (EFT) settlement date. To avoid late-payment interest fees, the EFT settlement date (the date funds are credited to the vendor's financial institution) must be no later than the calculated due date.

7.1.5.4. Checks must be mailed or transmitted on the same day the check is dated.

7.1.5.5. Payments due (including discount periods) on Saturday, Sunday, or legal holidays may be paid on Monday or the next working day without interest; this does not change the official payment due date.

7.1.6. If a vendor or contractor offers a DoW Component a discount, whether in the contract or on an invoice, the Component should take the discount if economically justified, but only after acceptance has occurred.

7.1.6.1. When a discount is taken, payment must be made as close as possible to, but no later than, the discount date.

7.1.7. When DoW Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date.

7.1.8. DoW must pay late-payment interest penalties from either the funds available for administering the program for which the penalty was incurred (refer to 5 CFR 1315.10(b)(5)) or the funds financing the operation of the Military Department or Defense Agency associated with the invoice or contract payment (refer to 31 U.S.C. 3902). Charge all interest payments to the fiscal year(s) in which they accrue. If interest accrues at the end of the fiscal year but is not paid until the next fiscal year, cite the prior year's funds. If interest accrues at the end of the fiscal year and additional interest accrues in the new fiscal year, fund the total penalty citing each fiscal year's funds where the interest accrued, so the interest fund cite represents the bona fide need of the year the obligation arises. If the appropriation otherwise charged is cancelled, charge the appropriation current on the date of payment per 31 U.S.C. 1553(b)(1).

7.1.8.1. Entitlement offices must maintain detailed records supporting their determinations and must make these records available on request of any activity determined to have caused a late payment.

7.1.8.2. A contractor may waive interest entitlement by returning the interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. Besides returning interest penalties already received, a contractor may waive the right to PPA interest by express written statement or by acts and conduct indicating intent to waive. Written requests must be submitted to the applicable payment office established in the contract, be specific to each invoice or payment, and be for interest already earned or accrued. A contractor may not request waiver of interest not yet accrued or a blanket waiver for a group of contracts or invoices. Retain interest-waiver request documentation with payment supporting documentation.

7.1.8.3. Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. Credit all refunds of interest or penalties from contractors to the same line of accounting classification (including fiscal year) charged when interest was paid. If the appropriation is cancelled or closed, apply refunds to Miscellaneous Receipts of the U.S. Department of the Treasury.

7.1.8.4. The Foreign Military Sales (FMS) Trust Fund must fund late-payment interest penalties for procurements financed by an FMS contract. Refer to Volume 15, section 7.0 for additional information on FMS pricing.

8.0 COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTATION

8.1 POLICIES AND REQUIREMENTS

8.1.1. Title 31 U.S.C. 3325 authorizes a DO to disburse money only when provided a voucher certified by a properly appointed certifying officer.

8.1.2. Title 31 U.S.C. 7701(c) requires all payees subject to the U.S. Internal Revenue Code who do business with DoW to furnish their TIN (which may be an SSN for individuals). DoW must not authorize payment without a TIN or SSN on record for required payees.

8.1.3. Payment Office Identification

8.1.3.1. MOCAS handles the most complex contracting and payment situations (financing payments, withholds, foreign currencies, and complex contract types and structures). Components must use their Enterprise Resource Planning (ERP) systems as the payment office except where a contract's complexity requires an alternative such as MOCAS. See the joint Deputy Under Secretary of Defense for Acquisition and Sustainment and Deputy Under Secretary of Defense (Comptroller) policy memorandum for more information.

8.2 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

When entitling and certifying a payment, DoW Components must establish and retain appropriate payment documentation to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. Refer to 5 CFR 1315.9 for required documentation. Subparagraph 8.2.3 defines the exceptions in which receiving reports are not required before payment.

8.2.1. If contractor/vendor invoices cannot be entitled and certified due to non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow up with the contracting or receiving office to ensure these documents are forwarded timely. The entitlement office, contracting office, and receiving activity must act timely to prevent loss of economically justified discounts and avoid unnecessary late-payment interest penalties.

8.2.2. Contract

8.2.2.1. A contract is a mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them (FAR 2.101). Contracts must contain the information prescribed by 5 CFR 1315.9(a) to support payment of contractor/vendor invoices. If the entitlement office discovers an error in a contractual document, it must notify the contracting office to request corrective action. The entitlement office may not change contract terms; terms may be changed only through a formal contract modification. FAR 4.5 requires use of electronic commerce in Federal acquisition whenever practicable or cost effective.

8.2.3. Receiving Report

8.2.3.1. Acceptance must occur as a condition of payment in all cases except contract financing payments, interim payments on cost-reimbursement contracts for the acquisition of services, and use of the fast payment procedure as defined in Section 9.0. These payment-processing requirements do not negate the documentation requirements established in Volume 4, section 9.0.

8.2.3.2. If payment cannot be made due to non-receipt of a receiving report, the entitlement office must follow up with the contracting officer or receiving office to ensure the documentation is forwarded timely.

8.2.3.3. When a shipment is short of the quantity ordered, the entitlement office must pay, per the PPA (5 CFR 1315), the invoice amount supporting the quantity received and accepted, unless prohibited by the contract.

8.2.3.4. When the receiving report or invoice indicates the shipment is final but undelivered items remain under the contract terms, the entitlement office must pay, per the PPA (5 CFR 1315) and the variation authorized in the contract, the invoice amount supporting the quantity received and accepted. The entitlement office must also collaborate with the contracting officer, as needed, to advise and assist in resolving the differences.

8.2.4. Invoice

8.2.4.1. When using contracting officer approved or designated electronic techniques to submit invoices and electronically certified vouchers, the payment office need not transfer paper documentation for examination if the same supporting data are readily available and accessible in electronic media or through an electronic process.

8.2.4.2. The certifying officer must ensure the transmitted data relied upon to entitle and certify a payment contain the PPA information required by 5 CFR 1315.9 and

FAR 32.905(b). Per Section 2.0, paragraph 2.0, the office must establish processes, controls, and routine testing to ensure the completeness, accuracy, authorization, and validity of electronic data received through system interfaces or transmission.

8.2.4.3. Contractors or vendors permitted to invoice non-electronically may submit invoices on any form that includes all required items of a proper invoice, unless their contract prescribes a specific invoicing form.

8.2.4.4. DoW payments must be based on satisfactory contract performance and receipt of a proper invoice, unless the contract does not require an invoice (for example, monthly rental payments). 5 CFR 1315.9(b)(1) and FAR 32.905(b) identify the items that must be included on a proper invoice.

8.2.4.5. If an invoice is improper or does not meet the contract requirements of FAR 32.905(b), the designated activity must return the invoice to the contractor or vendor and provide all details on the invoice deficiencies.

8.2.4.5.1. An invoice must be returned as improper if the entitlement office has not been provided a valid TIN for any designated payee subject to the U.S. Internal Revenue Code. If the TIN is not in the SAM, Corporate Electronic Funds Transfer, or supporting documentation (including the invoice or contract), the contracting officer must provide the contractor's TIN to the payment office (FAR 4.203(e)(2)).

8.2.4.5.2. An electronically transmitted payment request is treated the same as a paper payment request and must contain identical data elements (FAR 32.905(b)). Returned electronically transmitted payment requests must be returned in the same manner received, or in a manner practical for the entitlement system, accompanied by an electronic message stating the reason for return.

8.2.4.6. Non-electronic forms may be used as an invoice only if approved by the contracting officer and included in the contract. Such forms include the DD 250, SF 44, Delivery Ticket (refer to Section 7) and SF 1449.

8.2.4.7. Payments for services of a continuing nature (for example, rents or janitorial services) performed under agency-vendor contracts that provide for definite amounts at fixed periodic intervals may be made without contractor-submitted invoices or bills if the contract allows.

8.2.4.7.1. The contract must specify the payment due date. The voucher the payment office prepares to support these payments must show, at a minimum, the contract number, the period covered, the vendor name, the payment amount, and the account or

appropriation to be charged. The payment voucher must be certified the same as all other payment vouchers.

8.2.4.7.2. Per TFM Volume 1, Part 4A, Chapter 2000, Section 2060, the office must establish and periodically test internal controls to ensure recurrent payments are on unexpired contracts or agreements, for correct amounts, for services actually received or leased space actually under contract, and not duplications of previous payments for the same goods or services.

8.2.4.8. If an original invoice is lost or destroyed, a duplicate must be obtained from the original submitter to support the voucher and marked as a duplicate. A full explanation of the loss or destruction and a statement that steps have been taken to prevent duplicate payments must be placed on or attached to the duplicate invoice. If the invoice information is already in the entitlement system, payment may be made from that information before a duplicate is obtained. When a duplicate cannot later be obtained, an annotation must document that payment was made based on existing records, that a hardcopy duplicate could not be obtained, and that the original was lost or destroyed. The specific existing records relied upon must be identified and documented, and management review and approval of the payment must occur and be documented before the disbursement. Refer to TFM Volume 1, Part 4A, Chapter 2000, Section 2050.10.

8.2.4.9. The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving interim contract payment vouchers for provisional payment, including interim vouchers for non-commercial and commercial Time and Material (T&M) and Labor Hour (LH) contracts, subject to final audit. Per DFARS 242.803, DCAA uses sampling to select interim vouchers for review before sending them to the payment office. Interim vouchers not selected for pre-payment review are provisionally approved and sent directly to the payment office. All provisionally approved interim vouchers are subject to later audit of actual costs incurred. DCAA does not provisionally approve the contractor's final voucher; the contracting officer must approve final vouchers. Refer to DoDD 5105.36 for DCAA's roles and responsibilities. The following invoices and vouchers require ACO approval before payment: completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement type contracts; vouchers and invoices for termination costs under supplemental agreements, unless the termination modification specifies the costs to be paid; completion vouchers under T&M and LH contracts; invoices for progress and performance-based payments under fixed-price type contracts; vouchers and invoices where the contract requires ACO approval before payment; invoices for the release of "withhold" amounts previously instituted by the ACO; and any payment request where a DO requires an ACO signature.

8.3 DOCUMENT RETENTION

8.3.1. Original payment documentation and associated documents must be retained as government records in a format readily accessible to the entitlement office. Refer to Volume 1, section 9.0, Figure 9-1, for specific policy and timeframes on record retention. Electronic record storage requires adequate controls to ensure digital images accurately represent the corresponding paper documentation and prevent changes to an original digital image (FAR 4.805(a)). The certifying officer must retain both paper and electronic documentation.

8.4 FOREIGN LANGUAGE DOCUMENTS

8.4.1. Documents Prepared in a Foreign Language

8.4.1.1. Invoices and supporting documents prepared in a foreign language must be translated before payment to ensure their contents satisfy the contractual document's requirements. Refer to DFARS 225.1103 for additional policy on contracts that may involve foreign-language documentation.

8.4.1.2. The documents must be translated in enough detail-contract number, item identification, unit of measure, price, and extension-to enable someone unfamiliar with the language to determine that receipts of material or services satisfy the contract terms.

8.4.2. If several invoices share a similar format and wording, a single translation is adequate, provided the like invoices support the same payment voucher and the required certification shows that all data not translated on other identified documents are the same as that translated, all non-common data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language, and a separate translation is attached for each group of different invoices.

8.4.3. The translation may be entered over or under the corresponding foreign wording or in any available space on the document; if space is not available, the English translation may be copied on a separate sheet. The translator completes and signs the following certification on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the _____." (Printed Name, Signature, Date, and Contact Information). This certification, which pertains only to the translation, may be inscribed on a separate sheet and attached if space is not available on the foreign language document. A duly appointed (via a DD 577) certifying officer must ensure payment requirements are satisfied based on the translation.

8.5 PROCESSING ALTERED DOCUMENTS

8.5.1. Prohibited Pen and Ink Changes

8.5.1.1. Pen and ink changes are prohibited on all contractual documentation. FAR 43.301(a) prescribes the SF 30 for changes to contractual documentation.

8.5.1.2. Entitlement office personnel are prohibited from making pen and ink changes to the following information on requests for payment, receiving reports, and invoices: payee identification (including name, address, banking information, Commercial and Government Entity code, and TIN); order numbers (including contract, modification, call, task, and delivery order numbers); monetary amounts (any dollar value on any of the documents); Line of Accounting (LOA) data (all information pertaining to the LOA on any of the documents); names of officials and officers (including the certifying officer, approving official, contracting officer, and other related information as typed or printed on the documents); and dates (any dates impacting PPA interest or discounts).

8.5.2. Allowable Pen and Ink Changes

8.5.2.1. Entitlement offices may make pen and ink changes for administrative-type errors not described in subparagraph 8.5.1 on requests for payment, receiving reports, and invoice documents.

8.5.2.2. Entitlement office personnel may accept pen and ink changes on supporting documentation attached to an externally certified payment request that an appointed certifying officer certified and submitted. When submitting a certified payment voucher with manually altered supporting documents such as requests for payment and invoices, a properly certified SF 1034 identifying the correct total amount and fund citations must be provided to the entitlement office.

8.6 EMERGENCIES AND CONTINGENCY OPERATIONS

8.6.1. In addition to a contract, receiving report, and invoice, certifying officers supporting emergencies and contingency operations must ensure the entitlement package contains the specific information needed for valid certification and payment when the payment is exempt from the PPA. Payments subject to the PPA fall within the requirements of Section 7.0. For payments in support of an emergency or contingency operation not subject to the PPA, Appendix 1, Matrix for Payments in Support of Emergencies and Contingency Operations, identifies the critical data elements necessary for a proper certification.

8.6.2. Where information identified in Appendix 1 is not present on all documents (contract, receiving report, and invoice), the certifying officer may certify the payment if they can

make a reasonable linkage among the documents. In certain circumstances explained in Appendix 1, the certifying officer may certify a payment missing a critical data element identified in the Appendix 1 matrix; however, they must justify in writing why they certified the payment.

8.6.3. All accounting offices that support emergencies or contingency operations must ensure that accounting and document-retention requirements are in place within 30 days of declaration of the operation. Adherence to these requirements is critical to DoW financial stewardship and control of funds.

9.0 PAYMENT VOUCHERS – SPECIAL APPLICATIONS

9.1 INTRA-GOVERNMENTAL PAYMENTS

9.1.1. Billing Processes

9.1.1.1. Intra-governmental transactions (IGT) between or within DoW Components for the purchase of goods must be processed through the interfund billing system when initiated and supported by both trading partners' supply and accounting systems. In the interfund billing system, the supplier reimburses itself at billing from appropriations the customer designates, sends an automated billing to the billed office, and reports to the U.S. Department of the Treasury a reimbursement of the supplier's funds with an offsetting charge to the customer's funds. Only the billing office or the Central Accounts Office may adjust or reverse reimbursements reported to Treasury on behalf of the billing office. Refer to DLM 4000.25, Volume 4 for interfund billing system procedures.

9.1.1.2. Unless specifically authorized by law, legislative action, or Presidential authorization, a DoW Component must not advance funds to non-DoW federal entities or pay advance billings without receipt of goods or services. The constructive delivery and drop from inventory methods in paragraph 2.4 are exceptions to this prohibition. Refer to Volume 11A, section 3.0 for advances to non-DoW entities via Economy Act Orders.

9.1.2. Completion

9.1.2.1. Work and shop orders must indicate the unit prices of articles or services furnished, or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover use of equipment, the itemized statement must carry the certification: "I hereby certify that the amount billed herein represents cost as determined under 31 U.S.C. § 1535 and 31 U.S.C. § 1536." When the account is billed on unit costs (for example, per hour, day, or mile) rather than itemization, those unit costs must include all expenses of operation and maintenance except depreciation. The purchase agreement between the entities determines the billing method.

9.1.2.2. An employee's services performed for another federal department or agency may be reimbursed to the providing agency only if a reimbursement agreement was made before the services were rendered. Copies of the agreement must be attached to the transfer voucher (SF 1080, 1081, or 1034) to support the payment.

9.1.2.3. The entitlement office must examine intra-governmental payment vouchers and supporting documentation to verify amounts and confirm required information and certifications are present (such as the equipment-use certification in subparagraph 9.1.2.1). The entitlement office must also verify accessorial charge rates when non-DoW Government activities levy them for issues, sales, and transfers of material, supplies, and equipment.

9.1.2.4. This verification must ensure charges do not include recurring reimbursement issues (sales) or non-reimbursable transfers of material to other DoW Components, except for sales and transfers under the military assistance grant aid program and Foreign Military Sales (FMS) programs. After the propriety review, the entitlement office must cite the accounting classification and verify the voucher is ready for payment.

9.1.2.5. Evidence of receipt and acceptance is required to support all intra-governmental and interfund transactions. DoW financial reporting entities must develop and implement internal controls to ensure receipt and acceptance is properly accomplished and documented for all IGT. Refer to Section 2 for internal control requirements and to Volume 4, section 9.0 for receipt and acceptance requirements.

9.1.3. Constructive Delivery or Drop From Inventory

9.1.3.1. Delivery is evidenced by completed shipping documents, material shipment status of shipping documents, or a list of deliveries to a post office. Constructive delivery also applies to billings for goods accepted by an authorized inspector of another DoW Component providing direct shipment to the consignee. Such billings must be supported with a DoD (DD) Form 250, Material Inspection and Receiving Report, or other authorized documents from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport.

9.1.3.2. Constructive delivery bills are accepted and paid without waiting for delivery of the goods to the final destination. Components must perform follow-up procedures to confirm the goods were received and accepted and must obtain the documentation supporting receipt and acceptance for later audit.

9.1.3.3. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock must be at the standard price in effect when the stock is dropped

from inventory. Refer to Volume 11B, section 15.0, paragraph 2.0 for inventory item pricing policy.

9.1.3.4. Following a supply activity requisition, reimbursable sales of material are billable after the material has been transferred using the drop from inventory method. Billing is based on drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, and perishable subsistence, and FMS and military assistance grant aid shipments, are exceptions to this billing policy. Refer to DLM 4000.25, Volume 4, Chapter 2 for billing guidelines.

9.1.3.5. The supplying activity initiates a request for payment for items supplied to the DoW. Billings must, at a minimum, be supported by the document order number, description of the article or services, delivery or other performance date, quantity, and price. The document order number is normally the requisition document number, and the description is normally the National Stock Number. The supplying activity must notify the requisitioning activity of item substitutions and price or quantity changes. Refer to DLM 4000.25, Volume 4, Chapter 2 for billing procedures.

9.1.3.6. The requisitioning activity must record the amounts and quantities of items approved for payment at receipt and acceptance of the delivered items or services. The requisitioning activity must adjust the billing for unacceptable items or items unfilled by the supplying activity and reimburse only the adjusted amount. The requisitioning and supplying activities determine the disposition of unfilled items by mutual agreement.

9.1.3.7. If the requisitioning activity cancels requisitions, it is credited the amount billed, including accessorial charges. Accessorial costs are expenses incident to issues, sales, and transfers of materiel (packing, crating, and handling; transportation; and port loading and unloading; see Volume 11A, section 1.0, subparagraph 2.4.10). The alternate consignee for material diverted is billed the standard price and accessorial charges. If the Defense Logistics Agency (DLA) orders direct shipment of non-stocked items and the requisitioning activity cancels the order, the requisitioning activity is billed via the SF 1080 for contract termination costs from the cancelation. Refer to DLM 4000.25, Volume 4, section 2.0 for MILSTRIP cancelation procedures.

9.1.4. Payment for services rendered by DWCF activities is based on the prescribed rates, tariffs, and billing procedures. DWCF payments follow the same policy as the constructive delivery and drop from inventory payments (see paragraph 9.1.3).

9.1.5. GSA

9.1.5.1. Ordering activities receive bills from GSA biweekly, monthly, or quarterly, after the fact, or in advance (for example, rental payments), as determined in the

purchase agreement. Except for bills rendered in advance, GSA sends bills to Components only after evidence of actual delivery of material or services or receipt of evidence of shipment (constructive delivery). Components must perform follow-up procedures to confirm the goods were received and accepted and must obtain the documentation supporting receipt and acceptance for later audit. GSA may process requisitions of $1 or less without billing.

9.1.5.2. Payment for material is made through the IPAC system within 15 days after receipt of the GSA invoice. Bills are paid as rendered without pre-audit or receipt verification, subject only to availability of funds and adjustment for obvious significant errors in dollar amount. A follow-up process must be established to confirm the material paid for was received and accepted. Documentation supporting receipt and acceptance must be retained as billing support for future audit, per Volume 1, section 9.0 and the National Archives and Records Administration General Records Schedules.

9.1.5.3. Travel Pay sections process payments to GSA or contractors for vehicle rentals authorized by travel orders. The billing information must be compared to the obligation document; if an error is found, follow the applicable correction procedures. Payment is due within 30 days of the billing date (see subparagraph 9.1.2.5 for receipt and acceptance requirements).

9.1.5.4. GSA bills for federal telecommunication services are submitted monthly and paid in advance using the IPAC system, without pre-audit or receipt verification and subject only to availability of funds (see 10 U.S.C. § 2396 and 40 U.S.C. § 581(g)). These bills should be paid within 15 days after receipt of the GSA invoice. Components must perform follow-up procedures to confirm the services were received and must obtain the supporting documentation (receipt verification) for later audit.

9.1.5.5. Activities seeking credit from canceled requisitions for a material diversion must confirm the amount billed, including accessorial charges. The alternate consignee for material diverted is billed the standard price and accessorial charges. Activities canceling requisitions for material for which GSA ordered direct shipment of non-stocked items are billed by SF 1080 for contract termination costs from the cancelation. GSA promptly provides the bill to the activity cited in the canceled requisition.

9.1.6. Payments

9.1.6.1. DLA Document Services is the single DoW focal point for GPO ordering and management of document services per DoD Instruction 5330.03. An invoice is submitted to the requisitioning activity when printing services or supplies are furnished. The billed office prepares and processes the SF 1080 for payment and must attach an invoice to the SF 1080.

9.2 PARTIAL PAYMENTS

9.2.1. The entitlement office must maintain a separate partial payment record for each purchase order, contract, delivery order, or other obligation document requiring partial payments.

9.2.2. Payments made against blanket purchase agreements, call-type contracts, and blanket delivery orders, as defined by FAR Part 16, are not partial payments, except when more than one payment is required on an individual call or order.

9.3 CONTRACT FINANCING PAYMENTS

9.3.1. Progress Payments

9.3.1.1. Each contractor request for progress payment must be prepared and submitted through the WAWF module of PIEE as a separate progress payment document or SF 1443, Contractor's Request for Progress Payment, per DFARS 252.232-7003, with noted limited exceptions. The FAR and DFARS links provided cover progress payment computation, liquidation, reduction, suspension, and limitations.

9.3.1.2. When allocating progress payments across ACRNs, the payment office must establish controls to ensure disbursements do not exceed obligations at the ACRN level. To incorporate these controls, the office ordinarily charges progress payments, performance-based payments, and commercial item financing to an ACRN so the outstanding financing payment balance for each ACRN does not exceed that ACRN's Unliquidated Obligation (ULO) multiplied by the contractual liquidation rate. For ACRNs that fund both fixed-price and cost-type line items, the contract-financing allocation methodology applies only to the fixed-price portions (per FAR 32.501-3).

9.3.1.2.1. If the contract's ACRN allocation instructions, based on the DFARS PGI payment instructions, deviate from the allocation process in 9.3.1.2, allocations in entitlement and accounting systems may reflect payment instructions that direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations under 31 U.S.C. §1553 before closure of the appropriation account by operation of 31 U.S.C. § 1552. If payment instructions direct liquidation of ACRN balances above the ULO balance multiplied by the contractual liquidation rate, the payment office must establish controls to ensure mixed-type-funding ACRNs (fixed and cost) are not over liquidated and the overall contract ceiling of 80% of contract price (FAR clause 52.232-16) is not exceeded.

9.3.1.2.2. If the contracting officer determines an alternate ACRN allocation methodology will be used to liquidate payments for a specific contract, as described in

5.2.4.2.1, the contracting officer must incorporate the DFARS PGI payment instruction of "Other" (prescribed by DFARS PGI 204.7108(d)(12)) and negotiate a written agreement to that methodology with the payment office before it may be used. The contract file and the payment office files must retain a copy of the written agreement, or the contractual modification identifying the specific payment instruction, for audit support.

9.3.1.3. Shifting work between contracts of the same contractor must comply with DoW progress payment policy of taking offsets whenever possible. A disbursement adjustment between contracts is a bookkeeping entry, not a payment transaction. When work is shifted between contracts of the same contractor, the progress payment is the net amount of the transactions involved on the contracts. A modification to each affected contract orders any transfer of work from one contract to another.

9.3.1.4. Recoupments are not accomplished involving both U.S. and FMS funds unless both fund the payment of the deliverable item. For a deliverable payment against U.S.-funded ACRNs, progress payments are recouped only against the U.S. ACRNs. For a deliverable payment against FMS-funded ACRNs, progress payments are recouped only against the countries involved with the FMS deliverable.

9.3.2. Advance

9.3.2.1. Subsidiary records of individual advances must be maintained to support the amount recorded in the general ledger account. The subsidiary record must include the amount and date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record must be reconciled with the general ledger balance; see Volume 4, section 3.0.

9.3.2.2. The contractor request for an advance payment must be submitted to, approved, and certified for payment by the office(s) specified in the contract. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved request is forwarded to the payment or entitlement office cited in the contract for payment.

9.3.2.3. On receipt of a properly approved advance payment voucher, the entitlement office must review it for accuracy. If proper, the office entitles the voucher and forwards it to the disbursing office to be paid.

9.3.2.3.1. The payment must cite the appropriations identified on the contracts listed on the reimbursement voucher.

9.3.2.3.2. The entitlement office must maintain a record of all contract financing payments it makes.

9.3.2.3.3. Total payments must not exceed the total amount authorized on the contract.

9.3.2.3.4. Payments must be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are a form of contract financing and are not subject to Prompt Payment Act (PPA) interest.

9.3.2.4. The payment office must establish controls (e.g., manual or electronic ledgers) to ensure cumulative payments, plus the amount advanced, do not exceed the ULO of all contracts awarded under the pooling agreement.

9.3.2.5. Do not make a non-advance contract payment when it would cause the ULO to fall below the advanced amount. If this condition occurs, notify the designated DoW Component and request further instructions. The Component will advise whether obligating documents are in transit or whether the payment must be processed to liquidate the amount advanced.

9.4 COST-REIMBURSEMENT-TYPE CONTRACTS

9.4.1. The Defense Contract Audit Agency (DCAA) has sole authority to verify claimed costs and provisionally approve interim payment requests under cost-reimbursement, non-commercial and commercial time-and-materials, and labor-hour type contracts. This authority may include, on request, cost verification and provisional approval for state and local government-submitted claims under 2 CFR 200. Per DFARS 242.803, DCAA uses sampling methodologies to select interim vouchers for review before sending them to the payment office. Interim vouchers not selected for pre-payment review are considered provisionally approved and are sent directly to the payment office. All provisionally approved interim vouchers are subject to later audit of actual costs incurred. A Contracting Officer's Representative (COR) may not be delegated authority to approve these payments. The COR may review contractor billings but is expected to coordinate with DCAA when any cost verification is necessary to support surveillance responsibilities. The ACO approves the final payment request on the contract.

9.5 FAST PAYMENT

9.5.1. Payment must be made no later than 15 days after receipt of a proper fast pay invoice. If the payment office does not meet the 15-day requirement, PPA interest accrues under

the procedures applicable to invoices to which the fast payment procedure clause does not apply. See section 7.0 for additional PPA policy and requirements.

9.5.2. The entitlement office, together with the contracting officer, must ensure the following conditions are in place when using the fast payment procedures.

9.5.2.1. A closed loop process must exist that matches payments to material receipts and resolves non-receipt or other discrepancies. This must consist of a management control or audit program by the entitlement office for the post-payment examination of payments made under fast pay.

9.5.2.1.1. Authorized personnel with direct knowledge of the receipt must document receipt of goods and services. This documentation, whether hardcopy or systemic, must be made available within the timeframe prescribed by a post-payment examiner when requested during audits. The audit must confirm receipt and acceptance and include matching with payment documents.

9.5.2.1.2. The first attempt to obtain missing receiving reports must be initiated no later than 45 days after payment. If the receiving report is not received within 45 days of the initial follow-up, the entitlement office must contact the contracting officer to verify receipt and acceptance, or issue a contract deficiency report to the contracting officer for non-compliance with contract terms so the entitlement office and the contracting officer can start collection actions.

9.5.2.2. Auditable evidence of receipt and acceptance of the goods or services must exist and be accessible. Audit evidence of receipt must show the date the items were delivered or the services were rendered, the printed authorizing official's name, and the authorizing signature or electronic/digital approval. Audit evidence of acceptance is the authorization that the receipt of goods or services matches the criteria identified on the originating order and acknowledges the items or services are of acceptable condition and quality.

9.5.2.3. An information flow must exist that links consignee (the post office, common carrier, or point of first receipt by the Government) receipt and discrepancy information to both the purchasing and bill entitlement offices.

9.5.2.4. A prevalidation process must exist that matches expenditures and obligations for fast pay transactions (see section 2.0 for additional information on prevalidation requirements).

10.0 PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

10.1 PERSONAL EXPENDITURES

10.1.1. Military and civilian personnel must follow the standard personnel reimbursement procedures established by their Component or activity and must avoid using personal funds to pay Federal Government obligations. Personnel must be reimbursed only if the underlying expense was authorized, or an urgent and unforeseen public necessity existed, and the claim is legally payable. Personnel must not use this policy to avoid standard Component or activity reimbursement procedures or to circumvent other laws or regulations.

10.1.1.1. Electronic submission is preferred when requesting reimbursement for personal expenditures. The electronic claim must contain all elements of Optional Form (OF) 1164, "Claim for Reimbursement for Expenditures on Official Business," unless the Component's system captures the same data elements through other functionality that links directly to the claim and supports both internal and external audit requirements.

10.1.1.2. When submission is not electronic, OF 1164 is the authorized form for requesting reimbursement for personal expenditures under this section.

10.1.1.3. Claimants subject to the U.S. Internal Revenue Service code must provide a Tax Identification Number (TIN) for all payments per 31 U.S.C. § 7701, 31 U.S.C. § 3325(d), and Federal Acquisition Regulation subpart 4.9. For personnel, the TIN may be the claimant's SSN (26 U.S.C. § 6109(d)); an alternative identification number must be used whenever possible per DoDI 1000.30. Per DoDI 5400.11, "DoW Privacy and Civil Liberties Programs," Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII) and must protect any PII in a system of records used to conduct official business.

10.1.1.4. All claims for reimbursement must be submitted per DoW and Component submission policies and procedures (electronic or manual) and signed by the claimant, the appropriate approving official, and a properly appointed certifying officer before payment.

10.1.1.5. All claims for reimbursement require supporting documentation as proof of receipt, approval by a designated approving official, and certification by a properly appointed certifying officer before disbursement. Supporting documentation includes receipts, tickets, and invoices. Volume 1, section 9.0, Figure 9-1 prescribes the retention period for financial records supporting these payments; refer to 44 U.S.C. § 2909 for authority to retain records longer than disposal schedules specify.

10.1.2. Claim for Reimbursement for Expenditure on Official Business

10.1.2.1. Military and civilian personnel claiming reimbursement for personal-fund expenditures made without pre-approval must show an urgent and unforeseen public necessity existed. The claimant must prepare the claim and place on or attach to it the statement: "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant must sign and date the claim, and a designated Component or activity official must approve it before forwarding to the certifying officer.

10.1.2.2. Claims by non-Government personnel must carry signatures of the claimant, an approving official, and a properly appointed certifying officer. A certified copy of the document requesting the person to perform services, or documentation showing personally paid items, must support the claim.

10.1.2.3. Documents supporting certified vouchers must show the goods or services were received and essential. Mission-related expenses incurred while in travel status are not payable on a travel voucher or through the Defense Travel System. The JTR, sections 2.0, 3.0, and 5.0, prescribes items allowable for reimbursement in travel status for military members and DoW civilian personnel.

10.1.3. Reimbursement is authorized to Civil Air Patrol members for supplies, including fuel, lubricants, and other items required for vehicle and aircraft operations, through Air Force appropriations when the Patrol acts as an auxiliary of the Air Force. Reimbursement is also authorized to place equipment in serviceable condition or to improve and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. Refer to 10 U.S.C. § 9494.

10.1.4. Conference Attendance

10.1.4.1. DoW requires specific approval to authorize and reimburse expenses for attending meetings of technical, scientific, professional, or similar private-membership non-Federal societies or organizations (JTR, Section 4, sections 0302 and 0321). Documentation supporting that approval must accompany the claim for reimbursement.

10.1.5. An employee required to serve as a notary public in connection with official duties is entitled to repayment of expenses incurred to obtain a notarial commission, as authorized by 5 U.S.C. § 5945. Reimbursable expenses include seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state law. DoW Components must not reimburse claims for notarial professional-association dues or other non-essential services. The claim must include a statement that the notary commission is required to perform official duties as designated in Component or activity procedures, and a management official must approve the claimant's

statement before submission to the certifying officer. There is no statutory authority to pay these expenses to military members.

10.1.6. Reimbursement of expenses to obtain professional credentials may be authorized for application fees, examinations, and certifications. The authority for reimbursement of professional accreditation fees is prescribed by 5 U.S.C. § 5757.

10.1.7. Personnel Held Captive

10.1.7.1. U.S. military personnel held captive who barter personal valuables during escape and evasion may file a claim for reimbursement. The claim must list the value of each article and show its age and condition at the time of barter. The appropriate commander or management official must approve the claim before submission to the certifying officer.

10.1.7.2. Civilian personnel held captive who barter personal valuables during escape or evasion should consult their Component's legal counsel when preparing the claim. The designated Component official must approve the claim before submission to the certifying officer.

10.1.8. In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children who require room and board away from their domicile (not within commuting distance), as prescribed by 20 U.S.C. § 926(b). See DoD Directive 1342.20, DoD Education Activity (DoDEA), for eligibility requirements for educating dependent children in overseas areas or at non-DoW schools, including its definition of dependent. A receipt for the sponsor's actual payment of room and board must support the claimed amount. A signed statement is also required from the school superintendent or principal that the room and board charges are reasonable for the area and that no less expensive alternative was available to provide adequate education at a school within the same comparable distance.

10.1.9. When DoW-operated schools are unavailable overseas, the DoDEA coordinates placing students in local public or private schools or in boarding schools. In limited circumstances, reimbursement for the education travel of student family members is authorized by 5 U.S.C. § 5924(4). A travel receipt must support the claim for reimbursement.

10.1.10. Title 10, U.S.C. § 1094a prescribes continuing medical education requirements. Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs before course completion. Refer to 5 U.S.C. § 4109 and section 5.0 for additional guidance. The claimant must timely provide satisfactory proof of course completion to the certifying officer through appropriate Component channels to avoid debt collection for perceived non-completion.

10.1.11. Appropriated funds may be used for official representation purposes as prescribed in DoDI 7250.13. The Heads of DoW Components may authorize authorized individuals, or their

designees, to expend Official Representation Funds only for official purposes. Receipts for personal expenditures must support the claim for reimbursement, and officials designated per DoDI 7250.13 must approve it before forwarding to the certifying officer for certification. See also the DoD Guidebook for Miscellaneous Payments (type payment codes OREV, ORGV, OREE, and ORGE) for additional policy.

10.1.12. Fees paid by award nominees, award recipients, and their supervisors and managers attending ceremonies may be reimbursed when the expenditures fall within the scope of the Government Employees Incentive Awards Act (5 U.S.C. §§ 4501-4506 and 10 U.S.C. § 1124). Fees may cover items such as meals, refreshments, plaques, and awards. DoW must not authorize advance payments. Individuals must request reimbursement on travel vouchers; if travel orders are not issued, the claimant must submit a claim with applicable receipts, approved by the designated management official, to the certifying officer.

10.1.13. Expenses for military attaché officers to maintain a suitable official residence are authorized, reimbursable, and may vary by location. The claimant must submit form DD281, "Voucher for Emergency or Extraordinary Expense Expenditures," to request and receive reimbursement. The Head of the DoW Component must approve claims before submission to the certifying officer. Title 10 U.S.C. § 127 prescribes policy for emergency and extraordinary expenses.

10.1.14. The JTR, Section 3, section 0206 prescribes allowable reimbursements for commonly incurred expenses for public or special conveyances used for transportation in and around duty stations. The claim for reimbursement must be supported by receipts and approved by the Component's designated approving official before submission to the certifying officer.

10.1.15. Military members assigned to a recruiting organization, or assigned recruiting duties as a primary or additional duty, are authorized reimbursement for actual and necessary expenses paid from personal funds. The JTR, Section 3, paragraph 020605 prescribes policy for reimbursement of actual and necessary costs. The claim must be supported by receipts and approved by the Component's designated approving official before submission to the certifying officer.

10.1.16. When local moves of military personnel's household goods are authorized per the JTR, Chapter 5, and made at personal expense, the claimant must submit a claim for reimbursement to the designated entitlement office. The claimant must support the claim with copies of the order directing the move, the authorization to move household goods at personal expense, and the paid receipt. The claimant must be reimbursed for documented receipts and expenses claimed per the JTR.

10.1.17. Expenses Incident to Death of Personnel

10.1.17.1. Specific Component regulations authorize and prescribe the services and expenses for the care of deceased personnel. Title 10 U.S.C. § 1482 authorizes payment for services, supplies, transportation, and other expenses incurred by the next of kin and establishes limitations on the amount of reimbursement. The claimant must submit a claim for reimbursement supported by receipts for personal expenditures, and the Component's designated approving official must approve the claim before submission to the certifying officer. The payment of expenses incident to the recovery, care, and disposition of a decedent's remains is covered by 10 U.S.C. § 1481.

10.1.17.2. A contract with a local mortuary may cover primary expenses for active duty military. The Government pays primary expenses covered by the Prompt Payment Act (5 CFR 1315) directly to the mortuary.

10.1.17.3. Secondary expenses may be assigned to a mortuary or reimbursed to the next of kin for expenses incurred. Secondary expense payments, whether assigned or not, must be expedited.

10.1.18. Reimbursement

10.1.18.1. TRICARE limits beneficiaries' private-sector out-of-pocket costs to plan-specific copays, cost shares, and deductibles based on beneficiary category and selected plan. Health providers generally bill any excess cost directly to TRICARE, and the Managed Care Support Contractor pays it. Beneficiaries whose out-of-pocket payments for private-sector care exceed their plan limits may submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider and signatures of the claimant, approving official, and certifying officer. Visit www.tricare.mil to download the proper claim form, which includes full completion instructions.

10.1.18.2. Title 5, CFR, Subpart 339.203 prescribes policy for authorizing physical examinations to determine an employee's fitness for duty when such requirements are essential for performing the duties, clearly documented in the position description, and directed by the commanding officer or supervisor. Examinations may be procured through an approved agency purchasing method, or the employee may arrange and directly pay for the examination. Procured examinations are processed like other contractor invoices, or the employee may submit a claim for reimbursement. The employee must submit the claim to the appropriate official for approval before submission to the certifying officer. The claim must contain a chargeable line of accounting and the amount payable, supported by a paid statement from the physician or other evidence of payment. The activity requiring the examination must charge the reimbursement to its operating funds.

10.1.19. Title 5, U.S.C. § 4109 authorizes reimbursement for necessary expenses such as tuition and matriculation fees, library and laboratory services, and other services or facilities directly related to training. The claim for reimbursement must include receipts for each payment of $25 or more, details of the expenditures such as services received and dates rendered, signatures of the claimant and approving official, and certification by a properly appointed certifying officer before payment.

10.1.20. DCSA agents are authorized reimbursement for investigative costs such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. DCSA Headquarters must provide the servicing entitlement office the accounting classification citation for the reimbursement. The claim must cite the appropriate legal, statutory, or other authority authorizing the reimbursement. The claimant must submit a claim supported by receipts and approval signatures from designated DCSA management officials.

11.0 MISCELLANEOUS PAYMENTS

11.1 GENERAL

11.1.1. Purpose

11.1.1.1. A copy of all supporting documentation must accompany each payment request. Components must ensure the documentation is sufficient for an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement, including the authority for the reimbursement as a liability of the DoW, and its value, timing, and funding source. The supporting documentation must clearly identify the parties approving and certifying the payment.

11.1.1.2. A designated approving official is appointed by the commanding officer, director, or designee, with oversight responsibility to ensure all payments or requests for reimbursement are necessary and for official Government purposes only. Components may also assign fiduciary responsibility to approving officials per Volume 5, section 5.0. Approving officials must provide information and data to certifying officers or disbursing officials in support of the payment, attesting to their accuracy. Approving officials must review all claims and verify that the request for payment or reimbursement of miscellaneous expenses was received per Component procedures.

11.1.1.3. All payment requests require supporting documentation for proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer before disbursement. Refer to Volume 5, section 5.0 for policy on appointing certifying officers via DD Form 577, Appointment/Termination Record - Authorized Signature, and distributing the form to the appropriate disbursing office. Certifying officers must make

supporting documentation available for review by authorized personnel, as stated in Volume 5, section 5.0.

11.1.1.4. Components must ensure all miscellaneous claims are paid from funds current and available to the accountable activity when the claim accrues, unless specifically authorized otherwise. All requests for payment or reimbursement of miscellaneous expenses must contain a valid line of accounting with funds obligated per Volume 3, section 8.0. Processing the request through a DoW payment system may require configuring unique standard document numbers.

11.1.1.5. Wage-related miscellaneous payments for awards and judgments must be submitted and paid through the civilian payroll office to ensure proper withholding of mandatory deductions. Refer to Volume 8, section 4.0 for mandatory payroll deductions.

11.2 FEES, CLAIMS, AND AWARDS

11.2.1. Attorney Fees Awarded

11.2.1.1. Attorney fees and other costs assessed in FOIA litigation are payable from operating funds of the Military Department, Defense Agency, Field Activity, or Combatant Command responsible for administering the initial FOIA determinations or contested record searches that are the subject of the litigation. The funding organization is not necessarily the organization named as a defendant. Components must make payments from funds current at the time of awarding attorney fees.

11.2.2. Attorney Fees Awarded under the Equal Access to Justice Act (EAJA)

11.2.2.1. Attorney fees and other expenses awarded to claimants under the EAJA are payable from funds available to the DoW activity at the time of the award. EAJA attorney fees are limited to $125 per hour (5 U.S.C. § 504), unless the adjudicating officer (deciding official), or the court in civil actions, determines the law allows a higher rate. Other expenses include those for expert witnesses and any study, analysis, engineering report, test, or project necessary to prepare the party's case. The amount payable is the amount approved by the adjudicating officer, or the court in civil actions, based on documentation from the adjudicating officer or the court.

11.2.3. Fiscal Service payments to the contractor will not include attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 (41 U.S.C. §§ 7101-7109). Attorney fees awarded in these cases are payable from funds current at the time of award and available to the activity accountable for the contract obligation (28 U.S.C. § 2412(d)(4)).

11.2.4. Awards Made

11.2.4.1. Payment of the costs must occur within 30 days of their determination and acceptance by the contracting office. A copy of the decision, along with a statement of costs incurred and approved by the contracting officer, must support the certification of payment.

11.2.5. Counsel Fees and Other Expenses in Foreign Courts

11.2.5.1. When appropriate, contracts or letters of commission and understanding obligate the U.S. Government for payment of counsel fees, court costs, bail, and other expenses for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. Payment of fines or civil damages is not authorized (32 CFR 845.5). Payment for bail is authorized when stated in an authorizing letter or message issued by the responsible officer citing 10 U.S.C. § 1037 as the authority. Members must sign an agreement to refund the U.S. Government the bail amount before posting bail (32 CFR 845.10). If the defendant forfeits bail, the individual must reimburse the DoW in cash or by payroll deduction via DD Form 139, Pay Adjustment Authorization.

11.2.6. Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

11.2.6.1. If funds for the claim are available and the contractor does not appeal the contracting officer's decision, the responsible entitlement office must settle the claim from funds cited on the contract (41 U.S.C. § 7108 and 31 U.S.C. § 1304).

11.2.6.1.1. After final agreement with the contractor, the contracting officer must modify the contract using an SF 30, Amendment of Solicitation/Modification of Contract, to obligate the funds and document support for the payment, and must execute the modification before entitlement of the contractor's invoice.

11.2.6.2. If funds to pay the claim are not available, the contracting officer may refer the claim to the Armed Services Board of Contract Appeals (ASBCA) and request ASBCA approval of a settlement from the Judgment Fund. The Component must reimburse the Judgment Fund upon receipt of a bill from the Fiscal Service, from current and available funds or by obtaining additional funds (41 U.S.C. § 7108), as stated in section 2.11. Policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in section 2.10.

11.2.7. Payments to Reimburse the Fiscal Service for Payments in Settlement of Contractor Claims Upon certification by the Fiscal Service (TFM, Volume 1, part 6, chapter 3100), the amounts of contractor claims settled under the Contract Disputes Act of 1978 may be paid to

the contractor by the Fiscal Service from the Judgment Fund. Amounts paid to contractors are reimbursable to the Fiscal Service from the appropriation available for the purpose of the contract or by obtaining additional funds for that purpose. If funds are not available in the proper account to cover invoices received from the Fiscal Service, the Component must request additional funds through appropriate channels. Amounts reimbursed to the Fiscal Service are not charged to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment (Volume 3, section 8.0).

11.2.8. Interest Awarded Contractor

11.2.8.1. If claims involve antecedent liability, interest payments are chargeable to the appropriations current at the time the basic contract was executed (Volume 3, section 8.0), or by obtaining additional appropriations for reimbursement (41 U.S.C. § 7108).

11.2.8.2. This section excludes interest penalty claims related to the Prompt Payment Act (PPA) cited in 5 CFR part 1315. Per 31 U.S.C. § 3902, PPA interest must be paid from funds available for administering the program for which the interest was incurred, or from funds financing the operation of the Military Department or defense agency associated with the invoice or contract payment. All interest payments must be charged to the fiscal years in which they accrue. If appropriations are cancelled, any interest payment must be charged to the current fiscal year (31 U.S.C. § 1553(b)(1)).

11.2.9. Return

11.2.9.1. Rewards. Receipt of any authorized communication, oral or written, from a military or federal law enforcement officer or agency requesting active cooperation in apprehending or delivering to military control an absentee or deserter wanted by the Military Services constitutes the basis for a reward. A reward must not exceed the amount cited in 10 U.S.C. § 956 for apprehending absentees, deserters, or parole and mandatory supervised release violators.

11.2.9.2. Condition for Payment. A reward is payable only after notification is issued for the return to military control of the absentee, deserter, or escaped military prisoner. Notification consists of receipt of a DD Form 553, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entry of the individual's name in the National Crime Information Center.

11.2.10. Cash Awards to Military Members

11.2.10.1. The award is payable against current funds available to the activity primarily benefiting, or the several funds or appropriations of the various activities benefiting

(10 U.S.C. § 1124(e)). Refer to paragraph 11.1.1.5 for requirements on submission, payment, and mandatory payroll deductions. The claim must be submitted on an SF 1034, or electronic equivalent, and must provide the military member's Home of Record for state tax reporting. The only exception to withholding taxes on cash awards is payment to an enlisted member serving in a combat zone. See the Combat Zone Tax Exclusions in Publication #3 (2020), Armed Forces Tax Guide.

11.2.11. Under 10 U.S.C. § 2252, certain rewards are authorized and paid as follows:

11.2.11.1. A Military Department must not pay a reward of more than $500 in any case. Rewards are payable from current funds available for the Component concerned. The payment voucher must be supported by a copy of the reward offer and a statement by the commanding officer or designated representative that all conditions for payment of the reward and accountability for the property have been met.

11.3 PURCHASES OF SPECIAL ITEMS AND SERVICES

11.3.1. Advertising

11.3.1.1. Per 44 U.S.C. § 3702 and FAR 5.502, contracting officers must obtain written authorization from the DoW Component head, or from a person with written delegation of authority from the head of a DoW Component, before advertising in newspapers, trade journals, and similar publications (5 U.S.C. § 302(b)). This delegation cannot be re-delegated. Newspaper advertisements are not payable unless the claim includes the advertising bill and a copy of the written authority. Requirements for payment and retention of documents follow.

11.3.1.2. The requirement for written advertising authority from the head of a DoW Component, or from a person with written delegation of authority, does not apply to radio advertising (FAR 5.502(b)) unless required by Component policy. The other restrictive advertising provisions in 44 U.S.C. § 3702 do not relate to radio advertising. No statutory restrictions exist on using appropriated funds for radio advertising to promote objectives. Claimants must submit payment claims on an SF 1034, or other approved Component form, with a copy of the invoice and an affidavit of publication furnished by the advertising agency (FAR 5.503(d)).

11.3.2. Arbitrator services under negotiated grievance procedures of management and labor union agreements are authorized. These services are normally acquired by issuing a DD Form 1155, Order for Supplies or Services, which specifies payment terms and conditions and requires coordination between the civilian personnel office and the contracting support office. Funds must be reserved and obligated before executing the ordering or contracting action. On completion of services, the civilian personnel office, or a designated official, must certify receipt;

this certification is the receiving report required for payment. Payment is made using this certification, the arbitrators' billing statement, and the terms in the completed DD Form 1155. These payments are governed by the PPA (5 CFR part 1315), unless the DD Form 1155 contains a specific payment due date.

11.3.3. Using appropriated funds to buy or lease passenger motor vehicles must be specifically authorized by an annual appropriation act or other law (see 31 U.S.C. § 1343). The purchase cost limitation in 31 U.S.C. § 1343 excludes articles used with a car but not permanently attached to it or not an integral part of it (for example, tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes). Motor vehicles should be acquired from the most cost-effective source: purchase or commercial lease through the General Services Administration (GSA), or any other method less costly to the Government as validated by a cost comparison (DoD Manual 4500.36).

11.3.4. Appropriated funds may be used to purchase blood supplies from donors (24 U.S.C. § 30) or through civilian contracts (DoDI 6480.04) per the policies of the respective Military Services for persons entitled to medical treatment at Government expense.

11.3.5. The Component's designated personnel must prepare and certify payment of civilian uniform allowances on an SF 1034 or electronic equivalent. DoDI 1400.25, Volume 591, prescribes the amount payable per year and other uniform allowance policies. The payment voucher may include more than one employee. The payment must be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned. See the Guidebook for additional information and policy.

11.3.6. Confinement of Prisoners in Civil Detention

11.3.6.1. Prisoners may be confined in civilian facilities used by the U.S. Marshals Service when DoW confinement facilities are not available or do not provide for the separation of male and female prisoners per DoDI 1325.07. Transferring commanders must determine whether a military confinement facility, including military or security police detention cells, is not reasonably available. If a facility used or approved by the U.S. Marshals Service is not reasonably available, a military prisoner may be transferred to a facility accredited by the American Correctional Association or by the State for confinement.

11.3.6.2. The Provost Marshal's Office, which transfers prisoners, must provide the entitlement office a certified voucher and supporting documents itemizing the confinement expenses (10 U.S.C. § 956). After entitlement, the disbursing office remits payment to the civil confinement facility. All military prisoners must be provided supplies necessary for personal hygiene and maintenance of good health. The Military Services may also provide supplies for a prisoner's comfort, set monetary or quantity limitations on any supplies, and set other limitations

as Service corrections headquarters deems appropriate. Supplies issued to persons in a non-pay status are paid from appropriated funds. Health and comfort supplies provided to persons in a pay status are charged against their pay accounts or paid from their personal funds.

11.3.7. Fees required by local laws for certified copies or photocopies of public records, or documents required by a court or board, may be paid to the performing officials or legal entities. Current operation and maintenance funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting that all resources to find beneficiaries were exhausted and none were found.

11.3.8. Discrimination Complaints

11.3.8.1. In discrimination complaint cases, attorney fees may be awarded under a no-fault settlement agreement, an informal adjustment, the decision of the Service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After legal counsel reviews and approves the award letter, the EEO manager of the legal office must initiate or authorize the reimbursement claim. The Component's reimbursement request must be a joint payment to the complainant and the complainant's representative, supported by an award letter and approval. The claim must cite current operating funds. Policy on allowable and reasonable attorney fees is in 29 CFR part 1614.

11.3.8.2. The EEOC assigns an EEO Administrative Judge to hold hearings on formal discrimination complaints and otherwise process individual and class complaints for the EEOC. The activity where the alleged discrimination took place must fund expenses associated with these complaints, using operating funds current when the services are requested. The EEOC bills the activity for authorized and required expenses (29 CFR part 1614). The activity's chief EEO manager, or assigned designee, must review and approve the EEOC billing.

11.3.8.3. The chief office of counsel typically arranges court reporter services by submitting a request to the DoW Component contracting office. The activity where the alleged discrimination took place must pay court reporter costs, using funds current when services are requested. The activity's chief EEO manager, or assigned designee, must review and approve payment requests.

11.3.8.4. Interest payments related to discrimination cases, when permitted by statute, must be charged to funds current at the time of the award. The Treasury establishes the rate, which is not the rate used to compute interest under the PPA.

11.3.9. Emergency Notification Service (9-1-1)

11.3.9.1. If the telephone company imposes a 9-1-1 fee for its own service, duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the DoW; the DoW has no immunity from such fees. If a state or local government imposes the charge and merely uses the telephone company as its agent, the charge is a tax from which the DoW is exempt.

11.3.9.2. If a military installation receives an invoice for a 9-1-1 charge imposed by a state or local government, the tax is not payable. If fees were improperly paid, refer to the collection policy in Volume 16, section 5.0 to recover them.

11.3.9.3. If it is unclear whether such charges are taxes or service charges, the designated entitlement office, or responsible certifying officer, must contact the base communications officer or higher authority. This clarification must be included in the entitlement and certification documentation supporting the payment request.

11.3.9.4. Telephone service to on-base residents is a private contract between the resident and the local telephone company. Residents charged for 9-1-1 services may not claim exemption based on immunity. If a resident of base housing lives in an area where the base provides all fire, police, and other emergency services, the charge may be for services the resident does not receive, and a challenge may be possible. Regardless of the basis for challenging a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company and is not a DoW reimbursable expense.

11.3.10. Hospital accreditation fees associated with the requirements in DoD Manual 6025.13, Enclosure 3 for medical facilities accredited by the Joint Commission on Healthcare Organization may be reimbursable. A deposit required for an initial customer may be reimbursable. Accreditation and certification on-site fees, invoiced 1 to 5 days after the survey event completes, are reimbursable for those requiring accreditation. Accreditation annual fees may also be payable, subject to the programs, services, volumes, and sites where service is provided.

11.3.11. If the loss was not caused by any fault or negligence of the Service member, reimbursement is authorized to compensate military personnel for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable incident to military training or service (DoDI 1338.18). Personnel must submit an approved Service-specific Personal Clothing Claim form, or electronic equivalent. The Service member's activity billing office must prepare an SF 1034 or electronic equivalent for payment to the member.

11.3.12. Medical Services Provided by Civilian Non-Federal Sources

11.3.12.1. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services, treatment, or both. On receipt of the civilian health care provider's itemized invoice, the claimant must submit a reimbursement request to their designated Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care. The same standards apply to an approved claim for services rendered in connection with care of a deceased member.

11.3.12.2. Dependents and retired personnel are authorized certain medical care and diagnostic services under 10 U.S.C. §§ 1071-1085. When an MTF managing the care of dependent and retired personnel must refer them to civilian facilities for care beyond the MTF's capability, payment for related supplemental care is authorized. The claimant must submit the health care provider's itemized invoice to their designated billing Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care.

11.3.13. The DoW must not pay for any service required to be provided by the local government when that service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection (10 U.S.C. § 2465(a)). Refer to 10 U.S.C. § 2465(b) for exceptions of authorized payments.

11.3.14. Per DFARS subpart 241.1 and DFARS subpart 241.2, the DoW may pay on the same basis as private users of services, based on the quantity of direct services received (for example, water and sewage). Generally, the DoW will not pay for municipal services unless private citizens and businesses also pay a charge for the same services.

11.3.15. Appropriated funds available for making or procuring supplies may be used to acquire copyrights, patents, and applications for patents; licenses under them; design, process, and technical data and computer software; and releases for past infringement or unauthorized use of technical data or computer software, if the acquisition relates to supplies or processes produced or used by or for, or useful to, the DoW (10 U.S.C. § 3793).

11.3.16. Absent express Presidential exemption, DoW facilities must abide by state or local laws for abatement and control of pollution. Facilities may incur costs complying with these laws to obtain permits and pay the associated natural-resource management fees. Submit an SF 1034, or electronic equivalent, to pay these expenses. The payment request must include supporting documentation identifying the permit application fee and other related fees, approved by the base civil engineer or assigned designee.

11.3.17. Reciprocal Mutual Aid Agreements for Fire Protection

11.3.17.1. If the claims affect current funding for fire protection, FEMA will contact the installation during its claim processing and adjudication procedures. The DoW installation must provide the information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate, and must provide the complete name and address of the disbursing office, including the Disbursing Station Symbol Number, and an appropriation fund cite for fire protection funding so the Treasury can bill for reimbursement for approved claims paid.

11.3.17.2. All sums received as reimbursements for fire-protection costs incurred by any DoW activity must be credited to the appropriation or fund from which the fire-protection expenses were paid. If that appropriation's period of availability for obligation has expired, credit the fund or appropriation currently available for the same purpose (42 U.S.C. § 1856d(b)).

11.3.18. Representation and Contingencies Fund Use

11.3.18.1. This paragraph applies to disbursements against funds separately appropriated in the contingencies program, including representation, special expenses, and contingencies. Each fiscal year, Congress appropriates contingencies program funds under the statutory authority in 10 U.S.C. § 127 for use by the head of each DoW Component. Funding documents provide authority to obligate and expend contingency funds as approved, or as adjusted later during the fiscal year.

11.3.18.2. The head of a DoW Component must authorize the expenditure of Official Representation Funds by commanders for official entertainment or other official purposes, per 10 U.S.C. § 127 and DoDI 7250.13.

11.3.18.3. The Appropriation Act language for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes." The following policies apply, depending on the type of payment involved.

11.3.19. Where water supply systems serving DoW organizations do not meet the standards in 40 CFR part 141, subpart C, special drinking water may be purchased with appropriated funds only when necessary from the Government's standpoint. The reimbursement claim requires a statement attesting the drinking water is non-potable, plus a public announcement or a copy of the water testing results. Examples include public water unsafe for human consumption, an emergency failure of the installation's water source, a temporary facility with no

drinking water available within a reasonable distance, or no water fit for drinking available without cost or at a lower cost to the Government.

11.3.20. Support of Armed Forces Personnel in Confinement

11.3.20.1. Purchase of health and comfort items for personnel confined on-base is authorized for all military prisoners, subject to DoDI 1325.07. Reimbursement must be claimed using an SF 1034 or electronic equivalent. Supplies issued to persons in a non-pay status are paid from appropriated funds. Health and comfort supplies provided to persons in a pay status are charged against their pay accounts or paid from their personal funds.

11.3.20.2. The Military Confinement Facility commander must provide suitable clothing, on a temporary loan basis, to a prisoner confined without essential clothing. Permanent issue items, except distinctive prisoner clothing, are subject to personal funds withdrawal if the prisoner is in a pay status. All necessary clothing for a prisoner confined in a non-pay status is provided at Government expense.

11.3.21. Telephone and Television Service

11.3.21.1. Appropriated funds normally must not be used to pay for telephone service to private residences, except as identified in 31 U.S.C. § 1348 and DoDI 1100.21. Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

11.3.21.2. Charges for official telephone and metered services for a period beginning in one fiscal year and ending in another may be paid from the appropriation current at the end of the service period (31 U.S.C. § 1308). This rule also applies to leased wire and teletypewriter services.

11.3.21.3. Telephone services provided for Service clubs, motion picture service, military Exchange store activities, and officers' and non-commissioned officers' messes within the United States are subject to federal communications taxes (26 U.S.C. § 4251 and 26 U.S.C. § 4252).

11.3.21.4. The telephone service contract may provide for payment at legally established rates. Under such contracts, rate increases approved by rate-setting authorities may be paid. Increased rates billed before approval by rate-setting authorities may be payable, but are subject to adjustment if the increase is not approved.

11.3.21.5. The office designated to receive telephone company bills must coordinate preparation and certification of the SF 1034, or an electronic equivalent, for payment.

Local Component procedures must confirm the number and active status of the phone lines or numbers billed and ensure the related costs reflect charges for official or other authorized use.

11.3.21.6. Forward the SF 1034 to the designated payment office with the telephone company's summary billing statement, which includes totals for the monthly plan and long distance charges. The responsible office must retain the detailed listings and schedules supporting the bill and must not attach them to the payment voucher unless local procedures require. Components must follow established local ethical conduct and related personnel policies and procedures when addressing reimbursement of costs for unauthorized use. Handle any funds collected per the Component's appropriation and fund deposit rules and regulations.

11.3.21.7. Government communication systems and equipment are only for official use and authorized purposes. Non-official use of Navy communication systems and equipment is at the commanding officer's discretion, provided the Navy incurs no additional cost and mission readiness is not degraded (OPNAVINST 2060.8B). The communications officer must collect unauthorized or unofficial charges on a DD Form 1131, Cash Collection Voucher, from personnel using the ship's communication service in an unauthorized manner and must immediately turn over the amounts collected to the disbursing office. When the telephone company bills the ship, the designated payment office must pay the telephone company using an SF 1034 to substantiate the payment.

11.3.21.8. Tenant-paid charges for necessary telephone wiring maintenance in base housing may be reimbursable per 31 U.S.C. § 1348. Internal wiring repair charges in family housing are reimbursable from maintenance funds; charges for unaccompanied personnel housing are reimbursable from current base funds.

11.3.21.9. Appropriated funds may pay reconnection expenses when a move results from Government action beyond the member's control and is directed at Government expense. Exclude expenses incurred during a permanent change of station (PCS) that may be reimbursable under the PCS orders or other related regulations.

11.3.21.9.1. Payment is authorized, as directed by the base commander, for mandatory assignment to Government-owned housing facilities, involuntary relocation to Government or non-Government facilities because of base renovation or condemnation proceedings, or termination of assigned quarters because of death of qualifying dependents.

11.3.21.9.2. Members are not authorized reimbursement for moves involving voluntary termination of assigned quarters, termination due to demotion to an ineligible grade or adverse conduct by a member, termination due to family separation (no hardship involved), or the member's voluntary movement from off-base to on-base quarters.

11.3.21.10. Reimbursement of the member's claim or a direct payment to the contractor is chargeable against the appropriation covered by the service.

11.3.21.10.1. A Service member may submit the same documentation through the billeting officer or base civil engineer to the entitlement office for a direct payment to the contractor. These payments are not subject to the PPA. The payment voucher must contain the statement, "Payment is being made for the following individual(s) for reconnection services on the following dates." Activity controls and procedures must ensure no duplicate reimbursement is later paid to the Service member.

11.3.21.11. Support the reimbursement or direct payment to the contractor with the following:

11.3.21.11.1. The member's letter requesting reimbursement for reconnection charges already paid, or a direct payment to the contractor for charges not yet paid. The member must certify the invoiced amount includes only charges incurred restoring telephone or television services previously provided at the old location and includes no charges for new services or equipment.

11.3.21.11.2. A copy of the telephone or television company invoice, certified by the chief of services or base civil engineer, showing only reconnection charges. All other charges are the member's responsibility and must be paid separately.

11.3.22. Tuition and Training

11.3.22.1. Tuition and training reimbursements to employees are miscellaneous payments. 5 U.S.C. § 4109 authorizes reimbursing employees for necessary training expenses (for example, tuition and matriculation fees; library and laboratory services; purchase or rental of books, materials, and supplies; and other services or facilities directly related to employee training). Refer to DoDI 1322.25 for additional tuition and training guidance.

11.3.22.2. Tuition assistance for military personnel must be paid directly to the academic institution per that institution's contract terms. Reimbursing the member for other related expenses requires a properly certified SF 182, Authorization, Agreement and Certification of Training, or other Component-approved form. Component procedures must ensure specified annual and per-course-hour reimbursements do not exceed allowable limits and must prevent duplicate payments.

11.3.22.3. Direct reimbursements to employees for necessary training expenses, such as books and supplies, require a miscellaneous payment request. Employees must submit these requests on an SF 182 or other Component-approved form. Refer to DoDI 1400.25, Volume

410 for additional policies and procedures on training, education, and professional development activities for civilian employees.

11.3.22.3.1. The training must be a regularly scheduled, off-the-shelf course, training conference, or instructional service available to the public and priced the same for everyone in the same category (price per student, course, program, service, or training space). To minimize employee reimbursements, the preference is to pay the training provider directly.

11.3.22.3.2. Payments prohibited as tuition or other training expenses include overtime, holiday, and night differential pay, and membership fees, per DoDI 1400.25, Volume 410 and 5 U.S.C. § 4109.

11.3.22.4. Advance payment of tuition and other expenses is authorized (5 U.S.C. § 4109 and 31 U.S.C. § 3324) when the training facility renders, or refuses to render, a billing. The SF 182 must identify the training facility by name and address, the amount payable to the facility for the tuition advance, and the amount payable to the trainee for purchase of books, library, and laboratory services. Submit the SF 182 to the entitlement office to support paying the advance as a miscellaneous payment.

11.3.23. Tuition Refunds

11.3.23.1. When the DoD Education Activity (DoDEA) determines refunds are payable to sponsors of tuition-paying students at DoW-operated schools, refunds are normally a prorated tuition amount when enrollment terminates before the end of the grading period (DoDEA Administrative Instruction 7200.01). A refund of advance tuition payment is authorized only based on a full grading period. A grading period is any of the four periods established by the school and covered by student report cards.

11.3.23.2. The school administrator must ensure deposit funds are available and prepare an SF 1034 that includes the student's name, enrollment termination date, and the amount authorized for refund.

11.3.23.3. The entitlement office must pay the voucher only after reviewing it for propriety and confirming related funds are available in deposit fund accounts.

11.3.24. Contract quarters are reimbursable to the contractor for personnel traveling on official orders in connection with FMS. The Security Assistance Management Manual (DoD 5105.38M, Section 9), Volume 15, section 8.0, and other appropriate DoW Component regulations prescribe the applicable travel policy. The claimant must prepare an Optional Form (OF) 1164, Claim for Reimbursement for Expenditures on Official Business, an SF 1034, or other

Component-approved form or electronic equivalent, and submit it with a copy of the official orders for reimbursement.

11.4 PROFESSIONAL LIABILITY INSURANCE (PLI)

11.4.1. Certain civilian employees (law enforcement officer, supervisor, management official, or temporary fire line manager) may be eligible for PLI reimbursement up to one-half of the insurance premium costs incurred annually, not to exceed $150 per year (see 5 U.S.C., chapter 59, subchapter IV and DoDI 1400.25, Volume 885).

11.4.2. An employee must submit the insurance policy and proof of payment to the servicing Human Resource Office/Civilian Personnel Office (HRO/CPO), plus a completed OF 1164, SF 1034, or other Component-approved form or electronic equivalent, certified by the HRO/CPO approving official, and an invoice from the insurance carrier. The invoice must include the issuing company's name, the policy number, and proof of payment. If it is not evident to the paying office that the carrier's invoice or the policy itself is a qualified professional liability policy, the paying office must return the invoice to the employee and request evidence that the policy's sole purpose is liability insurance. The reimbursement is not reportable as taxable income and not subject to IRS Form W-2, Wage and Tax Statement, reporting.

11.5 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS (CBAS)

11.5.1. This section provides financial management policy for CBA billings ("invoices" in this policy). GSA's Government-wide SmartPay3 contract and applicable DoW-tailored task orders authorize CBA programs for DoW. The Government Travel Charge Card program has two types of travel cards: the Individual Billed Account (IBA) and the CBA. Section 18 contains the financial management policy for IBAs. CBA transportation accounts are issued to DoW activities and are restricted to purchasing air, rail, and bus tickets only for travelers not eligible for an IBA. Unit mission requirements determine CBA credit limits. There are two types of CBAs:

11.5.1.1. A unit travel card may be issued to an individual or unit for group travel only when cost-effective and in the mission's interest. Unit cards accommodate groups such as new recruits, prisoners, and foreign nationals participating in an official DoW-sponsored program or activity.

11.5.2. CBA contractors must furnish a monthly invoice or statement of account showing charges made during the billing cycle. The invoice must contain the elements specified in section 8.0. The date the Billing Office receives the invoice starts the PPA clock.

11.5.3. Officials must work together to ensure accuracy, propriety, and legality over centrally billed accounts and related payments. Volume 5, section 5.0 provides the roles and

responsibilities of accountable officials for CBA programs. The certifying officer must ensure only certified payment packages are forwarded for payment.

11.5.4. Accountable officials must maintain documentation at all levels to support the integrity of Government CBA programs and to facilitate reconciliation and payment of CBA transactions. Accountable officials must establish clear audit trails for CBA transactions by maintaining documentation supporting each purchase, such as travel orders/authorizations; requisitions, including cross-references to any related Blanket Purchase Agreements; telephone and mail order logs; receipt records; and credit slips (DoDI 5154.31, Volume 4). Certifying officers must review payment packages to ensure the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. Volume 5, section 15.0 prescribes certifying officers' responsibility to make records and supporting documents accessible to authorized users.

11.5.5. Government CBA owners must dispute, or report as fraud, questionable transactions with the issuing bank per the timetable and provisions of the issuing bank contract and local procedures. Approving officials must notify the entitlement office by annotating the invoice or invoice package to show reductions for disputed charges, and must maintain records tracking disputed transactions to full resolution.

11.5.6. Designated entitlement office personnel rely on the certifying officer to ensure the validity, legality, and accuracy of certified invoice packages. The designated entitlement office must ensure all certified invoice payment packages undergo prevalidation to confirm funding availability, and must ensure a DD Form 577 is on file to verify all manually and electronically certified payment packages.

11.5.7. Approving officials in billing offices submitting CBA Billing Statements must ensure proper audit trails exist and documentation is available to support all charges and CBA payments. The certifying officer must retain documentation, both paper and electronic records. Refer to Volume 1, section 9.0, Figure 9-1 for statutory retention requirements.

11.6 PAYMENTS UNDER REAL PROPERTY LEASES

11.6.1. Leases are subject to the statutory and regulatory provisions applicable to DoW contracts and to lease-specific statutory provisions. A lease is a contract conveying the use of land or buildings for a specified time at a specified rate of compensation. Leases describe the premises, period, purpose, rent amount, payment method, special or operational services included (such as heat, light, water, and janitorial services), and any restoration provisions. If the lessor fails to provide the services the lease calls for, the lessee (DoW) may pay the cost and deduct the amount from the lease rental payments.

11.6.2. Rent

11.6.2.1. Recurring rental charges are paid without individual vendor invoices. At the end of each rental period, the using activity or designated payment office must prepare an SF 1034 or an electronic equivalent. The claim must identify the lease, confirm the property's use or availability during the rental period, include all relevant supporting documentation, and be processed per the lease provisions. Refer to the Guidebook for SF 1034 preparation instructions. Intra-Governmental lease or rental payment transactions must be processed using the Intra-Governmental Payment and Collection (IPAC) System or the G-Invoicing process, as prescribed by the TFM, Volume 1, Part 2, Chapter 4700, Appendix 5, Section 3, and Appendix 8.

11.6.2.2. At the end of each calendar year, report yearly rental payments of $600 or more to the IRS. Do not report payments to real estate agents. See the DFAS Tax Office website and section 6.0 for additional information and policy on 1099 reporting.

11.6.3. Party Entitled to Rental Payment

11.6.3.1. If DoW occupies land under a lease, the rental payment cannot be avoided because of any defect in the lessor's title at the time of entering into the lease agreement.

11.6.3.2. If DoW occupies land owned by several tenants-in-common under an agreement with one of them, and without objection by the others, that tenant-in-common is entitled to receive the rent.

11.6.3.3. If property leased to DoW sells on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental only from and after the date the deed is executed.

11.6.3.4. Rent liability does not become payable day-by-day; it becomes due in total on the dates set forth in the lease. The payment is not prorated among several owners who owned the premises for portions of the rental period. When leased property is sold, the seller must furnish a copy of the deed of sale for association with the lease contract. If the lessee is properly notified, payment is made to the titleholder on the due date.

11.6.4. Payment for leased land is not payable in advance. Payment for leases in foreign countries for periods of time is directed by the laws and ministerial regulations of those countries or local customs (10 U.S.C. § 2396).

11.6.5. DoW lease agreements must be clearly written regarding provisions for laying conduit and wires, making alterations, performing repairs, or making other improvements. Unless the lease clearly provides for such improvements at DoW expense, payment of any associated cost is not authorized.

11.6.6. Although taxes are not payable by DoW as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the lease terms.

11.6.7. The lease terms determine the basis of payment. Leases with the standard U.S. Army Corps of Engineers termination clause require payment for the day after the termination notice is mailed plus 29 days. Analyze leases with other termination provisions individually, in consultation with local legal counsel, to determine the rent due upon termination.

11.7 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS

Reimbursements to medical health service providers serving under ISAs may be subject to Federal tax and the Federal Insurance Contributions Act, depending on the contract terms. If required, DoW must report ISA payments at year end to the IRS on a Form W-2 per Social Security Administration/IRS guidelines (IRS Publication 15, Circular E). The DoW Tax Reporting Office must perform the W-2 reporting. Refer to Volume 8, section 9.0 for disbursements to taxing authorities.

11.8 PAYMENTS OF FEES FOR GUEST SPEAKERS, LECTURERS, AND PANELISTS

Payment of expenses associated with honoraria (guest speaker fees) is allowable for individuals who are not Government personnel. Honoraria are ex gratia payments to a speaker who has discretion over the content of the speech, presentation, or panel discussion on the general topic. Honoraria limitations do not restrict payment for presenting materials under a training contract involving a program of instruction. Per the Deputy Secretary of Defense, honoraria greater than $2,000 must be approved by the next higher organizational echelon. Approvals must follow the Component's established procedures.

11.9 INTRA-GOVERNMENTAL TRANSACTIONS

The TFM, Volume 1, Part 2, Chapter 4700, Appendices 5 and 8 prescribes policy for agencies to process intra-Governmental expenditure transactions through the IPAC system or the G-Invoicing process. IPAC is an electronic, internet-based collections and payment system. Refer to Volume 5 for additional policy on IPAC and G-Invoicing.

11.9.1. Border Clearance Inspectors Overtime Expenses

11.9.1.1. If border clearance inspectors must work overtime, or on Sundays and holidays, at a DoW installation, the installation must pay the overtime expenses incurred, including travel and subsistence, per 19 CFR 24.16 and 19 CFR 24.17. Border clearance officials regularly assigned to DoW installations receive no payment for travel and subsistence. When additional inspectors supplement the regularly assigned inspection staff, the DoW installation pays their overtime, travel, and subsistence.

11.9.1.2. If a DoW aircraft lands at a site other than a DoW installation, the aircraft's home station must pay the charges. When a DoW aircraft lands at another DoW installation, the installation providing the landing clearance services must accept the border clearance and inspection expenses. Financial managers must ensure funds are reserved to pay these claimed expenses. The DoW official designated to make the arrangements must maintain accurate records, submit overtime requests, certify receipt and acceptance of services, and forward billings for payment. Invoices from one agency may be consolidated and paid using a single IPAC or G-Invoicing transaction.

11.9.2. GSA

11.9.2.1. Except for normal wear and tear, DoW is pecuniarily liable for loss of or damage to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoW civilian personnel.

11.9.2.2. When damage occurs to a GSA vehicle, the vehicle operator must notify the GSA fleet management center, the operator's supervisor, and the state, county, or municipal authorities as required by law (41 CFR 101-39.401). GSA charges DoW for all costs resulting from damage, including vandalism, theft, and parking lot damage, case-by-case after reviewing the documentation required by 41 CFR 101-39.406. Upon receipt of GSA's damage assessment, use the IPAC system, G-Invoicing, or an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, to pay GSA. The DoW Component to which the vehicle was assigned must provide the fund cite. The SF 1080 must identify the damaged vehicle and include the vehicle registry number, date of damage, register number of the SF 91, Motor Vehicle Accident (Crash) Report, and, when applicable, an SF 94, Statement of Witness.

12.0 COMMERCIAL TRANSPORTATION PAYMENTS

12.1 POLICY

12.1.1. Valid Line of Accounting (LOA). Every transportation shipment, when initiated, must have a valid LOA, including the Standard Document Number, or an associated Transportation Account Code (TAC) representing a valid LOA, before processing shipment requests, automating obligation recording, and certifying and paying invoices.

12.1.1.1. The Transportation Officer (TO) or Traffic Management Officer (TMO) must not provide transportation services without first obtaining proper supporting documentation, which at a minimum must include an authorization to use, and a citation of, a valid and funded LOA provided by a designated Fund Manager (FM) or financial management official.

12.1.1.2. If funding data supporting the shipment request fails validation when processed, the TO/TMO must suspend further processing until the shipping customer provides written (electronic or hardcopy) verification that the LOA is valid.

12.1.2. Funded Line of Accounting (LOA) and Associated Transportation Account Code (TAC). Shipping customers requesting transportation services must provide the TO/TMO the FM's written or electronic verification of a funded LOA (funding document), or the associated TAC, before the Government contracts with a carrier. The FM verification may be annotated on the Movement Request Order, usually a DD Form 1348-1A, Issue Release/Receipt Document, or DD 1149C, Requisition and Invoice/Shipping Document.

12.1.3. Anti-Deficiency Act (ADA). Any transportation shipment request processed without an authorized, valid, and funded LOA that obligates the Federal Government could violate the ADA under 31 U.S.C. § 1341. See Volume 14, sections 2.0 and 3.0 for additional information on appropriations and ADA violations.

12.1.4. Internal Controls. Internal controls must be in place to prevent duplicative or erroneous payments and to ensure DoW funds are spent appropriately and per all applicable laws and regulations. Refer to section 2.0 for additional policy on internal controls.

12.2 RESPONSIBILITIES

12.2.1. DFAS. DFAS maintains the software and database support for the Transportation Global Edit Table (TGET).

12.2.1.1. Each Component must update the TGET and ensure it contains valid LOAs and TACs.

12.2.2. Shipping Customers. Shipping customers can be individuals (Service members or civilian employees), units, or organizations within the Military Services, Defense Agencies, and other Government (non-DoW) agencies (federal, state, or local) requesting shipment of freight or personal property. The shipping customer must obtain and present to the TO/TMO, in written or electronic form, a valid and funded LOA from a designated FM.

12.2.3. Transportation Officer (TO) and Traffic Management Officer (TMO). TOs and TMOs are designated to process approved shipment requests for transportation or storage of military goods and other items entitled to be transported or stored at Government expense, and related accessorial or special services. The TO/TMO responsibilities include:

12.2.3.1. Suspending, and not accepting for shipment, any shipment request that is incomplete or not fully supported by the proper funding authorization; and

12.2.4. Fund Manager (FM). FMs are legally responsible for managing the appropriate use of funds and must assist and advise the TO/TMO on all financial-related matters. The FM must maintain and issue authorizations to use LOAs; coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary; provide a properly formatted LOA and associated TAC for input into the shipper system; resolve edit exceptions with the appropriate finance and accounting office; work with the TO/TMO and certifying officer to correct fund citation edit exceptions; provide the shipping customer documentation supporting funds availability and record the commitment/obligation appropriately; monitor execution of transportation costs and make adjustments as needed; and coordinate with the contracting officer and TO/TMO on transactions not yet certified for payment.

12.2.5. Certifying Officer

12.2.5.1. Ensuring the use of and certifying a SF 1113, Public Voucher for Transportation Charges, and ensuring the form includes the correct amount and fund cites when processing requests for payment, invoices, and other transportation documents;

12.2.5.2. Returning, and not certifying, vouchers that are inaccurate, inadequate, improper, incorrect, impermissible by law, or that contain invalid or inadequate funding information; and

12.2.6. Payment Office. Each payment office must:

12.2.6.1. Ensuring that a valid electronic record of the transportation obligation is posted in the accounting system before disbursing funds;

12.2.7. Contracting Officer

12.2.7.1. Including in the solicitation and contract all applicable services, provisions, clauses, and instructions concerning first destination transportation charges and electronic invoicing. The solicitation and contract must also identify a separate LOA for prepaid freight.

12.3 PAYMENT, AUDITS, AND COLLECTIONS

12.3.1. Request for Payment. The payment office must process a request for payment per the applicable commercial rates, fares, or charges for transportation by any common carrier of any property for the United States, or on its behalf, as approved by the TO/TMO, or designee, and certified by the certifying officer. The payment office designated in the contract must make transportation payments.

12.3.2. Prepayment Audit Title 31 U.S.C. § 3726

12.3.2.1. The DoW must forward all relevant electronic transportation billing documents to the GSA Transportation Audits Division as soon as possible after the end of the month; the TPPS contractor accomplishes this and provides all available shipping and payment data supporting DoW transportation payments (FAR 47.103-1 and 41 CFR 102-118.80).

12.3.2.2. The payment office must ensure, during its prepayment audit of a hardcopy (non-TPPS) TSP bill, that the TSP completed the SF 1113 fully, including the taxpayer identification number and standard carrier alpha code. An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR 102-118.100).

12.3.3. Prompt Payment Act (PPA). Transportation payments are subject to the PPA. PPA regulations require agencies to pay transportation bills within a set time period and pay interest penalties on late payments; the Secretary of the Treasury sets the interest rate under the PPA.

12.3.3.1. Unless the contract specifies differently, transportation charges must be paid within 30 days after the original completed BOL reaches the designated billing office and the carrier certification is completed on the document.

12.3.3.2. If an invoice or accompanying documentation is incomplete or incorrect, the agency must give the TSP written notice of an apparent error, defect, or impropriety within 7 days of receiving the bill. See FAR 32.905.

12.3.4. The Director of the GSA Transportation Audits Division may audit and settle all transportation-related accounts (31 U.S.C. 3726). When instructed by GSA, the payment office must offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier's bill. GSA may audit but may adjudicate and settle only when there is a dispute between the contractor and a government party to the contract.

12.3.4.1. The payment office must inform GSA if it does not have, and is not likely to have, a subsequent voucher to collect an overcharge.

12.4 TRANSPORTATION PAYMENT DOCUMENTATION

12.4.1. DoW may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs or periodic billing statements. Transportation offices must use commercial payment practices and electronic processing to the maximum extent possible per DoW policy in DTR 4500.9-R.

12.5 TRANSPORTATION DELIVERY TERMS

12.5.1. Delivery Terms Delivery

12.5.1.1. If the shipping contract includes both FOB origin and FOB destination delivery terms, the payment office must process each payment per the assigned contract terms for the goods shipped. See FAR 47.304-1(b) when the contracting officer includes both options to obtain the most advantageous delivery point.

12.5.2. Prepaid Freight Contractor

12.5.2.1. Contractors must support prepaid transportation freight charges with a copy of the carrier's receipted freight bill or evidence of receipt from the carrier. Evidence of payment is a receipted freight bill or BOL stamped or marked "To Be Prepaid" showing the charges receipted by the carrier. If this is not present, the BOL must bear a notation of the contractor's check number, the date paid, and proof of shipment.

12.5.2.1.1. If a receipted freight bill is not available, the contractor may instead support the freight-charge reimbursement claim with a copy of the transportation company's pickup record or of the contractor's internal business document showing the contractor turned the material over to a particular shipper. The contractor must support either document with a copy of the transportation company's invoice and a statement that the charges have been paid.

12.5.2.2. The payment office must not adjust the amount of freight charges if deliveries are made to places other than the FOB point.

12.5.2.3. The payment office must not adjust freight charges when a contractor contends that it paid transportation expenses the Government was obligated to pay.

12.5.2.4. The payment office must not deduct for potential excessive freight charges paid by the Government. The payment office must submit such adjustments to the respective legal counsel for referral to GSA for direct settlement as claims.

12.5.3. Reimbursable Prepaid Freight Reimbursement

12.5.3.1. The contractor must list this expense as a separate item on the invoice.

12.5.3.2. Contractor prepaid freight is not authorized within overseas areas. A contractor may be reimbursed for prepaid freight within the United States to a stateside port of embarkation for further shipping by Government means to the overseas area.

12.5.4. Excessive freight charges are freight costs a contractor incurs that exceed costs from the FOB point specified in the contract, and they are not reimbursable. The contracting officer must determine whether to pay excessive freight charges and provide that determination to the payment office before the payment office may make any approved payment adjustments.

12.5.4.1. If a contractor prepays freight for a shipment contrary to the current contract terms, the payment office may pay the shipment charges after receiving a contract modification authorizing the prepaid shipment. The payment may not exceed the cost the Government would have incurred. The contractor must attach the prepaid freight receipt to the request for payment.

12.5.5. Funding Determination Guidelines

12.5.5.1. Transportation charges for material shipped from one U.S. Government installation to another are not part of the contract expense to buy the material.

12.5.5.2. Transportation charges incurred to transport exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency.

12.5.5.3. If freight is damaged in shipment, transportation funds must not be used to pay for replacement or repair of the damaged goods, regardless of which entity is responsible.

12.5.6. The Government generally retains the risk of loss or damage to its property that is not the legal liability of the commercial carriers and generally does not buy insurance for its property in the possession of commercial carriers (FAR 47.102). Where loss or damage risk resides with the carrier under a contract, the payment office may deduct from amounts due the carrier as follows, per 10 U.S.C. 2636(a)(1) and (2):

12.5.6.1. If deducted due to loss of, or damage to, material in transit for a military department, the payment office must credit the amount to the proper appropriation, account, or fund from which the same or similar material may be replaced; or

12.5.6.2. If deducted as an administrative offset for an overpayment previously made to the carrier under any DoW contract for transportation services, or as liquidated damages due under any such contract, the payment office must credit the amount to the appropriation or account from which payments for the transportation services were made.

12.5.7. Non-DoW agencies that wish to use DoW transportation services must provide funds with the appropriate LOAs to the sponsoring DoW Component before services are provided. The sponsoring Component may set up a reimbursable account where the third-party billing system can continue to pay the TSP and may establish a Service/DoW LOA/TAC for the paying office to process. See Volumes 11A and 11B for additional reimbursable policy.

12.6 NON-TEMPORARY STORAGE (NTS) AND LOCAL DRAYAGE OF HOUSEHOLD GOODS (HHG)

12.6.1. An authorized DoW official must determine whether local drayage and storage of HHG is authorized when it provides the best value to the Government. TO/TMO responsibilities include obtaining these transportation services to meet operational needs.

12.6.1.1. All invoices for NTS services must be processed electronically through a TPPS using the policy in paragraph 12.9.

12.7 MISCELLANEOUS TRANSPORTATION PAYMENTS

12.7.1. DoW recruits, including Department of Homeland Security Coast Guard recruits, use meal checks while in transit from the Military Entrance Processing Stations (MEPS) to the Service training centers. Only an appointed MEPS Transportation Assistant (TA), or designated alternate, may issue meal checks, and only to DoW recruits traveling under JTR provisions.

12.7.1.1. Meal checks must not be used to buy alcoholic beverages, when travel is by commercial aircraft and passage rates include meal service, when an advance allowance of per diem has been received, when any portion of travel is OCONUS, or for payment of a gratuity.

12.7.2. Meal Tickets Meal

12.7.2.1. Meal tickets must not be used to buy alcoholic beverages, when travel is by commercial aircraft and passage rates include meal service, when an advance allowance of per diem is received, for travel of civilian employees, for travel of military dependents except when a dependent is authorized per diem to escort a deceased military sponsor, or for payment of a gratuity.

12.7.2.2. These payments are due 30 days after they reach the designated billing office. Late payments are subject to interest under the Prompt Payment Act (31 U.S.C. §§ 3901-3907).

12.8 CLAIMS BY TRANSPORTATION SERVICE PROVIDER (TSP)

12.8.1. If a TSP sends a claim to a payment office, the payment office must make every reasonable and legal effort to resolve the dispute directly with the TSP.

12.8.1.1. If the original payment office cannot resolve the claim, it must forward the claim to the GSA Transportation Audits Division.

12.9 DOW THIRD PARTY PAYMENT SYSTEM (TPPS)

12.9.1. All DoW Components using the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions, as outlined in section 2.0, paragraph 2.2. Managers must ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish assigned tasks. The annual-reconciliation policy in subparagraph 12.9.2.3 reinforces the DTR, Part II, Chapter 212, and Part V, Appendix A, which identifies the reviews and controls needed for timely, accurate processing of transportation bills. DoW Components and transportation offices must work closely with the DFAS to perform root cause analysis and develop automated tools and business process solutions to improve the reconciliation process, including use of Advanced Analytics where feasible. The infrastructure should also include performance metrics for Component accountability.

12.9.2. Certification, Reconciliation and Payment Processing,

12.9.2.1. The certifying officer must review and certify the monthly invoices, ensure each invoice contains valid and adequate funding information and is accurate, correct, and permissible by law, and identify any transactions that do not belong to their TPPS account. The certifying officer must apply the certification criteria in subparagraph 12.2.5, the DTR 4500.9-R, Part II, Chapter 212, and Volume 5, section 5.0.

12.9.2.2. The certifying officer, with the payment office, must reconcile the account activity section of each TPPS monthly summary invoice promptly to identify carrying-balance discrepancies, resolve past-due amounts, and verify that all fees and adjustments on each invoice are correct. Components must reconcile and pay all transportation accounts in full annually, by the end of the first quarter following the end of the FY; for example, charges incurred during FY 2021 must be reconciled and paid in full by the end of the first quarter of FY 2022. The certifying officer must communicate any reconciliation issues to the payment office promptly.

12.9.2.3. The certifying officer must return, and must not certify, any invoice that does not contain valid and adequate funding information or that is not accurate, correct, or permissible by law.

12.9.2.4. In addition to assisting the certifying officers when necessary, the payment office must ensure that the TPPS monthly invoice is paid on time. Late payments are subject to the applicable PPA interest penalty (31 U.S.C. §§ 3901-3907). All interest penalties paid appear in the next month's fees and adjustment section of the monthly summary invoice and must be reconciled with the total and interest payments previously made.

13.0 PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

13.1 PAYMENTS

13.1.1. Methods of Payment for Postage

13.1.1.1. Payments to service providers other than the USPS must use Treasury payment methods, such as automated clearing house (ACH), electronic funds transfer (EFT), or another Treasury-approved means of paying the vendor.

13.1.2. Metered or permit-mail payments must use EFT transactions to commercial banks the USPS designates as its financial agents. Postage payments must not be held in postal vendor accounts unless the DoW Component has statutory authority or prior written Treasury approval.

13.2 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

13.2.1. OMM appointment must be in writing. OMM appointments are reserved for commissioned, warrant, and noncommissioned officers (Enlisted-6 or higher), or DoW civilians (General Schedule-9 or higher); this requirement may be waived when the activity has no personnel in the grades specified. The OMM function is inherently Governmental and must not be contracted out.

13.2.2. Each installation has an OMM who must plan and coordinate outgoing postal and delivery purchases. The OMM must work closely with facility personnel to minimize postage requirements and with managers to ensure the person who decides to send any significant volume of mail also controls the postage funds. The OMM is responsible for interpreting and carrying out the Private Express Statutes (USPS Publication 542) within the organization; the acquisition, use, or disposition of supplies and property; budgeting for and expending appropriated funds for postage and fees; overseeing the monthly reconciliation of trust and debit accounts; and reporting requirements.

13.3 CENTRALIZED TRUST AND DEBIT ACCOUNTS

13.3.1. CAPS

13.3.1.1. The GSA Smart Pay credit card may be used for all transactions for which the USPS accepts the card. When there is a choice, use the CAPS or CMRS trust account instead of a GSA Smart Pay card.

13.3.1.2. Advance deposit trust accounts at local post offices may be used when one of the preceding methods is not available. Advance deposit trust accounts are not authorized at military post offices.

13.3.2. CAPS account use is a local decision; CAPS accounts are not available at overseas military post offices. CAPS accounts may include customer meter, business reply mail (BRM), and permit imprint advance deposits. A payment into a centralized trust or debit account is an advance deposit payment to the post office. The OMM must monitor and reconcile each centralized trust or debit account to ensure receipt of services paid in advance. An OMM who establishes centralized trust or debit accounts must maintain a record of all transactions in each account and is responsible for each account balance.

13.3.3. Centralized Trust and Debit Account Payment Process

13.3.3.1. The OMM must request funds to set up or replenish each centralized trust or debit account by submitting a SF 1034, Public Voucher for Purchases and Services Other Than Personal. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

13.3.3.2. The OMM charges postal services against a trust or debit account as required. The USPS issues a receipt for each charge to a centralized trust or debit account. The OMM verifies services received on the postal receipt and reduces the advance by the amount shown on the receipts. The OMM must identify receipts to each trust or debit account.

13.3.3.3. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount to be deposited into each centralized trust or debit account. Once the designated finance and accounting office makes a deposit into an account, the OMM has limited authority from the USPS to transfer funds between trust or debit accounts. If a transfer between accounts is necessary, the OMM must coordinate the transaction with the designated finance and accounting office and the USPS. The designated finance and accounting office must record the transfer using an Optional Form 1017-G, Journal Voucher, or equivalent.

13.3.3.4. The OMM must reconcile the trust accounts monthly with the USPS transactional documentation. The designated finance and accounting office confirms the balance in each centralized trust or debit account monthly with the OMM. The OMM must provide documentation supporting any unexplained difference and report those findings to the Comptroller of the designated finance and accounting office. The OMM and the designated finance and accounting office must jointly review any unresolved discrepancy. Service-specific or locally developed, automated or manual worksheets must be used to assist reconciliation and track postal expenditures. All Official Mail and Distribution Centers must maintain this information. The OMM must submit a written letter to the USPS to correct account errors.

13.3.3.5. Advance payments for any centralized trust or debit account are limited to the current quarter's postal requirements. The designated finance and accounting office and the OMM must review balances against the postal requirements monthly. When required, the OMM

must adjust balances by allowing the trust or debit account to decrease with use, or by submitting a request (SF 1034) to the designated finance and accounting office to deposit more funds for quarterly postal requirements.

13.3.3.6. When the USPS refunds cash for unused services in a trust or debit account, the OMM must submit a written request to the USPS to process the refund to the appropriate DoW Component account via IPAC or EFT. If the USPS cannot send the refund via IPAC or EFT, the OMM must request reimbursement by check from the USPS using a Postal Service (PS) Form 3533, Application for Refund of Fees, Products and Withdrawal of Customer Accounts. Each PS 3533 is uniquely barcoded and no longer available online; the OMM must contact the local Post Office to secure a PS 3533 for each refund transaction. The OMM must submit the USPS refund check to the designated disbursing office with a DD Form 1131, Cash Collection Voucher, for deposit as a collection.

13.4 MISCELLANEOUS PAYMENTS

13.4.1. The Defense Logistics Agency (DLA) Document Services is the DoW single manager for printing services (DoDI 5330.03). All DoW Components must procure official business envelopes and other document services from DLA at the DLA Document Services link.

13.4.2. All DoW activities must use only prepaid postage. When the environment will not support the electronic processes, an OMM that purchases postage stamps for official use from the local post office may use a Government purchase card. Responsible commanders or their designated representatives, postal officers, and Military Post Office supervisors must audit all working postal accounts advanced by the USPS at least monthly.

13.4.3. Postage Due Costs

13.4.3.1. Under normal circumstances, DoW mail rooms do not accept postage due mail; they return it to the sender at the sender's expense.

13.4.3.2. As an exceptional circumstance, DoW Components engaged in a hostile environment or operating under arduous conditions may send official matter through the USPS when postage is not available. The addressee must not refuse postage due penalty mail from military units engaged in hostile operations and must pay the cost of postage.

13.4.4. Costs for address correction in CAPS are an ancillary service and must be paid by EFT. Supporting documentation must accompany each payment request.

13.4.5. Payment for express mail is made with stamps, metered postage, or through an express mail corporate account, which is similar to a trust account officially authorized by the OMM. Payments into an express mail account are advances to the USPS, controlled similarly to

trust account payments; refer to section 13.3. The OMM submits PS Form 5639, USPSCA Application and Payment Authorization Form, to establish the account. The USPS provides the OMM a monthly statement. The OMM must reconcile this account with the USPS at least monthly. The designated finance and accounting office confirms the account balance with the OMM monthly.

13.5 SMALL PACKAGE DELIVERY COSTS

13.5.1. The approved method for billing and payment of commercial small package express shipments is the authorized electronic processes DoW uses for transportation. When the environment will not support the electronic processes, or business reasons preclude their use, a waiver may be requested from the Office of the Secretary of Defense (Transportation Policy) per the Defense Transportation Regulation, Chapter 212, section C.3. Waiver requests must contain detailed justification why electronic means cannot be used and a proposed date when the electronic requirement will be met.

14.0 PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

14.1 SUBMISSION AND PAYMENT RESPONSIBILITY

14.1.1. Administering Office

14.1.1.1. The award recipient must certify and forward payment requests for the performance period to the administering grants office or required payment request system. The responsibilities of the administering grants office for payment requests are specified in 32 CFR 22.810. When the DoW awarding office is not using a grant payment system as described in paragraph 2.1, payment requests must be submitted and authorized per section 22.810, and the administering grants office must review and certify that the payment request or electronic equivalent is legal, proper, and correct (Volume 5, section 5.0). The administering grants office must also ensure the payment request complies with the award terms and that the recipient will not have excess cash on hand, based on expenditure patterns.

14.1.2. The award must designate the specific payment office that will make payment (typically the Defense Finance and Accounting Service (DFAS)). The payment office must verify the propriety, adequacy, and completeness of any required documentation substantiating amounts to be paid by the DoW, and must retain all hardcopy award documentation, or have access to electronic award documentation, supporting the payment file.

14.2 INTERNAL CONTROLS

14.2.1. The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoW grants comply with the awarded purpose, are adequate to pay the request, and are expended within the constraints reflected in the grant. The Single Audit process, and an agency's procedures for resolving related audit findings, are controls that help assure these objectives, consistent with OMB Circular A-123 and the Single Audit Act (31 U.S.C. 7501-7507) and the post-award responsibilities in 32 CFR Part 22, subpart H.

14.2.2. Each DoW agency that provides Federal awards must review recipient audits to determine whether audit findings require corrective actions and must perform follow-up procedures to ensure those corrective actions are implemented (2 CFR Part 200, Subpart F, 200.513(c)(3) and 200.514(e)).

14.2.2.1. DoW must rely on and use single audits, which independent auditors conduct in the oversight of Federal awards provided to states, local governments, Indian tribes, institutions of higher education, and non-profit organizations. DoW may request additional audits of such awards when required by regulation or as needed to ensure effective use of the awards, and must plan and implement any additional audit effort to avoid duplication and separately fund it.

14.3 PAYMENT REQUEST

14.3.1. Payment Request Forms Except

14.3.1.1. A DoW Component must obtain approval for any variation from OMB-approved forms or formats, including the use of additional or electronic data elements, or modification of the associated instructions for recipient entities submitting the information. For non-construction programs with states, local governments, institutions of higher education, and other non-profit organizations, recipients may request advance payments or reimbursements on SF 270, Request for Advance or Reimbursement, or electronic equivalent, or other prescribed forms or formats as necessary (32 CFR 34.12(d)).

14.3.1.2. For construction programs, each Federal awarding agency must use the SF 271, Outlay Report and Request for Reimbursement for Construction Programs, as the standard form, or electronic equivalent (41 CFR 105-72.302(m)(2)). DoW may use the SF 270 in lieu of the SF 271 when the DoW-awarding agency determines it provides adequate information to meet Federal needs.

14.3.2. For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or prescribe other forms or formats as necessary (32 CFR 34.12(d)).

14.3.3. When the administrative grants office must authorize payment requests per 32 CFR 22.810, it must review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. To ensure timely payments, the administrative grants office must certify and forward the request to the designated payment office at least 3 working days before the end of the following periods:

14.3.3.1. No more than 7 calendar days after the administering office receives the recipient's request when electronic commerce is used (for example, Electronic Data Interchange to request the payment and EFT to make the payment).

14.3.3.2. No more than 30 calendar days after the administering office receives the recipient's request when it is not possible to use electronic commerce.

14.3.3.3. No more than 7 calendar days after each date specified by the award when payments are authorized in advance on a predetermined payment schedule, provided the designated payment office received the payment schedule at least 30 calendar days before the scheduled payment date.

14.4 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

14.4.1. Funds paid to the recipient in excess of the amount to which it is entitled constitute a debt to the DoW. Grants officers must perform post-award administration of grants and cooperative agreements per the DoDGARs. Primary responsibility for collecting debt resulting from a grant or cooperative agreement rests initially with the grants office (see 32 CFR 22.820). DoW awarding offices must use the Debt Collection Office (DCO) of the designated payment office as the primary debt collection option. If DFAS is not the designated payment office, DoW awarding offices may use the Debt Management Office of DFAS for further debt collection and administrative offset opportunities, after first using the DCO. Refer to Volume 16, sections 1.0, 2.0, and 5.0 for additional detailed policy.

14.4.1.1. If the recipient has neither paid the amount due nor provided notice of intent to file an appeal within 30 days of the grants officer's decision, the grants officer must send a demand letter to the recipient, with a copy to the DCO (see Volume 16, section 2.0 for general policy requirements of debt letter notifications).

14.4.1.2. The DCO of the designated payment office must conduct any further debt collection activity, including issuing any additional demand letters (32 CFR 22.820). The DCO must follow collection policy in Volume 16, section 5.0 unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

14.4.1.3. Grants offices must obtain each grant recipient's TIN via the SAM to collect and report delinquent debts.

14.4.2. Collecting delinquent debts owed by the recipient may require administrative offsets per OMB Circular A-129. When taking an administrative offset, the DCO must follow the due process in 31 CFR 901.2, Demand for Payment, and 31 CFR 901.3, Collection by Administrative Offset (also see Volume 16, sections 2.0 and 5.0 for additional policy concerning offsets). Administrative offset is not required in every instance in which a source of funds may be available. Either the payment office or the accounting office must make a case-by-case determination, with the grants officer responsible for the award against which the offset will be applied. Per 32 CFR 22.820(e), the following are examples when an offset must not be taken:

14.4.2.1. Debt recovery by an administrative offset must not occur when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

14.4.2.2. Generally, grants and cooperative agreements paid in advance are not subject to offset. If in the best interest of the Government, the payment office may request that the issuing grants officer convert the agreement to a reimbursable method of payment to enable an administrative offset.

15.0 CONTRACT RECONCILIATION

15.1 RESPONSIBILITIES

15.1.1. Responsible Contract Reconciliation Agents (RCRAs) manage daily contract reconciliation operations and must complete contract reconciliations. The RCRA must review the reconciliation request, determine the appropriate level of effort, set the priority, coordinate assistance, accept or reject reconciliation results, approve adjustments, and ensure refunds or demands for payment are initiated. The User Manual for the Standard Contract Reconciliation Tool (SCRT) contains instructions on the RCRA's role.

15.1.2. The Director, Defense Finance and Accounting Service (DFAS), is the principal DoW executive for finance and accounting requirements and procedures per DoD Directive 5118.05, and must:

15.1.2.1. Assist in providing the specific instructions and computer-based tools needed to identify, analyze, reconcile, track, and correct differences among written contracts, entitlement, disbursement, and related accounting systems. The instructions must include criteria for determining the nature and scope of required analyses.

15.1.2.2. Provide entitlement and accounting system information to individuals participating in settlement negotiations.

15.1.2.3. Train and maintain a core group of individuals who meet the qualification requirements to perform the responsibilities prescribed by the SCRT manual, including RCRAs, reconcilers, and assistants.

15.1.2.4. Designate qualified DFAS personnel to be trained as part of the core group, and assign RCRA personnel to oversee and perform contract reconciliations.

15.1.2.5. Ensure that the Systems Support Office-DFAS Columbus supports the RCRAs and maintains the SCRT, a DoW-wide database listing RCRAs, core group members, and contracts being reconciled. SCRT users receive help-desk support at disa.global.servicedesk.mbx.application-ticket-request@mail.mil.

15.1.3. Heads of DoW Components that use ERP systems must provide data to support and coordinate contract reconciliation functions performed under DFAS direction.

15.1.4. All RCRA reconciliation partners (procurement contracting officers (PCOs), administrative contracting officers (ACOs), resource managers, and program managers) must perform their respective or combined duties as follows:

15.1.4.1. Participate in contract reviews and reconciliations, and assist in identifying and resolving differences among written contracts and entitlement, disbursement, and accounting systems.

15.1.4.2. Compare the contract ACRNs with data in the entitlement and accounting systems. When discrepancies occur, notify the appropriate entitlement and accounting office of any significant differences, and that office must provide the required supporting documentation.

15.1.4.3. Respond in a timely manner to reasonable requests for action, information, or documentation on a contract or modification.

15.1.4.4. Designate personnel from the DoW Components to be trained as part of the core group that oversees and performs contract reconciliations.

15.2 CONTRACT RECONCILIATION

15.2.1. Normally, at contract end, total payments to the contractor should match total funds obligated on the contract. When unexplained remaining or excess fund balances exist, reconciliation may be required to compare all source documents with the entitlement and accounting systems. MOCAS contracts must be forwarded to DFAS Columbus for reconciliation.

The designated entitlement office that administers payments must perform Non-MOCAS contract reconciliations. See the SCRT manual for reconciliation request guidance.

15.2.2. When a discrepancy between contract payments and accounting records is identified, the appropriate RCRA or designated entitlement office must perform a preliminary contract review to determine the needed corrective action. Qualified personnel must review and approve recommended adjustments before distribution to the appropriate locations for processing. Approved adjustments must be posted in a timely manner. The SCRT must identify reconciled records by registration, and any later adjustment of reconciled records must be based on a reconciliation registration per paragraph 3.5. All contract reconciliation actions must support the timely completion of funds review, deobligation of excess funds, and contract closeout under FAR 4.804. The related requirements for researching and correcting NULOs, UMDs, disbursements in suspense accounts, and disbursements in-transit are in Volume 3, section 11.0.

15.2.3. DoW Components must prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High-priority conditions include those involving congressional or senior DoW management interest, potential ADA violations, prevalidation problems, insufficient funds for payment, suspected or identified overpayments, the highest-dollar-value transactions, and cancelling or closing-year appropriations.

15.2.4. Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. Resources, procedural guidance, forms, and other reconciliation tools for the registration process are available from DFAS Columbus Accounts Payable - MOCAS, Reconciliation Division at dfas.dscc.jai.mbx.recon-maillog@mail.mil. For more on reconciliation tools, see paragraph 15.2.6.

15.2.5. The individual assigned to perform contract reconciliation, whether a Government employee or contractor, must compare databases; research differences among systems to determine whether errors exist, where they exist, the extent of those errors, and the required corrective actions; identify root causes; and recommend the adjustments needed to correct differences among contract, entitlement, and accounting records. The reconciler should make every effort to complete contract reconciliations within 90 days after initiation.

15.2.6. Documents accumulated during a contract reconciliation must be retained, made available for, and subject to internal review and audit.

15.2.6.1. The DoW Component responsible for reviewing and accepting recommended adjustments must retain adequate documentation to support any adjustment processed. Each completed adjustment file must include the preparer's identity, approval, and confirmation that the adjustment was posted.

15.2.7. All stakeholders must incorporate internal controls into their operations to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract, as discussed in section 2.0.

15.3 STREAMLINED CONTRACT CLOSEOUT

15.3.1. Agencies and DoW Components must partner closely to identify potential contracts for closeout under the NDAA authority and must maintain a documented record of all contracts closed under that authority. The Deputy Chief Financial Officer policy memorandum, "National Defense Authorization Act Contract Closeout Authority (FPM 19-06)," dated May 14, 2019, contains procedural implementation guidance and is available on the Office of the Deputy Chief Financial Officer/Financial Management Policy and Reporting website under Dual Purpose Policy Memos & Other Information (Common Access Card-enabled).

15.3.2. After a contract is closed out by a negotiated settlement modification, the payment or accounting offices concerned must adjust and close any open finance and accounting records related to the contract.

16.0 JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY

16.1 REIMBURSEMENT RESPONSIBILITIES

16.1.1. The host school pays JROTC instructors, and the sponsoring Military Service reimburses the school 50 percent of the MIP. JSIPS sets the MIP the Military Services use to reimburse the host school.

16.1.2. The Secretary of the Military Department concerned (or designee) may pay additional instructor funds to a school when funds are available and the Military Department determines, following periodic reviews, that the school is in an educationally and economically deprived area and that such action is in the national interest.

16.2 REIMBURSEMENT REQUIREMENTS AND PROCESS

16.2.1. The JIRO authorizes reimbursement to schools only for instructors certified as qualified by the cognizant Military Service, for whom the Military Service has authorized funding, and who fill positions authorized by the Military Service.

16.2.2. School Reimbursement Process

16.2.2.1. The reimbursement to the school generally equals 50 percent of an instructor's MIP. The Secretary of the Military Department concerned may pay the school more than 50 percent of the amount the school paid the member if the needs criteria in paragraph 16.1.2

are met, as prescribed in 10 U.S.C. § 2031(d)(2). The JIRO must ensure documentation supporting these reimbursements is retained per Volume 1, section 9.0, is readily available to support future audits, and is of sufficient quality for an independent third party, such as an outside auditor, to understand and verify the basis of the reimbursement.

16.2.2.2. Schools must provide banking information through the System for Award Management when new to the JROTC program or when previously provided banking information changes.

16.3 JROTC UNIT ESTABLISHMENT AT SCHOOLS

16.3.1. An authenticated copy of the countersigned contract between a school and the Military Service must be provided to the JIRO to verify and document that schools requesting payment are active JROTC program participants.

16.3.2. Authorized officials occupying the positions stated in the contract between a school and the Military Service must supply the current address of the school employing each instructor.

16.4 JIRO

16.4.1. The school is the employing organization and pays the full amount due the JROTC instructor, not less than the MIP. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO authorizes reimbursement to the school for up to 12 months per academic year, only while the instructor is under a valid contract and receiving a salary at or above the MIP. Reimbursement generally equals 50 percent of an instructor's MIP (see subparagraph 16.2.2.1).

16.4.2. Each school must forward a copy of the DD 2767 to the JIRO within 30 days of the instructor's employment. Reimbursements for that instructor are withheld until the JIRO receives the form.

16.4.2.1. Each school must submit a DD 2767 annually for JROTC instructors continuing employment at the school in the upcoming academic year.

16.4.2.2. The form must be received before the end date of an instructor's current contract to ensure uninterrupted reimbursement.

16.4.2.3. Schools are reimbursed only when a current form is on file at the JIRO.

16.5 SEPARATIONS, TRANSFERS, DECERTIFICATIONS, AND DISESTABLISHMENTS

16.5.1. Each employing school must forward a DD 2767, or termination letter, containing the applicable date to the JIRO immediately upon the separation or death of an instructor. An instructor separates when he or she resigns the position at a specific school. If the JIRO does not receive timely notification, the JIRO must adjust future reimbursement to the school to reflect the actual period the instructor performed JROTC instructor duties and to collect any over-reimbursement.

16.5.2. An instructor transfers by resigning the position at one school and accepting a position at another. Transfers must be processed as a separation from one school and a new hire at another. Both the losing and gaining schools must forward a DD 2767 to the JIRO. The instructor must immediately forward an updated DD 2754 to the JIRO. Locality pay is adjusted per the JSIPS locality table for the new school. The pay scale for relocations and transfers is based solely on grade and highest academic degree held. Relocation assistance allowance may be available for JROTC instructors who relocate to fill hard-to-fill locations per 10 U.S.C. § 2031(e)(1).

16.5.3. A Military Service may, for cause, decertify a JROTC instructor for employment eligibility. The IMD must immediately notify the JIRO of decertified instructors currently under contract with a school. The JIRO must adjust future reimbursement to the school to reflect the actual period the instructor performed JROTC instructor duties and collect any over-reimbursement.

16.5.4. A JROTC unit is normally disestablished when the Military Service determines the unit will not meet its standards or cannot maintain the statutory minimum student enrollment. Disestablishment voids the contract between the Military Service and the school and terminates instructor pay reimbursements; the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

16.6 FINANCIAL MANAGEMENT

16.6.1. Each Military Service holds and manages its JROTC funds. The JIRO concerned must authorize and assign the funds to the proper line of accounting and verify the accuracy of each JROTC instructor's pay computation and associated reimbursement amount for each school before disbursement by the designated paying office. The JIRO also monitors budget execution throughout the instructor's assignment.

16.6.2. Based on JIRO authorization and verification of fund availability, military pay operations certifying officers must certify payment and submit the certification to the designated

paying office for all school disbursements. Certifying officers must be appointed per Volume 5, section 5.0. Reimbursement to DoDDS must be made via a separate IPAC transfer citing the applicable appropriation provided for DoDDS.

16.6.3. Reimbursement to the school must be made only after the JIRO concerned has verified the payroll data, authorized fund availability, and received concurrence from the appropriate accounting office, and after military pay operations has provided certification. The DFAS designated paying office disburses funds for school reimbursements based on an SF 1034, Public Voucher for Purchases and Services Other Than Personal, for each Military Service payment to the school districts. Funds must be sent via EFT to the school's financial institution, except reimbursements to DoDDS schools, which are transferred via the IPAC system.

16.7 IDENTIFICATION AND COLLECTION OF JROTC-RELATED DEBTS

16.7.1. The JIRO must identify debts. A debt accrues when a school or school district is over-reimbursed for an instructor's pay, such as when an instructor transfers to another school, separates from the instructor program, or dies, or when a contract ending date is changed to shorten the contract period.

16.7.2. Debt Collection Process

16.7.2.1. A debt is collected by a fully documented adjustment to the school's reimbursement for the next calendar month, with one exception: when a debt is owed by a school that no longer has JROTC instructors and is not due further reimbursements, collection action must follow Volume 16, section 5.0.

16.7.2.2. When a school has no future reimbursement to adjust or offset, the JIRO must initiate collection action directly from the school through a demand letter. See Volume 16, section 5.0 for policy requirements and guidance. Amounts collected must be forwarded to the JIRO as the debt collection office.

16.7.2.3. After the JIRO completes all related actions specified in Volume 16, section 5.0, uncollected debts 90 days delinquent must be referred to the DFAS Debt Management Office, which refers debts delinquent over 120 days to the Bureau of the Fiscal Service for further collection action, as prescribed in 31 U.S.C. § 3716(c)(6)(A).

17.0 PAYMENT RECOVERY AUDITS

17.1 GENERAL

17.1.1. All programs or activities, as defined by OMB Circular A-123, Appendix C, with annual payments exceeding $1 million must implement and use a cost-effective recovery audit and

activities program to recover improper payments. Recovery audit requirements apply to all payment types except intra-governmental transactions.

17.2 DOW RECOVERY AUDIT AND ACTIVITIES PROGRAM

17.2.1. Applicability

17.2.1.1. If a Component concludes that implementing this review for a program or activity is not cost-effective, it must submit a quantitative justification to OUSD(C)/ODCFO/FMPR for approval.

17.2.1.2. When determining the cost-effectiveness of recovery audit contingency contracts, any DFAS resources used to assist the recovery audit contractor must be considered, including the cost of providing government records, researching claims, and recovering amounts due the government. See OMB Circular A-123, Appendix C, for cost-effectiveness criteria for a recovery audit and activities program.

17.2.1.3. Recovery audits must be implemented to ensure the greatest financial benefit to the Component. In most cases, combining payment recovery activities, predominantly internal controls, yields the most cost-effective results. Recovery audit and activities, coupled with the financial management roles and responsibilities for all PIIA-established programs, ensures timely overpayment corrective actions and streamlined recoupment.

17.2.1.4. Components must report the results of their recovery audit and activities program per section 17.3 and OMB Circular A-136, Financial Reporting Requirements.

17.2.2. Annual Plan Submission

17.2.2.1. Components expending $1 million or more annually for each program and activity must reassess their annual recovery audit plan to determine its validity and provide any updates or improvements no later than August 31 of each year, for use during the upcoming fiscal year (FY), to: OUSD(C)/ODCFO/FMPR, 1100 Defense Pentagon, Suite 3D150, Washington, DC 20301-1100.

17.2.2.2. At a minimum, this plan must include a cost-effectiveness analysis; the estimated total dollar amount of payments by program or activity for the current FY; any collection/recovery audits and/or risk mitigation activities the Component plans to use beyond its current DoW recovery audit and activities program; the dollar amount of payments the Component plans to review using these additional activities or audits; what entity will perform the recovery audits (internal, external, or contractor resources); the proposed methodology; and the period of review.

17.2.2.3. If the Component head determines that recovery audit activities are not cost-effective for certain categories of disbursements (see paragraph 17.4.2), this plan must include the quantitative justification.

17.2.3. Annual recovery targets must be set for each established recovery audit and activities program. DoW must establish annual targets for each Department-established PIIA program (Civilian Pay, Military Pay for each Branch, Commercial Pay, Travel Pay, Retired and Annuitant). Targets must be based on the rate of recovery (improper contract overpayments recovered divided by improper contract overpayments identified) and set to show an increase in recoveries over time. Each Component must provide its annual recovery targets to OUSD(C)/ODCFO/FMPR for review and approval (see paragraph 17.2.2). OUSD(C)/ODCFO/FMPR then submits targets to OMB for review as part of the annual approval of Agency Financial Reports (AFR) and Performance and Accountability Reports (PAR), with the OMB Annual PIIA Tables and Data call submission.

17.3 REQUIRED REPORTING

17.3.1. Components must report annually on their recovery audit and activities programs. Components must consult with DFAS Enterprise Audit Support & Compliance to ensure proper coverage of improper payments and payment recovery actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/FMPR of any suspension or limitation in Component monitoring or oversight activities. To meet the AFR reporting schedule, this reporting is due no later than the dates established in the annual Consolidated DoW Recovery Audit and Activities Program Plan.

17.3.2. OMB Circular A-136 Required Reporting

17.3.2.1. DoW must report per the annual update to OMB Circular A-136, Financial Reporting Requirements. The AFR or PAR must address actions taken on auditor recovery recommendations and fraud reduction reporting; instances of potential fraud discovered through recovery audit activities must be reported per Volume 5, section 6.0.

17.4 SCOPE OF DOW RECOVERY AUDIT ACTIVITIES

17.4.1. All programs and activities expending $1 million or more annually, including grant, benefit, loan, and contract programs, must be considered for recovery audits. All classes of contracts and contract payments, and all other payment types (excluding intra-governmental transactions), must be considered for recovery audit activities. Components that disburse payments must review payment categories, identify those with higher potential for recoverable payment errors to ensure the greatest financial benefit to the government, and determine the overall cost-effectiveness of recovery audits.

17.4.2. Agencies may exclude payments from certain programs from recovery audit activities if the agency determines recovery audits are not cost-effective for identifying and recovering overpayments, or if other mechanisms to identify and recover overpayments are already in place. If an agency excludes a class of payments or contracts from payment recovery activities or audits, its annual plan and annual report must include the justification (see paragraphs 17.3 and 17.4).

17.4.3. Beyond identifying and documenting specific overpayments resulting from payment errors, any entity performing recovery audits must analyze why the payment errors occurred and, where appropriate, recommend cost-effective controls to prevent such overpayments. These results must be presented to management regularly. The Component should consider the analysis and related recommendations as part of its management improvement program. The Component must provide such information to DFAS, the DoDIG, and, where applicable, the Inspector General (IG) of the Military Service.

17.5 ROLE AND RESPONSIBILITIES OF THE DOW COMPTROLLER'S OFFICE

17.5.1. To facilitate compliance with OMB Circular A-123, Appendix C, the ODCFO assigned reporting responsibility for this function to the OUSD(C), FMPR Directorate. This function is part of OUSD(C) oversight responsibility for DoW's annual recovery audit reporting in the AFR.

17.5.2. The Comptroller's FMPR Directorate must serve as the Executive Agent (EA) for the DoW Payment Integrity program; provide oversight to the DoW Components to ensure compliance with the PIIA and/or OMB Circular A-123, Appendix C, requirements; review the Components' annual recovery audit plan submissions for completeness; review the annual submission of recovery audit reports to ensure the reporting requirements are met; prepare and submit Department-wide recovery audit results and mandatory reports as described in OMB guidance, and any related information, for submission to OMB, publication in the AFR, and other required reporting; and prepare the Department-wide recovery audit and activities plan reassessment, based on pertinent overpayment recovery methods or improvements identified by the Components during the FY, for submission to the DoDIG.

17.6 ROLE AND AUTHORITY OF THE OFFICE OF THE IG

17.6.1. Nothing in this policy may be construed to impair the authority of an IG under the Inspector General Act of 1978, as amended, or any other law. However, because the recovery audit program required by this policy is an integral part of Components' internal control over payments, and therefore a management function, independence considerations normally preclude the IG and other Component external auditors from carrying it out.

17.7 SOURCES TO PERFORM RECOVERY AUDITS

Recovery audits may be performed by Component employees, by any other Component, department, or agency of the U.S. Government acting on behalf of the Component, by private-sector contractors performing recovery audit services under contracts awarded by the Component, or by any combination of these options.

17.8 RECOVERY AUDIT SERVICES PERFORMED BY CONTRACTORS

17.8.1. When Components determine that using external post-payment recovery audit contractors (a recovery audit contingency contract) is the most cost-effective plan, they must update their recovery audit plan with the detailed cost-effectiveness breakdown, including the contract terms, and submit it to OUSD(C) FMPR for approval before executing the contract. These private-sector firms may, with the consent of the employing Component, communicate with the Component's contractors to verify potential payment errors they have identified. To avoid confusion with established accounts receivable and debt management processes, Components must coordinate with the DFAS, Enterprise Solutions and Standards, Accounts Receivable Office (JJA) at 8899 East 56th Street, Indianapolis, IN 46249 to determine whether direct communication with the Component's contractors is authorized.

17.8.2. Component contracts for private-sector recovery audit services are limited to contingency contracts that pay the contractor a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. However, certain recovered payments may not be available to pay recovery audit costs (for instance, amounts recovered from interim improper payments under ongoing contracts if still needed to make subsequent payments under the contract, or amounts recovered from closed accounts). Components may allow contracted recovery auditors to establish a presence on, or visit, the property, premises, or offices of any subject of recovery audits.

17.8.3. The recovery audit contractor may, with the consent of the contracting Component, notify entities (including individuals) of potential overpayments made to those entities, respond to questions concerning potential overpayments, and take other administrative actions on overpayment claims made, or to be made, by the Component.

17.8.4. Beyond provisions describing the scope of recovery audits (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for recovery audit services must include provisions that prohibit the recovery audit contractor from having the authority to make a final determination on whether any overpayment occurred or whether to compromise, settle, or terminate an overpayment claim; requiring production of any additional records or information from the Component's contractors; using or sharing sensitive financial information not officially released for use by the general public, except for an authorized

purpose of fulfilling the recovery audit contract; and disclosing any information that identifies an individual, or could reasonably be used to identify an individual, for any purpose other than as authorized for fulfilling its responsibilities under the payment recapture audit contract.

17.8.5. Components must require the recovery audit contractor to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

17.8.6. At a minimum, each contract for recovery audit services must require the contractor to, at least quarterly, provide reports to the DoW disbursing Component on the root cause conditions causing identified overpayments and recommendations to mitigate such conditions; notify the DoW disbursing Component of any identified overpayments pertaining to any Component beyond the scope of the contracts; and report potential instances of fraud immediately to the DoW disbursing Component for which it is performing the contract.

17.9 RECOVERY AUDIT COLLECTION ACTIVITY

Actual collection activity must be carried out by federal employees, or nonfederal entities expending federal awards, as appropriate. However, Components or nonfederal entities may use another private-sector entity, such as a private collection agency, to perform this function if permitted by the applicable laws and regulations governing collection of amounts owed to the Federal Government.

17.10 DISPOSITION OF AMOUNTS RECOVERED

17.10.1. Contingency fee contracts must preclude any payment to the contractor performing recovery audit services until the Component actually collects the recoveries.

17.10.2. All funds collected, and all direct expenses incurred, as part of the recovery audit and activities program must be accounted for specifically. The identity of all funds recovered must be maintained to facilitate crediting recovered funds to the correct appropriations, to identify applicable time limitations on the appropriated funds recovered, and to allow required reporting per OMB Circular A-136.

17.10.3. Overpayments identified by a recovery auditor, but subsequently determined not to be collectable or not to be improper, are not considered "collected" for the disposition purposes outlined in this section.

18.0 PURCHASE CARD PAYMENTS

18.1 GENERAL

18.1.1. Authoritative Guidance *

18.1.1.1. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) and the DoW Component Program Managers (CPM) oversee the purchase card program, including policy formulation and procedural guidance. The Defense Contract Management Agency participates in operational oversight of the purchase card program DoW Components administer.

18.2 PURCHASE CARD POLICY

18.2.1. Overview

18.2.1.1. A purchase card charge authorizes the card-issuing bank to pay the merchant or contractor consistent with the GSA master contract and this Regulation. An authorized purchase satisfies a bona fide need at a fair and reasonable price and meets all legal and regulatory requirements. Individuals responsible for purchase card violations (abuse, delinquency, internal fraud, or misuse) are subject to administrative and disciplinary actions per DoW GPC Policy and Component personnel policies and procedures.

18.2.1.2. Purchase card open market transactions are limited to the applicable micro-purchase thresholds prescribed by FAR 2.101, 10 U.S.C. § 3573, and DFARS PGI 213.201(g). See DoW GPC Policy for current DoW micro-purchase thresholds. Any increase to a cardholder's delegated authority requires issuance and acceptance of a new Government Purchase Card Delegation of Procurement Authority Letter.

18.2.2. Per 10 U.S.C. § 4754(b)(14)-(15), the purchase card program is subject to periodic audits by the DoW Inspector General and the Military Services' audit agencies to determine compliance with agency policy.

18.2.3. Purchase Card Accountable Officials

18.2.3.1. Within DoW, purchase card accountable officials are military members or civilian employees appointed in writing as cardholders, approving/billing officials, and certifying officers. Such appointments, made per Volume 5, section 5.0 (10 U.S.C. § 2773a and 31 U.S.C. § 3528), establish pecuniary liability under the law governing accountable officials, other than those potentially liable under 10 U.S.C. § 4754(c). Accountable officials must provide information, data, or services to certifying or disbursing officers in support of the payment process and must attest to the accuracy of information and data supporting payment to the card-issuing

bank. DoW purchase card program accountable officials must be appointed within the Joint Appointment Module (JAM) of the Procurement Integrated Enterprise Environment (PIEE). JAM-issued certifying officer appointments satisfy the DD Form 577, Appointment/Termination Record-Authorized Signature, appointment and distribution requirements of Volume 5, section 5.0. If an Electronic Data Interchange-enabled invoice is rejected and converted to a manual payment, the JAM-rendered DD Form 577 validates the certifying officer's appointment.

18.2.3.2. Foreign national employees cannot serve as purchase card certifying officers or accountable officials unless they are direct hire employees of the United States Government. Before making such appointments, commanders must consider the potential consequences when Status of Forces Agreements or other treaties do not subject direct hire local nationals to the same pecuniary liability or disciplinary actions as other DoW employees. If such appointments are necessary, commanders must consider other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, section 1.0 for policy on accountable officials and foreign national personnel.

18.2.4. Per 31 U.S.C. § 3325, the head of an executive agency may delegate the authority to assign personnel to perform purchase card invoicing, reviewing, approving, and certifying responsibilities at the accountable official level. When authority is delegated, DoW Components must:

18.2.4.1. Designate each billing office, approving/billing official, and certifying officer within the Component's activities to receive the official purchase card billing statements; and

18.2.4.2. Delegate the authority to certify official purchase card billing statements per Volume 5, sections 1.0 and 5.0.

18.2.5. Purchase Card Refunds and Credits

18.2.5.1. The terms "rebate" and "refund" are used interchangeably throughout the CFR, OMB guidance, existing legislation, and this section. Purchase card billing statement payments must occur as soon as administratively possible when the refund offered exceeds the cost of funds as defined in 5 C.F.R. § 1315.8. DoW takes advantage of refund offers only when economically justified and advantageous to DoW, and follows the guidelines for taking discounts and refunds/rebates in 5 C.F.R. § 1315.8, FAR 32.906(e), and OMB Circular A-123, Appendix B, Section 7. Billing statements are paid for the amount certified. See section 3.0 for additional refund/rebate policy.

18.2.5.2. Refunds attributable to purchase card use may be credited to operation and maintenance and research, development, test and evaluation accounts of DoW that are current

when the refunds are received (see the statutory note "Crediting of Refunds" within 10 U.S.C. § 4754). Per OMB Circular A-123, Appendix B, Section 7, rebates/refunds can be used for any legitimate purchase by the appropriation or account to which they were returned, or as otherwise authorized by statute. Transaction credits - funds sent back to DoW from the contracted bank from returned items, billing errors, overpayments, duplicate payments, or erroneous payments - must be credited to the original appropriation from which they were disbursed. See the Guidebook, Chapter 9, for DoW GPC refund validation requirements.

18.2.6. If an account number is compromised, or a card is lost or stolen, the cardholder must notify the approving/billing official, certifying officer, agency/organization program coordinator (A/OPC), and the card-issuing bank to close the account immediately.

18.3 INTERNAL CONTROLS

18.3.1. All DoW Component purchase card program policies, implementing procedures, and enterprise risk management programs must include internal controls to prevent, detect, and report improper purchase card transactions. Refer to DoW GPC Policy and OMB Circular A-123, Appendix B, section 2.4.1 and Attachment 6, for terminology and definitions of improper or incorrect purchase card transactions.

18.3.2. Managers at all levels must maintain effective internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by DoW GPC Policy, and those in sections 1.0 and 8.0, apply to the operation of a DoW Component purchase card program.

18.3.3. Cardholder, approving/billing official, certifying officer, A/OPC, and Resource Manager (RM)/Financial Manager (FM) access to government and the card-issuing bank's purchase card data and processing systems must be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to DoW GPC Policy for specific requirements when such personnel transfer to other duties or depart from the organization.

18.3.4. Commanders and supervisors at all levels must ensure compliance with this section and DoW GPC Policy. Military and civilian personnel who violate this section or DoW GPC Policy are subject to administrative and disciplinary action. When an official directs a cardholder to purchase items or services later determined to be violations, that official may be subject to personal financial liability and disciplinary action per OMB Circular A-123, Appendix B, Section 3, sections 2.5 and 2.10. See DoW GPC Policy for disciplinary action policies and requirements within the Government Charge Card Program.

18.3.5. Per 10 U.S.C. § 4754(b)(7), this Regulation, records management policies, and DoW GPC Policy, documentation must be maintained at all levels to support purchase card program integrity and facilitate reconciliation and payment of purchase card transactions.

18.3.5.1. Cardholders must establish clear audit trails for purchase card transactions by maintaining a purchase log with an entry containing all fields required in DoW GPC Policy for each purchase requirement, and by maintaining transaction supporting documentation in the card-issuing bank's Electronic Access System. This makes cardholder billing statements, purchase log entries, and supporting documentation available to the approving/billing official and certifying officer, fulfills electronic GPC disbursing office record retention requirements, and supports auditability.

18.3.5.2. On termination of a cardholder or approving/billing official account, management must ensure safeguards are in place to meet retention requirements.

18.3.5.3. Per the Guidebook, PIEE/JAM is the mandatory enterprise tool for issuing and retaining GPC program appointments.

18.3.5.4. The minimum supporting documentation for the DoW GPC program is account billing statements, cardholder purchase log, request to purchase or request for payment, verification of availability of funds as defined by the DoW Component's policy, proof of acceptance, vendor invoice, receipts, or order confirmations, approval documentation, cross references to any related contract, delivery or task order, or purchase order, and supporting documentation for any credit received (e.g., items returned).

18.4 RESPONSIBILITIES

18.4.1. Reconciliation and account certification of Statements of Account received from the card-issuing bank is a coordinated responsibility among the cardholder, approving/billing official, and certifying officer. Every individual involved in the purchase card process must report suspected purchase card non-compliances, improper transactions, or violations through the proper chain of command and per component policies (refer to DoW GPC Policy for definitions of these transactions). They must also complete required initial and refresher training per DoW GPC Policy, Component policy, and Volume 5, section 5.0, and comply with the additional responsibilities for contingency operations and contracting events in the Guidebook, Appendix A.

18.4.1.1. Commanders and supervisors at all levels have the authority and responsibility to ensure military and civilian personnel under their supervision use purchase cards only as authorized. They must address purchase card non-compliances, improper transactions, and violations.

18.4.2. The Heads of DoW Components (or their designees) may delegate their authority in writing to appoint cardholders, approving/billing officials, A/OPCs, component program managers (CPMs), and certifying officers (see Volume 5, section 5.0 for additional policy on appointments). Heads of DoW Components must also manage commanders, directors, or other designated officials and their delegated authority for performing their duties and responsibilities per DoW GPC Policy.

18.4.3. The CPM serves as the Service's or Agency's functional representative with the Program Management Office and must develop and maintain hierarchies, ensure subordinate CPMs and A/OPCs perform their functions and roles, and interface with DoW-level program offices on card-issuing bank performance issues per DoW GPC Policy.

18.4.4. A/OPCs serve as the Agency's functional representatives and, as identified in DoW GPC Policy, are appointed with responsibility for the management, administration, day-to-day operation, and integrity of the purchase card program. The A/OPC works jointly with the RM/FM to set and maintain cardholder spending limits based on estimated purchase requirements for the period or a budgetary limit. The A/OPC may also assist the RM/FM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

18.4.5. Commanding Officer or Director

18.4.5.1. The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing this section's purchase card financial management policies. They have disciplinary authority over cardholders and approving/billing/certifying officials and must investigate all allegations of purchase card violations. They must establish activity procedures permitting rapid investigation and resolution of purchase card violations, convene or order an investigation per Volume 5, section 6.0, and take all appropriate actions resulting from each investigation.

18.4.5.2. When the Head of the DoW Component has delegated authority, the commanding officer or director must appoint accountable officials per Volume 5, section 5.0.

18.4.6. The review official is an individual the commanding officer or director may appoint to perform pre- and/or post-payment reviews and other duties per Volume 5, section 5.0. The A/OPC may not be appointed as the review official.

18.4.7. The certifying officer is responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying officer is liable for any illegal, improper, or erroneous payment processed by DoW resulting from an inaccurate or misleading certification. The certifying officer's appointment must meet the minimum qualifications and eligibility requirements in

Volume 5, section 5.0. The certifying officer and approving/billing official duties may be performed by the same appointed person, as discussed in Volume 5, section 2.0. See Figures 23 - 1 and 23-2 for the monthly review checklist and certification statements. Purchase card certifying officers' responsibilities, identified in Volume 5, section 5.0 and DoW GPC Policy, include but are not limited to:

18.4.7.1. Ensure transactions meet the legal requirements for authorized purchase card purchases.

18.4.7.2. Ensure adequate documentation is available for individual transactions and cardholders have reconciled all transactions with purchase log entries.

18.4.7.3. Ensure the facts presented in documents for payment are complete and accurate, including designation of the proper appropriation(s) or other funds.

18.4.7.4. Verify the accuracy of computation of a voucher before certification.

18.4.7.5. Ensure internal controls exist to prevent submission of duplicate invoices for the same transaction.

18.4.7.6. Ensure all items and services have been received and procedures are in place to dispute, within the designated dispute timeline, transactions for items or services not received by the next billing cycle.

18.4.7.7. Ensure the cardholder is familiar with the servicing bank's dispute process and implement dispute procedures when warranted. Refer to subparagraph 18.5.3.4 on disputed transactions.

18.4.7.8. Ensure the cardholder billing statement and all original supporting documentation (receipts, logs, invoices, delivery orders, and approvals) is retained to comply with record retention requirements. This retention must capture and leverage the origination of electronic data in automated systems so it may be shared across DoW platforms.

18.4.8. The approving/billing official is the individual, appointed by the commanding officer, director, or designee, with oversight responsibility for cardholders to ensure all purchase card transactions are necessary and for official government purposes only.

18.4.8.1. Approving/billing officials must provide information and data to certifying or disbursing officers in support of the payment process and must attest to the accuracy of information and data provided to a purchase card certifying officer in support of a payment to the card-issuing bank. They are accountable and may be held pecuniarily liable for erroneous payments resulting from inaccurate information and data, including designation of the proper

appropriation(s) or other funds, provided to a purchase card certifying officer, if the erroneous payment results from negligence in performing assigned duties.

18.4.8.2. The approving/billing official must review each cardholder's billing statement monthly to verify the cardholder was authorized to purchase the items, the government received the items, and all accountable property (including pilferable items as defined by the DoW Component) has been properly recorded on government property accountability records per component property accountability policy and DoDI 5000.64, "Accountability and Management of DoW Equipment and Other Accountable Property." The capitalization threshold and accountability requirements for property, plant, and equipment purchased are in Volume 4, sections 24.0-28.0. Each approving/billing official must have a reasonable span of control over cardholders per DoW GPC Policy. The approving/billing official's responsibilities in DoW GPC Policy include but are not limited to:

18.4.8.2.1. Coordinate purchase card limits and MCC exclusions with the RM/FM and A/OPC for cardholders under their purview.

18.4.8.2.2. Ensure each cardholder fulfills the responsibilities identified in DoW GPC Policy.

18.4.8.2.3. Review and reconcile the cardholder's billing statements and approve the statement when the cardholder cannot perform this function. The approving/billing official and certifying officer may use the purchase card checklist (Figure 18-1 in the Procedures Supplement) to document due diligence in billing statement reviews.

18.4.8.2.4. Verify all transactions are legal, proper, and mission essential per the FAR, DFARS, and DoW policies and regulations.

18.4.8.2.5. Ensure monthly Statement of Account accuracy and forward it with all original supporting documentation (receipts, logs, invoices, delivery orders, and approvals) to the certifying officer.

18.4.8.2.6. Resolve any questionable purchases with the cardholder.

18.4.8.2.7. Notify the A/OPC of any personnel changes that may require cardholder or managing account closure.

18.4.8.2.8. Notify the A/OPC and certifying officer (if not the approving/billing official) of any planned approving/billing official reassignment to other duties or departure from the installation or activity.

18.4.8.2.9. Notify the A/OPC and certifying officer (if not the approving/billing official) of any lost or stolen cards, in addition to the cardholder notifying the card-issuing bank.

18.4.8.2.10. Complete service and agency-specific training.

18.4.9. Authorized Cardholder

18.4.9.1. A cardholder must ensure funds are available before making the purchase.

18.4.9.2. A cardholder must review the monthly cardholder Statement of Account as described in paragraph 5.2.

18.4.9.3. A cardholder who uses the card to make unauthorized transactions may be liable for any illegal, improper, or erroneous payment resulting from those transactions and may be subject to pecuniary liability (including reimbursing the Government for unauthorized or erroneous purchases through salary offset) or appropriate adverse personnel actions.

18.4.9.4. If an erroneous charge is not disputed timely, the cardholder may also be held accountable.

18.4.10. The convenience check account holder is a military member or civilian employee appointed as prescribed in DoW GPC Policy. In addition to the authorized cardholder responsibilities in subparagraph 18.4.9, the account holder must order, receive, store, safeguard, inventory, reconcile, and dispose of check stock. Convenience check account financial management policy is in paragraph 18.6. The account holder must complete tax reporting for the convenience checks they issue and obtain a signed IRS Form W-9, Request for Taxpayer Identification Number and Certification, so that an IRS Form 1099-MISC, Miscellaneous Information, can be issued to the convenience check payee. Reporting requirements are in subparagraph 18.6.2. The account holder must not perform the functions of approving/billing officials or certifying officers on the managing account for which they are a check writer. The commanding officer, director, or designee with oversight responsibility must cancel the convenience check privileges of cardholders who improperly use convenience checks.

18.4.11. The RM/FM is the individual designated by a component to record formal commitments and obligations in the accounting system. The RM/FM must establish commitments in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the individual requirement level. The RM/FM, with the assigned A/OPC, establishes advance reservations of funds or commitments, which must be considered when setting office, managing account, or cardholder purchase limits. Policy for recording obligations for the

transactions in this section is in Volume 3, section 8.0. RM/FM responsibilities for the purchase card program, referenced in DoW GPC Policy, include coordinating funding and spending limits with approving/billing officials and A/OPCs, including advice on legal or regulatory constraints on the use of funds; providing approving/billing officials and cardholders official notification of funding; assigning default and alternate lines of accounting (LOAs) and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing; providing reallocation authority to cardholders and approving/billing officials when necessary; receiving and correcting invoice rejects with the certifying officer's assistance; assisting with resolving delinquent accounts and providing payment information when requested; and coordinating with responsible officials to ensure unrecorded purchases are recorded in the period they occur and the miscellaneous obligation is reversed timely as referenced in Volume 3, section 8.0.

18.4.12. Entitlement Office

18.4.12.1. The entitlement office must verify the amount certified for payment on the invoice matches the amount certified on the certified disbursement voucher.

18.4.12.2. The entitlement office must validate that sufficient funds have been obligated in the accounting records.

18.4.12.3. The entitlement office must notify the certifying officer and RM/FM within one business day of invoices rejected, including a detailed reason for the rejection. Upon resubmission of the rejected transactions, processing must include the Standard Document Number or contract number of the original transaction.

18.4.13. The disbursing office verifies the certifying officer's DD Form 577 is completed in the PIEE/JAM and disburses payments to the card-issuing bank. The disbursing office must not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank. See Volume 5, section 9.0 for additional disbursing policy.

18.5 STATEMENT RECONCILIATION AND CERTIFICATION

18.5.1. The cardholder must ensure receipt and acceptance and properly document all purchases. Independent acceptance by an individual other than the cardholder is required for accountable property purchases and self-generated purchases (purchases lacking a documented request to purchase from someone other than the cardholder). Accountable property, as identified in DoDI 5000.64, includes sensitive, classified, and pilferable property-type items. Refer to the Guidebook for additional circumstances that may require independent acceptance and the use of the Wide Area Workflow module within the PIEE when the purchase card is used as a payment method against a contract.

18.5.1.1. Local procedures may specify additional circumstances (for example, based on cost) requiring evidence of acceptance by an individual other than the cardholder. The approving/billing official must verify acceptance documentation exists and may also physically verify acceptance. Recording, tracking, and management of pilferable, sensitive, high-valued, or otherwise accountable property obtained with the purchase card must be per component property accountability policy and DoDI 5000.64.

18.5.2. Cardholder Review

18.5.2.1. Each cardholder must reconcile the Statement of Account, ensure a purchase log entry exists for each transaction or purchase, and retain supporting documentation as specified in DoW GPC Policy to ensure accurate and timely payments. Cardholders must review their statements to identify discrepancies and, as appropriate, attempt to resolve the issues with the merchant or, per bank procedures, dispute the transactions or report the external fraud (see subparagraph 18.5.3.4).

18.5.2.1.1. Under the billing discrepancy provisions of the GSA master contract, the cardholder must report fraud to the card-issuing bank, the A/OPC, the commanding officer or director, and the local procurement fraud investigative authority for investigation and adjudication. The cardholder must also comply with the bank's fraud reporting procedures.

18.5.2.1.2. Known or suspected fraudulent transactions not authorized by the cardholder must not be approved for payment. If the bank does not remove the fraudulent transaction by the end of the billing cycle, the invoice must be manually processed, excluding the transactions in question, and then certified for payment. If the transaction has already been paid, the bank issues a transaction credit on the next billing statement per the SmartPay contract. Cardholders must identify in the system the reason transactions are deemed fraudulent and the date they were reported to the bank. The cardholder must attempt to review and reconcile all transactions during the billing cycle in which they occur so that fraudulent transactions are never included in the corresponding cardholder Statement of Account.

18.5.2.2. If the cardholder cannot resolve the discrepancy by obtaining a credit from the merchant, the cardholder must officially dispute the transaction with the card-issuing bank per subparagraph 18.5.3.4.

18.5.2.3. The cardholder must sign and date the Statement of Account (preferably electronically) and forward it, with the necessary supporting documentation, to the approving/billing official for action. Figure 18-2 in the Procedures Supplement contains the language for the cardholder's certification statement.

18.5.2.4. If the cardholder cannot review the Statement of Account upon receipt, the cardholder must make the Statement of Account and supporting documentation available to the approving/billing official or certifying officer for timely review.

18.5.3. The approving/billing official must review each transaction made by cardholders under their managing account to ensure all supporting documentation is available and correct. The approving/billing official must ensure cardholder reviews were completed properly; ensure billing discrepancies were resolved with the merchant, disputed, or reported as fraud as necessary; ensure acceptance and documentation of all accountable property; verify all transactions were necessary government purchases; and perform any other functions required by DoW GPC Policy and other component policies and procedures.

18.5.3.1. Under billing discrepancy provisions of the GSA master contract, known or suspected fraudulent transactions not authorized by the cardholder must not be certified for payment and must be reported to the card-issuing bank, A/OPC, commanding officer or director, and the local fraud investigative authority for investigation and adjudication. Refer to subparagraph 18.5.2.1.2 for additional guidance on the review and handling of fraudulent transactions. If the cardholder has not done so, the approving/billing official should ensure fraudulent transactions are disputed per applicable card-issuing bank procedures and reported as fraudulent per the card-issuing bank and component fraud reporting procedures.

18.5.3.2. The Government is contractually obligated to pay the card-issuing bank for all purchase card transactions made by an authorized cardholder other than those successfully disputed or resulting from external fraud. This includes transactions made by an authorized cardholder in violation of purchase card policies (for example, unauthorized or incorrect as defined by OMB Circular A-123, Appendix B, section 2.4.1). Report these purchase card violations to the A/OPC, appropriate authorities, and management officials for investigation and corrective action per component policies and procedures.

18.5.3.3. For transactions determined to be purchase card violations, the approving/billing official must authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials per Component policies and procedures.

18.5.3.4. For questionable transactions, the approving/billing official must determine as rapidly as possible whether there is potential fraud or the transaction is otherwise disputable. Lack of supporting documentation alone must not trigger a finding of fraud or impropriety unless the identity of the item or service, or other facts, would lead a reasonable person to believe the transaction was fraudulent or unauthorized. If the transaction is determined not to be external fraud or otherwise disputable, it must be approved for payment. The approving/billing official must continue to follow up to obtain documentation sufficient to show the transaction is

no longer questionable. The follow-up should involve the cardholder, appropriate management, and bank officials, as necessary.

18.5.3.5. When the approving/billing official is appointed collaterally as the certifying officer, the official must also complete the requirements in subparagraph 18.5.4.1.

18.5.4. The certified billing statement is the official invoice for payment purposes.

18.5.4.1. The certifying officer must review and certify the billing statement (preferably electronic) and forward it to the designated entitlement or disbursing office for timely payment processing. Figure 18-2 in the Procedures Supplement contains the language for the certifying officer's certification statement. See Volume 5, section 5.0 for additional policy on certification requirements.

18.5.4.2. The certifying officer must not certify a known or suspected fraudulent transaction not authorized by the cardholder. The certifier must not certify payments for transactions generated by an unauthorized user, such as a merchant entering the wrong card number, or transactions occurring after the card or card number is reported lost or stolen. The certifying officer must follow agency procedures for addressing all fraudulent or abusive transactions or other purchase card misuse.

18.5.4.3. Under 31 U.S.C. § 3528, a certifying officer certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying officer must ensure all transactions are legal, proper, correct, and satisfy a bona fide need per government policies, rules, and regulations. Because payments are made to the financial institution, the certifying officer must certify the legality and accuracy of the information on the amount owed the financial institution.

18.5.5. Per DoW GPC Policy, the DoW may certify invoices for payment of micro-purchases before verifying that all items billed have been received and accepted. As part of the monthly Statement of Account reconciliation, the cardholder must annotate instances of non-receipt of recently ordered goods or services on each statement. Each approving/billing official must establish a system and related procedures to flag and track all transactions certified for payment without verification of receipt and acceptance. These procedures must ensure receipt and acceptance of all transactions reconciled and approved for payment are verified no later than 45 days after the invoice date. If there is no documented evidence verifying receipt and acceptance after the 45-day period, the cardholder must protect the Government's rights by disputing the transaction. The cardholder must notify the bank of any item in dispute and has 90 calendar days from the date the transaction was processed or posted to the account. The cardholder must file a formal dispute.

18.5.6. The designated entitlement office must pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. The entitlement office must observe the prompt payment clock, which starts when the invoice is made available to the DoW on the card-issuing bank's website, not when invoices are transmitted to the entitlement office. The entitlement office must ensure only the amount certified for payment by the certifying officer is processed for payment.

18.5.7. A transaction dispute may occur when the Government questions the validity of a transaction on the cardholder Statement of Account. Transactions should be disputed only after all attempts have been made to resolve the issue directly with the merchant. Reasons to dispute a transaction include: the cardholder did not authorize the transaction, the amount is incorrect, the quality or service is unacceptable, the information is erroneous or duplicates an existing transaction, or the material was returned or service was cancelled and the merchant did not issue a credit within 30 days. The cardholder must dispute the transaction as soon as possible per the timetable and provisions in the tailored task orders with the card-issuing bank, the DoW GPC Policy, and local procedures.

18.5.7.1. For items billed but not received, the cardholder must contact the merchant to validate shipment. For non-shipment, items must be officially disputed only if the merchant fails to credit the account in the next billing cycle or the items are not ultimately received.

18.5.7.2. Approving/billing officials must monitor discrepancies between cardholder items billed and items received and accepted to ensure any remaining discrepancies are disputed.

18.5.7.3. Fraudulent transactions include those made on lost or stolen cards or compromised card numbers, or initiated by unauthorized third parties. They do not follow the dispute process and must be reported as fraudulent per the card-issuing bank fraud reporting procedures, DoW GPC Policy, and Component procedures.

18.5.8. To reduce transaction processing fees, DoW activities must summarize accounting data, where systems capabilities are available to prevent duplication of LOAs, before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoW activities must "roll up" disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement.

18.5.8.1. Approving/billing officials and certifying officers must ensure complete summarization of billing statements with no duplicate LOAs before certifying and submitting the billing statements for payment. The level of appropriation data summarization must be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems to maintain positive funds control, match each planned disbursement with

a recorded obligation (as described in section 2.0 and Volume 3, section 8.0), and prevent unmatched disbursements.

18.6 CONVENIENCE CHECKS

18.6.1. Convenience check use must be minimized and designated as a purchase instrument of last resort. Checks must be used only if the merchant offering the goods or services does not accept or cannot process the purchase card, no other merchant can reasonably be located, and paying for the items by the traditional procurement method is not practical.

18.6.1.1. A discrete account must be set up to issue convenience checks. Convenience checks and normal purchase card accounts may be issued under a single managing account but must not be commingled. Transactions reported during the billing cycle for the convenience check and purchase card accounts appear on the cardholder's Statement of Account.

18.6.1.2. Each component must issue instructions on convenience check use. Individuals delegated as convenience check account holders must be appointed in writing. At a minimum, the appointment letter must state the check writer's specific duties, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the check writer's duties and responsibilities. Convenience checks must not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll or salary payments. Refer to DoW GPC Policy for additional convenience check requirements and restrictions on use.

18.6.2. IRS Form 1099 Requirements

18.6.2.1. The Defense Finance and Accounting Service (DFAS) has tax-form issuance and IRS reporting responsibilities for the DoW convenience check program.

18.6.2.2. DFAS obtains the universe of DoW convenience check payment data from the GSA contracted bank responsible for convenience check accounts and provides it to the applicable A/OPC, Account Manager, and Convenience Check Account Holder to determine the tax reporting requirements and complete specifically identified data not available to, or captured by, the contracted bank. The Convenience Check Account Holder must ensure the data is completed and returned to DFAS.

18.6.2.3. A/OPCs, Account Managers, and Convenience Check Account Holders that do not return the requested information to DFAS are responsible for their own tax-form issuance and IRS tax reporting.

18.6.3. Requests to establish a convenience check account must be justified in writing and per the provisions in DoW GPC Policy. A specific individual must be designated as the account

holder responsible for that account via the proper application forms and delegation of authority letters. Those forms must be submitted through the DoW activity's existing purchase card hierarchical structure.

18.6.4. The authorized threshold for convenience checks is one half of the applicable micro-purchase threshold (41 U.S.C. § 1902, statutory notes). See DoW GPC Policy and FAR 2.101 for alternative thresholds for declared contingencies or emergency-type operations within or outside the United States. To maintain effective internal controls, approving/billing officials, payment review officials, and certifying officers must not perform the functions of convenience check custodian or cashier. Additional conditions on convenience check use are as follows:

18.6.4.1. Convenience checks must be issued for the exact payment amount. Purchases, payments, or other amounts must not be split among more than one check to keep amounts below the applicable micro-purchase threshold or other assigned limits.

18.6.4.2. Convenience checks must be used for official government purposes only.

18.6.4.3. Convenience checks must not be issued as an "exchange-for-cash" vehicle to establish cash funds.

18.6.4.4. If convenience checks are mailed to payees, local internal controls must be in place to avoid duplicate payments to them.

18.6.4.5. The issuing activity bears all administrative costs of convenience checks. Fees for convenience check use are specified in the GSA contract. At DoW Component election, the costs of purchasing convenience checks may be expressed as a (a) percentage, (b) number of basis points, or (c) fixed fee.

18.6.4.6. Convenience checks are negotiable instruments and must be treated like cash for security purposes. Local policies and procedures must safeguard against physical loss, theft, or potential forgery. Checks must be accounted for by recording transactions as they occur in the check register or purchase log to maintain control of number sequence.

18.6.5. The convenience check account holder must reconcile the Statement of Account against the holder's supporting documentation as part of the monthly billing cycle, per the standard purchase card payment practices in section 5.0.

18.6.5.1. Convenience check accounts and transactions must be reviewed per the Guidebook, which requires review and approval of each convenience check case (transaction) generated by the bank's data mining review tool; the tool identifies all convenience check transactions for review. Reviews must ensure each transaction was authorized, properly funded and approved, appropriate for Government use, does not exceed allowable limits, includes

supporting documentation, and meets any other requirement of Component policies. Suspected violations must be reported to the appropriate management and investigative authorities per established policies (see DoW GPC Policy for terminology and definitions of the specific categories of unauthorized or inappropriate transactions).

18.6.5.2. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check must be resolved directly with the merchant. The account holder is solely responsible for securing restitution or credit on disputed purchases.

18.6.6. The military officer in command or the civilian director in charge of an activity responsible for implementing the purchase card financial management policies of this section must ensure each convenience check account is reviewed annually by an individual other than the convenience check account holder. The review must validate compliance with DoW and component policies and procedures for physical security of checks; timely and accurate completion of IRS Form 1099 tax reporting requirements by DFAS mandated deadlines; completion and effectiveness of data mining case reviews of convenience check transactions, including review of transaction supporting documentation; and minimization of convenience check use.

DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 11: "REIMBURSABLE OPERATIONS"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 11

REIMBURSABLE OPERATIONS POLICY

1.0 GENERAL

1.1 Purpose

Volume 11 of the DoW Financial Management Regulation (FMR) provides guidance on reimbursement operations, including project orders and the assessment of fees for services provided by DoW Components. The authority for these reimbursable operations comes from the Office of the Under Secretary of War (Comptroller) and is authorized by U.S. law. It is important to note that this volume does *not* authorize sales to private parties or apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act.

Additionally, Volume 11 establishes the primary financial management policy for the DoW Defense Working Capital Funds (DWCF). It outlines the foundational rules for all DWCF activities, covering their establishment, financing, operation, and overall lifecycle management. This includes policies for budgeting, cost accounting, revenue, and specific requirements for major activities like Supply Management and Depot Maintenance.

1.2 Authoritative Guidance

Refer to Volume 11 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to Volume 11 definitions in the Glossary.

1.4 Procedures

Refer to the Volume 11 Supplemental for procedures, tables, figures and appendices throughout this volume and sections.

2.0 REIMBURSEMENT GUIDANCE

2.1 General Guidance

2.1.1. A seller's reimbursements are amounts earned and collected for materials sold or services furnished because of a reimbursable agreement. A seller's reimbursable obligations are financed by offsetting collections. Components credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Credit the specific appropriation or fund account for the collection only when it is authorized by law. Refer to Office of Management and Budget (OMB) Circular A-11, Section 20 for further details.

2.1.2. The Treasury Financial Manual (TFM) provides the requirements for accounting, reporting, and reconciliation of Intra-governmental Transactions (IGTs).

2.1.3. The TFM provides the requirements for using G-Invoicing, a data exchange utility that facilitates the exchange of information between federal entities that includes lines of communication when sharing data and exchanging information on IGT Buy/Sell activity. It also serves as an agreement broker and mechanism by which federal entities arrange and negotiate the terms of the Interagency Agreement (IAA) electronically. All IGT Buy/Sell activity must have implemented G-Invoicing by October 1, 2025. Refer to the IPAC System Enforcement Control Timeline within the TFM, Volume 1, Part 2, Chapter 4700, for further details. Treasury requires G-Invoicing for recording and reporting on IGT Buy/Sell transactions unless other guidance (such as OMB policy) requires a completed agreement for certain IGT types, such as assisted acquisitions.

2.1.4. Non-Economy Act orders for intra-governmental work and services must be executed in accordance with the detailed guidance provided in Section 18 of this volume.

2.2 Disposition of Collections

2.2.1. Collections must be credited to the appropriation that procured the services or materiel being sold when specifically authorized by law as outlined in this volume. Statement of Federal Financial Accounting Standards (SFFAS) No.7

2.2.2. Collections for unfunded costs such as labor of military personnel, depreciation of capital assets and interest, must be deposited into the General Fund of the Treasury as miscellaneous receipts or by other DoW issuances.

2.2.3. Collections received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts." Refer to Volume 4.

2.2.4. Disposition of collections for FMS must be in accordance with Volume 15.

2.3 Billing Standard

2.3.1. The price to be charged for goods and/or services furnished by the Department depends on whether that good and/or service is provided to, or for the benefit of a DoW Component, a non-DoW federal agency, a private party, or FMS customer. Therefore, the ordering DoW Component activity that requisitions or orders a good or service must inform the performing DoW activity of the identity of the intended recipient for the requisitioned goods or services. Volume 4 requires that the ordering activity must review all charges from the performing activity to ensure that amounts due agree with the reimbursable order and are supported with a copy of the order or contract and evidence of performance.

2.3.2. DoW Components performing work or services on a customer order must bill the ordering DoW Component, other federal agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice. Bills rendered are not subject to audit by the customer prior to payment.

2.3.3. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Unreconciled items occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6 provides guidance for trading partner exchange of data, eliminating intra-governmental transactions from the DoW quarterly and annual financial statements, and providing Treasury elimination information for use in preparing the Government-wide financial statements.

2.4 Determining Amounts to be Reimbursed

DoW Components must adhere to the guidance when determining amounts collected as reimbursements. Components may use alternative reimbursement rules described in this volume and in other DoW issuances as applicable.

2.4.1. DoW Components providing prepaid or reimbursable support must require that cost information is quantifiable and provided to all parties. In addition, support must only be reimbursable when the specified support increases the seller's incremental direct costs and the seller's actual indirect costs of providing support. For any costs that apply to a customer order, DoW Components are prohibited from augmenting their appropriations by charging customers for costs that do not incrementally increase their direct cost. A seller can waive reimbursement from buyers that use or benefit from available support when charges would be less than the anticipated expense of billing and disbursing funds. DoW Components designated as a Combatant Command support agent will provide administrative and logistics support to Combatant Command headquarters and the subordinate unified command headquarters, as documented in agreements on a non-reimbursable basis, in accordance with DoD Directive (DoDD) 5100.03 "Support of the Headquarters of Combatant and Subordinate Unified Commands." Refer to DoD Instruction (DoDI) 4000.19 for additional guidance.

2.4.2. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 "Section 20 - Terms and Concepts," the Economy Act allows federal agencies or DoW Components to do work for each other. As costs for this work are incurred, the Economy Act authorizes the collections credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to section 4 for further details.

2.4.3. A project order placed with and accepted by a separately managed DoW-owned entity for services, material, or the manufacture of material, provide support for a valid and

recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Section 2 for further details.

2.4.4. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds. Additional guidance applicable to all working capital funds can be found in Volume 3.

2.4.5. As provided in Volume 13, Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) and Uniform Funding and Management (UFM) are two mechanisms for provision of Appropriated Funds (APFs) support to Nonappropriated Fund Instrumentalities (NAFIs). The MWR USA and UFM practices involve use of NAFs for MWR expenses that, according to funding policies in DoDI 1015.15, should be borne by APFs. MWR USA enables NAFIs to use Nonappropriated Funds (NAFs) to execute such expenses, subject to subsequent APF reimbursement under MOAs. Unlike MWR (USA) practices (which involve reimbursement from APFs), under UFM practices, APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoW and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended. Refer to Volume 13 supplemental guidance for more information.

2.4.6. Direct Civilian Labor

2.4.6.1. A DoW Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose, then reimbursement is not required. Unless the organizations using appropriation are prohibited from directly charging civilian pay.

2.4.6.2. DoW Components, other federal agencies, and the public must be charged for civilian labor performed for their benefit.

2.4.6.3. Civilian personnel fringe benefit rates must be computed. These rates are updated annually and published by Office of Under Secretary of War, Comptroller (OUSW(C)), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the DoW Reimbursable Rates heading. Refer to the Civilian Personnel Fringe Benefit Rates (Tab D).

2.4.7. Direct Military Labor

2.4.7.1. A DoW Component must fund the cost of direct and indirect military labor used to perform services for, or the furnish materials to, another DoW Component through their applicable military personnel appropriations. Under 10 U.S.C. § 2571, internal DoW support, including military labor, may be provided with or without reimbursement. DoW policy generally prohibits reimbursement of military labor between DoW Components. However, DoW Components must reimburse Defense Working Capital Fund (DWCF) activities for the cost of military labor as prescribed in this volume. U.S. Army Corps of Engineers (USACE) military labor supporting civil works activities or Support for Others Program activities must be charged

using the military composite rates applicable to non-DoW organizations, consistent with the Volume 11 Supplemental.

2.4.7.2. Public Law 11847, division A, section 8049 permanently authorizes the use of certain operation and maintenance appropriations to reimburse pay, allowances, and related expenses for National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities. These activities fall within the National Intelligence Program (NIP) and the Military Intelligence Program (MIP). Intel reimbursement rates (Rate Billable to DoW Entities) are published annually by OUSW(C), Program and Budget under the subsection "DoW Reimbursable Rates."

2.4.7.3. Military labor provided in support of any non-DoW entity must be reimbursed unless there is explicit authority for the Department to provide such support on a non-reimbursable basis. This includes support to Federal, State, Territorial, Tribal, and local government entities; private organizations; foreign governments; and international organizations. Components must apply the reimbursement rules prescribed in the Volume 11 Supplemental and applicable statutory authorities.

Reimbursement for direct military labor is required under 10 U.S.C. § 277 for support provided to civilian law enforcement agencies, including support provided under 10 U.S.C. § 272 and 10 U.S.C. § 274 when military personnel perform labor associated with those activities, unless there is explicit authority to provide the support on a non-reimbursable basis. See Volume 11 Supplemental for details on military labor reimbursement for support to civilian law enforcement agencies and the required waivers. Reimbursement is also required under 10 U.S.C. § 2012 for military labor provided to non-profit organizations unless a statutory waiver applies. Interagency support provided under the Economy Act (31 U.S.C. §§ 1535–1536) must be reimbursed at full cost, including the cost of military labor. When DoW provides military labor or services of value to non-DoW entities, reimbursement must be collected consistent with 31 U.S.C. § 9701. Components must ensure reimbursement is collected in accordance with these statutory requirements and the Secretary of War's policy prohibiting discretionary non-reimbursable support to non-DoW entities.

2.4.7.4. Military labor charged to non-DoW organizations must use the applicable annual reimbursement rates published by the OUSW(C), Program and Budget. These include the Rate Billable to Other Federal Entities and the Rate Billable to Foreign Military Sales (FMS) Entities, each which contains distinct cost elements and reimbursable requirements. Rate application must follow the Department's compensation rules, including the 30-day month computation method and leave factors when applicable to Other Federal Entities, and time-worked billing rules and leave/holiday factors when applicable to FMS. Refer to OUSW(C), Program and Budget guidance published online under the subsection DoW Reimbursable Rates.

2.4.7.5. Military labor charged to non-DoW organizations must include full-cost recovery elements as required by law and regulation. For Other Federal Entities, reimbursement must include the medical acceleration factor. For FMS Entities, reimbursement must include both the medical acceleration factor and the Medicare-Eligible Retiree Health Care per-capita normal

cost, consistent with the Arms Export Control Act requirement to recover the full cost of providing the service. Refer to Volume 15 for FMS reimbursement procedures.

2.4.7.6. Military Services must furnish the data required to compute the DoW Reimbursement Rates annually, in coordination with the President's Budget submission, and must apply the reimbursement rules prescribed in the Volume 11 Supplemental, and applicable statutory authorities.

2.4.8. Temporary Duty Costs. Travel costs incurred by DoW civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

2.4.9. DoW Personal Property and Inventory.

2.4.9.1. According to DoDI 5000.64 "Accountability and Management of DoW Equipment and Other Accountable Property," personal property includes systems, equipment, materials, and supplies. Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition. This does not include records of the Federal Government and real property (land and improvements to facilities).

2.4.9.2. Reutilization and Marketing Materiel (Surplus)

2.4.9.2.1. DoD Manual 4160.21 defines a surplus as excess personal property no longer required by the federal agencies, as determined by the General Services Administration. The disposition of materiel by a Defense Reutilization and Marketing Office must be in accordance with this DoD Manual.

2.4.9.2.2. The general rules for the disposition of proceeds from the sale of scrap or excess personal property must be in accordance with Section 6.

2.4.9.3. Non-DWCF Materiel. The pricing of personal property for non-DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoW Component and would normally be replaced. DoW Components make this determination in accordance with the approved acquisition objective. If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

2.4.9.3.1. Issues within or to another DoW Component with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must be on a non-reimbursable basis as provided in 10 U.S.C. § 2571. Such issues require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry must reflect original acquisition cost and any accumulated depreciation. Issues in support of NAFI Category C

activities and USACE civil works activities must be priced in the same manner as issues to other federal agencies and private parties.

2.4.9.3.2. Issues to other federal agencies or private parties must be priced as material to be replaced or material not to be replaced.

2.4.9.3.2.1. Materiel to be Replaced. Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in-kind (i.e., exact) is required, must be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined in three steps. First, determine the normal useful peacetime life of the item or equipment to be sold. Second, determine the percentage of useful life remaining on the item. Third, apply the percentage to the estimated (or actual) cost of the replacement item. The remaining amount is the base cost used in the sale price calculation. Under no condition must the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale. If it is imperative that the item be replaced through accelerated procurements and replacement cost cannot be adequately recouped by normal pricing policies, a request for an exception to DoW pricing policies must be submitted to OUSW(C), P/B. Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

2.4.9.3.2.2. Materiel Not to be Replaced. Material, including equipment, must be transferred or sold by a DoW Component to other federal agencies and private parties at its original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoW Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer in accordance with Volume 4.

2.4.10. Contracts.

2.4.10.1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2.4.10.2. Government-furnished materiel must be billed in addition to contract costs in accordance with this section.

2.4.10.3. If the contract is provided to meet the requirements of a non-federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

2.4.10.4. The Federal Acquisition Regulation Subpart 52.232-17, “Interest,” provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury’s Bureau of the Fiscal Service provides an online “Simple Daily Interest Calculator” for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

2.4.10.5. Contract administration charges must be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not charged within a DoW Component or to another DoW Component (except for support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoW entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.10.6. DoW personnel services in support of contracts must be costed in accordance with this volume.

2.4.11. Accessorial Charges

2.4.11.1. Costs incurred for packing, crating, and handling related to sales or shipments of property are considered accessorial. Accessorial charges may be incurred by the DoW for direct delivery of items from contractor facilities or by DoW Components for items furnished from DoW stocks. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.11.2. Unless otherwise provided by law or regulation, accessorial charges must be billed to the following:

2.4.11.2.1. Non-DoW federal departments, agencies, or instrumentalities.

2.4.11.2.2. Non-federal entities, including DoW contractors.

2.4.11.2.3. NAFIs, when property is transported for DoW MWR activities unless reimbursement has been waived by DoDI 1015.15.

2.4.11.2.4. USACE for civil works projects or activities.

2.4.11.3. Accessorial charges must be reimbursed by non-DoW activities for the actual cost incurred and billed.

2.4.12. Asset Use Charge. A charge for the use of DoW assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. Amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoW guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoW facilities and equipment. A four percent charge may be used. This rate is published annually by OUSW(C), P/B. Refer to the DoW Reimbursable Rates for details.

2.4.12.1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense

over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation must be charged using the straight-line method. For example, a general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least 2 years must be capitalized as an asset and depreciated over its useful life. The depreciation calculation is illustrated in Table 1-1 located in the Volume 11 Supplemental. Refer to Volume 4 for more details on general equipment depreciation.

2.4.12.2. Interest expense must be included in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in the Volume 11 Supplemental.

2.4.13. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost- finding techniques must be billed. Labor, materiel and supplies, transportation, and overhead costs must be computed in accordance with this section.

2.4.14. Leased or Loaned DoW Equipment. When determining the charge for leased or loaned equipment, the following elements must be billed:

2.4.14.1. Depreciation is not applicable to federal agencies unless the billing activity is a DWCF. Depreciation must be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations must be in accordance with the guidance outlined in this volume.

2.4.14.2. Interest on investment in assets must be computed in accordance with this volume and as designated within the lease agreement.

2.4.14.3. Value of equipment not returned to the owning DoW Component must be a sale to the using organization. This sale must be priced in accordance with this section.

2.4.14.4. Accessorial expenses must be recognized in accordance with this section.

2.4.14.5. Repair costs to restore equipment or property to its condition at the time leased or loaned must be collected from the using organization. The amounts must be based on either actual job order cost accumulations or estimates of the cost incurred based upon past repair and maintenance experience for similar equipment. The amounts collected must be returned to the appropriation that financed the repair and maintenance in accordance with 10 U.S.C. § 2667.

2.4.15. Overhead

2.4.15.1. Overhead involves expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A- 11.

2.4.15.2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. Federal Accounting Standards Advisory Board (FASAB) Technical Release 15 clarifies the Statement of Federal Financial Accounting Standards (SFFAS) 6, for when accumulated indirect costs are not identified as costs incurred, to bring facilities and equipment to a form and location suitable for its intended use, they must be expensed.

2.4.15.3. DoW Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated. done

2.4.15.4. Overhead charges may not be applied to reimbursable customer orders received from DoW activities when the provider realizes no incremental increase in overhead costs due to filling the customer order and for which the performing activity has received appropriated funds for overhead costs. However, APF activities will charge overhead on sales to other federal agencies, NAFI Category C activities, USACE civil works activities, and private parties.

2.5 Documentation Standards

2.5.1. General. Support agreements must comply with generally accepted government auditing standards as required in 31 U.S.C. § 3521 "Audits by agencies." These standards require establishing internal controls that provide reasonable assurance of achieving effective and efficient operations, compliance with regulations and applicable laws, and reliability of financial reporting. Support agreements must also contain documentary evidence as required in 31 U.S.C. § 1501, "Documentary evidence requirement for Government obligations." Such evidence must include a purpose or scope of agreement in writing as authorized by law. These agreements must be executed before obligational availability expires and prior to the initiation of reimbursable fund certification.

2.5.1.1. A support agreement with a term greater than 3 years must be reviewed and validated by a support agreement manager from the buyer and seller. This review and validation must occur by at least the mid-point of the effective date (e.g., at year 4 in an 8-year agreement). Support agreements expire at a maximum 10 years from the effective date unless there is legal authority for the agreement to continue beyond 10 years.

2.5.1.2. New signatures from all parties to the agreement are required to establish a new support agreement or modify an existing support agreement. This must take place even when the terms and conditions are the same as those in the prior agreement. Cost estimates within agreements that include reimbursable support services must be reviewed annually by the seller to ensure current year actual costs are identified for accurate customer billing and invoices.

2.5.1.3. Support agreements must include procedures for amending, terminating, reviewing, and transferring the agreement. This also applies to dispute resolution. For example, the agreement must specify that termination may occur by either party via written notice to the other party following an agreed upon termination time. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the OUSW(C), Financial Improvement and Audit Readiness (FIAR) Directorate for resolution. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report. Refer to Volume 6 for details. Add operational guidance to the procedure section.

2.5.2. FS Forms 7600A/B. G-Invoicing replaced the former 7600A/B reimbursable IAA between federal entities for Intragovernmental Reimbursable, Buy/Sell Activity. G-Invoicing provides the electronic origination, review, and approval of Buy/Sell IAAs. G-Invoicing is a Moderate rated application and approved to process and store Controlled Unclassified Information. Components must use G-invoicing for Buy/Sell transactions.

2.5.3. G-Invoicing. G-Invoicing is an online portal that supports the exchange of information in IGT activity by federal trading partners. G- Invoicing is not an accounting system nor a procurement system; instead, it serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting. Key changes from manual processes include a new set of data standards and the electronic submission and approval of necessary documentation. Federal entities must implement the entire transaction lifecycle which includes General Terms and Conditions (GT&Cs), Orders, and Performance Transactions that initiate fund settlement. These business events and their associated accounting activities should be agreed-upon by trading partners and managed through G-Invoicing. G-Invoicing is not required for transactions that are non-Buy/Sell IGT subcategory transactions, or intra-Treasury Account Symbol transactions. Federal entities will use G-Invoicing to reflect their agreement on the funding terms and the accounting treatment of their reimbursable activity and to exchange that data with one another for consistent financial reporting.

2.5.3.1. For logistical support overseas, in lieu of using the FS 7600A, DoW may enter a reimbursable Memorandum of Understanding (MOU) under 22 U.S.C. § 2695 where DoW support is not available for DoW personnel. A G-invoicing reimbursable IAA support agreement is not acceptable and will not be signed in these instances. An example of such is when the Department of State administers the International Cooperative Administrative Support Services (ICASS) system as the principal means that the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations at its more than 200 diplomatic and consular posts abroad. Consistent with the Department of State Foreign Affairs Handbook for ICASS, DoW may use a reimbursable MOU as the support agreement for logistical support overseas.

2.5.4. Principal Documents. The DoW Financial Statement Audit Guide allows the following key supporting documents for Reimbursable Work Orders: (a) MoU/ Memorandum of Agreement (MOA), (b) Standard Form (SF) 1080 and SF 1081, (c) DD Form 448 and DD Form 448-2, (d) DD Form 1155 and DD Form 1144, (e) GT&Cs, and (f) Order Requirements and Funding Information.

2.5.5. Preparation Standards. The following applies to document preparation:

2.5.5.1. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C. That is 'open' G-Invoicing will assign a unique identifier for each GT&C for tracking purposes. Federal agencies maintain the ability to associate their own unique identifier to each GT&C in their internal accounting systems. Orders in G-Invoicing must reference an active GT&C.

2.5.5.2. Each federal entity will still be responsible for preparing its respective USSGL entries following appropriate attributes and guidance. However, IGT Buy/Sell activity documented in G-Invoicing will allow federal entities to accurately identify the respective accounting triggers. Further, each federal entity is still responsible for their own Anti-Deficiency Act monitoring.

2.5.5.3. Treasury's Bureau of the Fiscal Service requires all FPAs to use G-Invoicing under the authority of 31 U.S.C. § 3512(b), "Executive agency accounting and other financial management reports and plans" and 31 U.S.C. § 3513, "Financial reporting and accounting system" and in accordance with the TFM. All IGT Buy/Sell activity must be implemented into G-Invoicing by October 1, 2025. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2.5.5.4. MOA and MOU. A MOA is used to document an agreement and execute or deliver support with or without reimbursement between two or more parties. When a support agreement involves reimbursement, it can be used to further detail terms and conditions. A MOU must only be used when there is agreement, among two or more parties, that payment is not expected; and when the parties do not rely on each other to execute or deliver on any responsibilities. DoDI 4000.19 provide examples of an MOA and MOU respectively.

2.5.5.5. SF 1080. Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. DoW Components may use the SF 1080 voucher as support for bills to other DoW Components and non-DoW federal agencies when unable to utilize electronic data interchange methods.

2.5.5.6. SF 1081. DoW Components must use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoW federal agencies. See Volume 10.

2.6 Non-Reimbursable Support

The Department does not provide non-reimbursable support of any kind to other federal, state, territorial, tribal, or local government entities; private groups and organizations; foreign governments; and international organizations. Non-reimbursable support may be provided if required by statute. When discretionary, non-reimbursable support is permitted but not required by statute, it must be authorized by the DoW Joint Ethics Regulation or DoW Public Affairs guidance; or is provided after approval of an exception.

3.0 PROJECT ORDERS

3.1 Treasury Guidance on Intra-Governmental Transactions

3.1.1. TFM Volume 1, Part 2, Chapter 4700 discusses the requirements necessary to properly report IGT resulting from business activities (i.e., buy/sell transactions) between two federal government entities, called trading partners. Reimbursable activity between trading partners, otherwise referred to as buy/sell activity. Buy/sell activity and the associated accounting activities must be agreed upon by the trading partners and managed through a formal buy/sell agreement. It also provides guidance on how to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

3.1.2. The TFM provides the requirements for using the standard IAA containing Treasury's Bureau of the Fiscal Service (FS) Form 7600A "General Terms and Conditions (GT&C)" and FS Form 7600B "Order Requirements and Funding Information (Order)." The data elements captured in these forms are necessary to (1) ensure the proper recording and reporting on intragovernmental buy/sell transactions, and (2) eliminate most of the federal-wide reporting deficiencies impacting the Financial Report of the United States (U.S.) Government.

3.1.3. The Treasury's G-Invoicing system is used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions.

3.2 Recordable Obligation

3.2.1. A project order is a valid and recordable obligation of the issuing entity when the order is placed with and accepted by a separately managed DoW-owned establishment or the USCG, providing the obligation otherwise meets the criteria for recordation of an obligation contained in 31 U.S.C. § 1501.

3.2.2. All orders or contracts for work or material or for the manufacture of material pertaining to approved projects placed with DoW-owned establishments or the United States Coast Guard (USCG) must be considered as obligations in the same manner as prescribed for similar orders or contracts placed with commercial manufacturers or private contractors. Appropriations remain available to pay the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors. The performing activity must notify the ordering activity before costs exceed 75%.

3.3 Project Order Forms

3.3.1. Treasury has established a standard IAA form containing the GT&Cs (FS Form 7600A) and the Order (FS Form 7600B) for government-wide use in carrying out buy/sell transactions between trading partners. These forms must be issued by an authorized DoW or USCG entity and accepted for performance in a DoW-owned and operated establishment.

3.3.2. To properly document that the order for goods or services is a project order, the trading partners must ensure the proper statute (41 U.S.C. § 6307) is identified and cited on the FS Form 7600B for DoW project orders, or 14 U.S.C. § 712 for USCG-related project orders.

3.4 Work Description

3.4.1. A project order must include an adequate description of the goods delivered and/or work performed, to include the line item/sub-line item level, as well as the product service code on each requirement to ensure support for audit from obligation through performance, billing, and closeout. Without these required elements, the order is not sufficient to create a recordable obligation or document detailed performance/delivery, receipt and acceptance, and its' respective invoicing and settlement.

3.4.2. There may be repeat orders for which the performing installation has detailed and definite specifications available. Thus, if the performing activity has on file those elements that make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, then it is not necessary to also include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained in accordance with component records management policy by the performing activity.

3.5 Use of Standard Line of Accounting

Buyers and sellers must use the Standard Line of Accounting (SLOA) and ensure it is properly annotated when generating or accepting a reimbursable order, as applicable and comply with the latest Treasury Governmentwide (GTAS) and Federal Intragovernmental Data Standards to "buyers and sellers must use SLOA. Refer to Volume 1 for additional details and requirements.

3.6 Advance Planning of Work Estimates to Performing DoW Establishments

3.6.1. Ordering DoW Components or the USCG must give performing DoW-owned establishments advance planning notice of future requests of goods and/or services expected to be placed with the performing DoW-owned establishment. A performing DoW-owned establishment, in the development of its operating budget, must use this advance planning detailed line/sub-line-item level data to draft order requirements. An operating budget can be revised as work requirements change.

3.6.2. At the appropriate time during project order negotiations, performing DoW-owned Components must give ordering DoW Components a cost estimate for each item produced or work performed under the project order.

3.7 Conditions governing the Issuance and Acceptance of Project Orders

3.7.1. A contractual relationship must exist (i.e., be created by the project order) between the parties involved.

3.7.2. A project order cannot be used to order work between two organizational units that report to the same activity commander.

3.7.3. Expiration dates of project orders must not extend beyond the point in time in which the appropriation funding the order cancels (generally 5 years after the appropriation expires for new obligations).

3.7.4. Project orders must be issued only to DoW-owned establishments (see examples in the Volume 11 Supplemental) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Those issued to the USCG under 14 U.S.C. § 712 would be issued in accordance with USCG established regulations. To determine whether the project order statute provides the statutory authority for an intra-DoW order, determine whether the order is being placed with a DoW-owned establishment. Also, determine whether the order is "entire" (also known as non-severable) under paragraph 3.7.9 and satisfies the other requirements identified in this section.

3.7.5. Payments

All payments made by an ordering DoW Component to a performing DoW-owned establishment must be based upon the payment schedule in the approved and accepted order (FS Form 7600B) which must be within the scope and conditions of the established agreement (FS Form 7600A). Unless modified by mutual agreement, documented through the applicable IAA amendment.

3.7.6. Specific, Definite, and Certain

Project orders are analogous to contracts placed with commercial concerns and, like such contracts, must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. A project order must be accepted by the performing entity as a basis of obligation by the issuer.

3.7.7. Certification of Availability for Purpose

Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. On the other hand, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity must offer a certification on or attached to the project order stating that the funds cited on the project order are properly chargeable for the purposes cited in the project order. Certification must be retained as part of the official financial management records supporting the obligation.

3.7.8. Bona Fide Need

The issuing entity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they

are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources.

3.7.9. "Entire/Non-Severable" Versus "Severable"

To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period which may cross a fiscal year, and call for work or services that are reasonably not severable between fiscal years. For instance, an order for an "entire" end-item or service would call for a single or unified outcome or product, if any benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed.

3.7.9.1. A service is non-severable if the service produces a single or unified outcome, product, or report that cannot be subdivided for separate performance in different fiscal years. Whether the subdivision is feasible or not is a matter of judgment. The objective desired by the requesting customer must be used in the determination. The objective desired by the requesting customer must be used in the determination. If the customer supplies an item for overhaul or renovation and wants the entire item returned in a serviceable state, then a repair of a single component of the item when the item consists of many components needing repair, would not be a "severable" action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.

3.7.9.2. Examples of efforts that are not eligible for procurement as a project order are (1) custodial, housekeeping or fire protection services, (2) refusal of collections, (3) routine maintenance, and (4) services or efforts where the stated or primary purpose of the order is to acquire a level of effort rather than a specific, certain and definite end-product.

3.7.10. The following are examples of efforts in which an entire need generally exists and are eligible for project order financing:

3.7.10.1. Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test.

3.7.10.2. Renovation, rebuilding, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state.

3.7.10.3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects.

3.7.10.4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works.

3.7.10.5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain non-severable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period.

3.7.10.6. Production of engineering and construction related products and services; and

3.7.10.7. Education and training contracts for single training courses which are considered a single undertaking. Multi-year research study work order to produce a publishable report.

3.8 Commencement of Work

3.8.1. The work to be performed under project orders must be expected to begin within a reasonable time after its acceptance by the performing DoW-owned establishment or the USCG.

3.8.2. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) must (1) begin without delay (usually within 90 days) and (2) be completed within the normal production period for the specific work ordered.

3.8.3. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, then the project order must be returned by the performing activity for cancellation. If it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance, and that documentation is retained for audit review, then the project order can be retained and executed.

3.9 Contingent Event Prohibition

A project order must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering entity.

3.10 Lawful Purpose

Project orders must not be used to contravene provisions of the law or accomplish by means of this device what regulations do not permit under commercial contracts.

3.11 Authorized Purpose

Project orders must not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

3.12 Project Order Modifications

3.12.1. The project order statute differs from the Economy Act at 31 U.S.C. § 1535 because it permits agencies to account for obligations for orders in the same manner as orders for similar work placed with commercial manufacturers and private contractors. Project orders, like commercial contracts, may contain special provisions and may be modified provided the modification complies with bona fida need, purpose, and time statutes. Unlike procurement contracts with commercial concerns where competition requirements limit permissible contract modifications, project orders may be changed or increased at any time to accommodate new or additional work so long as proper funding is available, and so long as the new work otherwise meets the general conditions governing issuance and acceptance of project orders.

3.12.2. If the appropriation used to fund the initial order remains available for new obligation, then use it to fund all modifications that are a bona fide need of that appropriation, even if the modification changes the scope of the project order. This applies only while the appropriation remains currently available.

3.12.3. If the appropriation used to fund the initial order has expired, then use it to fund only those amendments and modifications that are within the general scope of the initial project order.

3.12.4. All modifications that increase or change the general scope of work of the original order must be charged to a current appropriation. In cases where the original appropriation has expired and is no longer available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification must be funded from a current appropriation.

3.12.5. The appropriation cited on the project order must remain available for price increases and changes that are within the scope of the original order. These obligational rules apply equally to fixed price and cost reimbursable project orders.

3.12.6. Limitation of cost clauses in commercial cost-reimbursement contracts (See FAR Part 16) that are the obligational basis for the requirement to charge current appropriations for all ceiling increases, including those within the general scope of such contracts, are not applicable to cost-reimbursement project orders. Limitation of cost clauses govern the legal liability of the U.S. to third parties, whereas transactions within or between agencies are governed by principles of comity. Whether to structure such project orders on a fixed price or reimbursable basis is a matter of agency discretion and convenience, but not obligational relevance. Whether the work changes the general scope of the original order or otherwise satisfies an emergent bona fide need of the current fiscal period, governs whether current funds must be charged. Subject to the provisions in this volume, amendments to project orders which have the effect of partial or complete termination of such orders must provide for the inclusion of the costs of termination.

3.12.7. Volume 3 provides additional guidance on accounting requirements for expired and closed accounts.

3.13 Ability to Perform

Project orders must be issued only to those DoW-owned establishments that can perform substantially the work ordered. "Substantially" as used in this paragraph, means that the project order recipient must incur costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors.

3.14 Subsidiary Ordering

3.14.1. The provisions of this section are not intended in any way to authorize one DoW-owned establishment to act as a general contracting or purchasing agent for another entity.

3.14.2. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, given such subsidiary ordering and contracting is incident to, and is for use in, carrying out the purpose of the project order.

3.14.3. Project orders must contemplate the use of personnel and facilities (and may include the use of other resources) on the part of the project order recipient, but beyond those incidents to contract procurement. In this connection, it is not improper for a project order recipient to subcontract for component parts when the recipient later assembles those parts into the end-product ordered. The assembly operation includes the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation must be of such an extent that it avoids a perception of the project order being used for contract procurement. The performing activity will retain documentation demonstrating that contract support remains incidental to Government performance.

3.14.4. If a project order cannot be placed with another DoW-owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, then it is possible the order could be placed pursuant to the Economy Act. This Act permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order. See Volume chapter 4 for additional details.

3.15 Project Order Default

3.15.1. Where a recipient of a project order defaults or fails to perform work or services specified in the order, and a replacement project order is required as the result of such default, the following apply:

3.15.1.1. Defaulted work or services may be procured from another DoW-owned establishment or the USCG to the extent of any unobligated balance in the appropriation thus obligated.

3.15.1.2. Similarly, a project order also may be issued to a DoW-owned establishment or the USCG under an appropriation obligated by contracts with outside contractors

when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract.

3.15.1.3. Replacement project orders resulting from defaults may be issued and obligated after the period of availability of the appropriation for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

3.15.2. A replacement project order fulfills a bona fide need of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order must be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in which the ordering appropriation cancels (generally 5 years after the appropriation expires for new obligation).

3.16 Project Order Financing

A project order must be financed fully by the ordering DoW Component from obligational authority current at the time the project order is issued and accepted. Project orders may be issued for a research, development, test, and evaluation project which is not financed to completion (i.e., prepared on an incrementally programmed basis). A research, development, test and evaluation appropriation project or program financed on an incrementally programmed basis is one that is funded for the remainder of the funding appropriation's period of current availability or the current fiscal year vice a fully-funded-to-completion basis. Incremental funding authority applies only where specifically authorized by law.

3.17 Direct-Cite Prohibition

A DoW-owned establishment may only accept project orders on a reimbursable basis. Orders must not be made a subdivision of funds, like an allotment; nor the appropriations of the ordering entity be cited by the performing DoW-owned establishment when incurring and recording obligations incurred in performance of the order. Performance activities will record obligations against their own reimbursable authority rather than directly citing the ordering the appropriation.

3.18 Reimbursement of Costs Incurred in Performance of a Project Order

Reimbursement of costs incurred by a performing activity may be accomplished in the manner ordinarily used by that performing activity. Volume 5 recognizes that a disbursement may result from a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a SF 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Treasury's Intra-governmental Payment and Collection (IPAC) system. Volume 5 provides additional information on the IPAC system and identifies general requirements and technical specifications prescribed by the Treasury on the use of IPAC. Performance transactions processed through G-Invoicing initiate settlement through Treasury IPAC.

3.19 Conditions Governing Performance of Project Orders

After acceptance, project orders must be performed as expeditiously as possible according to the terms as accepted. Performing DoW-owned establishments are responsible for promptly advising ordering DoW Components of all goods delivered and/or service rendered, and of any changes in delivery schedules.

3.19.1. Summary of Costs

For cost-reimbursement project orders, performing DoW-owned establishments must give ordering DoW Components a summary of costs incurred to date and estimates of costs to complete the order no less than quarterly, but no more frequently than once a month. No special report forms are authorized for this purpose.

3.19.2. Expiration Dates

Expiration dates of project orders may be extended with the approval of the ordering DoW Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation cancels.

3.20 Reimbursement to Performing DoW-Owned Establishments

Performing DoW-owned establishments must be reimbursed for work covered by project orders based upon fixed prices or costs incurred.

3.21 Fixed Price Project Orders

3.21.1. A fixed price project order must establish a firm price for purposes of reimbursement for the work or services ordered. A fixed price basis may be used when all the following conditions are present.

3.21.1.1. Work specifications are stable, specific, and definite; and they are made part of the order (or incorporated by reference) for each item when the project order is accepted for performance on a fixed price basis or amended for any changes in the scope of the work. This requirement is critical especially for project order-accepting activities financed by a direct appropriation. An activity financed by a direct appropriation must not accept a fixed price project order unless the activity can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the activity may violate the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized.

3.21.1.2. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul) each entry on the work list must be an item.

3.21.1.3. No substantial contingencies are included in the price, nor involved in performance, so that cost variations in performance reasonably can be expected to be minor.

3.21.1.4. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they must be adjusted for this purpose to include expected cost variances.

3.21.1.5. The same cost elements are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurred.

3.21.2. The requirement to establish a firm price for purposes of reimbursement for the work or services ordered does not preclude the issuance of amendments/modifications to cover changes in scope of any item in the order.

3.22 Cost-Reimbursement Project Orders

3.22.1. The amount stated in a cost-reimbursement project order must be a sound estimate of the costs incurred in performance of the work or services ordered. Such estimates must be determined based upon the specific work performed. The estimate of costs must be the ceiling amount for purposes of reimbursement for the work or services ordered.

3.22.2. The performing DoW-owned establishment and the ordering DoW Component must undertake timely renegotiations for revisions of the ceiling amount of cost-reimbursement project orders. Such renegotiations must take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before the cost of performance has exceeded 75 percent, when compared with the current ceiling amount. Renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases, the performing establishment must absorb the difference, upward or downward. The performing activity will notify the ordering activity before costs exceed 75%.

3.22.3. Cost-reimbursement project orders may be converted to a fixed price basis provided all conditions governing the use of fixed price project orders are present. In addition, the conversion must occur prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

3.23 Unfunded Costs

3.23.1. For purposes of this section, “unfunded costs” are costs that are not funded in the account or appropriation that funds the performing activity. Examples of unfunded costs are not universal. Some performing revolving fund accounts, primarily the working capital fund accounts, may fund costs that are unfunded by appropriated funds. Unfunded costs of a performing activity funded by an appropriation normally include labor of military personnel and depreciation of capital assets.

3.23.2. When an ordering DoW Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to Foreign Military Sales) discussed in Volume 15 the ordering DoW Component must identify this circumstance on the project order. Under this circumstance, the amount of unfunded costs must be specifically identified and included in the amounts contained in the (1) project orders issued to

performing activities, (2) billings made by the performing activity to the ordering activity, (3) reimbursements by the ordering activity to the performing activity, and (4) reimbursements obtained by the ordering activity from the non-federal customer.

3.24 Reimbursable Costs

3.24.1. Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order.

3.24.2. Such costs must be specifically approved in the following circumstances: (1) in advance by the ordering DoW Component, (2) when the machinery or equipment legally could be acquired directly by the ordering fund or appropriation, or (3) approval is incorporated into the terms of the project order agreement or amendments thereto. When approval is incorporated into the terms, the approved costs must be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoW Component and must be disposed of in accordance with instructions from the ordering DoW Component.

3.25 Termination Costs

Costs incurred in the termination of a project order must be reimbursable to the performing DoW-owned establishment when the order is terminated by the ordering DoW Component, to the extent that such costs do not exceed the amount of the fixed price, or the current ceiling amount specified in the case of cost-reimbursement project orders. When ordering DoW Components and performing DoW-owned establishments cannot agree on the costs of termination, the case must be referred through Component financial management channels for settlement by the USW(C).

3.26 Billing

To the extent feasible, performing DoW-owned establishments must bill ordering DoW Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. Whenever a long period of time is required in the performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoW-owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order must be accomplished normally on either a progress payment or a percentage-of-completion basis.

3.27 Accounting for Cost Performance

Project orders are reimbursable orders and must be administered and accounted for as such. Therefore, project orders may not be administered or accounted for by performing DoW-owned establishments as separate subdivisions of appropriations or funds like an allotment. The appropriation type accounting for project orders must be performed by the ordering DoW Component in a manner like that performed for commercial contracts.

3.28 Obligation Authority

Project orders received and accepted are the source of reimbursable obligational authority, in the amount of the accepted project order, for the performance of services or delivery of goods requested.

3.29 Costs Accounts

Cost accounts must be maintained to accumulate the costs of performance for all project orders. Those cost accounts serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed price project orders.

3.30 Billings

Billings covering reimbursements must identify costs for each project line/subline item in accordance with the accepted project order (FS Form 7600A).

3.31 Exemptions

Requests for exemptions, along with appropriate justification, must be submitted to the OUSW(C), Deputy Chief Financial Officer (CFO).

4.0 ECONOMY ACT ORDERS

4.1 Legal Authority

4.1.1. 31 U.S.C. § 1535 establishes four basic statutory conditions for the use of Economy Act authorities. In accordance with the statute, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if (1) funds are available, (2) the head of the requesting agency or unit decides the order is in the best interest of the U.S. Government, (3) the agency or unit to be asked to fill the order can provide or obtain by contract the ordered goods or services; and (4) the head of the requesting agency decides that ordered goods or services are unavailable by contract as conveniently or economically by a commercial enterprise.

4.1.2. All orders citing the Economy Act must satisfy the statutory criteria under 31 U.S.C. 1535(a), be supported by a Determination and Findings (D&F), when required, to obtain supplies or services by an assisted acquisition or direct acquisition (i.e., procuring a contract), as defined under FAR 2.101, and FAR 17.502-2.

4.2 Reimbursements to Appropriations

10 U.S.C. § 2205 states to credit reimbursements made to DoW appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished to the appropriation or fund of the activity performing the reimbursable work.

4.3 Limitations

Economy Act orders may not be used by an agency to: (1) circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds, (2) contravene provisions of the law or accomplish what regulations do not permit under commercial contracts, (3) make acquisitions conflicting with any other agency's authority or responsibility (see FAR 17.501) or for which the servicing agency is required by law to provide and for which it received appropriations; or (4) order work or services from another organizational unit under the same activity commander where the activity commander is able to fund the required goods or services through the use of direct funds.

DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude the identification of a central payment office by a DoW Component to pay small bills. Guidance on the financial management of working capital funds is in the Volume 11 Supplemental.

4.4 Uses of Economy Act Orders

Use Economy Act orders for any required goods, supplies or services that are appropriate and legal. Acquisition policies contained in the FAR, DFARS, and within individual DoW Component's implementation guidance govern the potential uses of Economy Act orders. Typical uses include base support (host-tenant) services such as administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

4.5 Initiating an Economy Act Order

Each Economy Act order submitted to the servicing agency must include a copy of the determinations and findings (D&F) report as required by FAR 17.502-2(c). Specific D&F requirements are stated in AR 17.502-2(c) and DFARS 217.503.

4.6 Ordering Procedures and Requirements

FAR 17.503, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions, including those made under the authority provided within the Economy Act.

4.7 Treasury Guidance on Economy Act Orders

4.7.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year End Requirements," discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners.

4.7.2. The TFM provides the standard IAA containing two Fiscal Service (FS) Forms: FS Form 7600A, GT&Cs, and FS Form 7600B, Order Form. Treasury has mandated the use of

these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoW Components must use the latest published versions of FS Forms 7600A/B when completing an Economy Act Order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's G-Invoicing system, DoW Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

4.7.3. The system used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions is Treasury's G-Invoicing system. This requirement is for all IAAs with a performance period extending to June 30, 2021, or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoW Components must use hardcopies of FS Forms 7600A/B. DoW Components must establish internal policies and procedures for designating signature authority for GT&Cs.

4.7.4. The requesting scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. However, the FS Form 7600B must discretely describe the goods or services ordered with the associated FS Form 7600A. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

4.8 Policy

4.8.1. Economy Act orders must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

4.8.2. All Economy Act orders must be executed within the period of availability (POA) of the buyer's funds". Therefore, the requesting official must provide a certification of availability for purpose, on or attached to the Economy Act order, stating that the funds cited in the Economy Act order are properly chargeable for the purposes cited in the order.

4.8.3. Economy Act orders citing an annual- or multiple-year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation (refer to 31 U.S.C. § 1502).

4.8.4. Appropriation Policy

4.8.4.1. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The requesting agency obligates the entire amount of a reimbursable order when the servicing agency accepts the order.

4.8.4.1.1. DoW Components cannot use annual appropriations for requirements that are bona fide needs of a subsequent fiscal year, except as allowed by statutory authority. DoW Components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that

obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, the servicing agency must enter any supply or service contract before the end of the period of availability of the annual appropriation.

4.8.4.1.2. To constitute a bona fide need of the requesting activity's annual appropriation, any resultant contract for supplies or services entered by the servicing agency must satisfy the same obligational requirements outlined in Volume 3, as would any contract directly entered by the requesting activity. For example, an agency may issue a contract for severable services under an Economy Act agreement that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 3133, the contract period does not exceed 1 year, and the contract period begins during the availability period for the agency's appropriation(s).

4.8.4.1.3. DoW Components can obligate multiple-year appropriations for requirements that constitute bona fide needs during the multiple-year period of availability of the appropriation. Multiple-year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered by the requesting activity. DoW Components must enter resultant supply and service contracts during the period of availability of the appropriation funding the Economy Act order, and these contracts are subject to the same budgetary full funding or incremental funding policies prescribed in Volume 2.

4.8.4.1.4. Agencies must support resultant contracts for non-severable services that cross fiscal years entirely with their appropriations available for new obligations at the time they award the contract.

4.8.4.1.5. Research, Development, Test and Evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects, and activities are not subject to full funding policies. For example, DFARS 232.703-1 permits DoW organizations to incrementally fund a fixed-price contract for severable services if the contract is funded with research and development appropriations. Refer to DFARS 232.703-1 for additional guidance and restrictions. In Volume 2 of the DoW budgetary policy, budget estimates for RDT&E are prepared on an incrementally funded basis, requiring that only the funds necessary for work in a given fiscal year be included in the RDT&E request for that year. The DoW Components encourage fully funding RDT&E contracts for non-severable services.

4.8.4.1.6. Obligating funds for an Economy Act order where the resultant fixed length severable services contract will exceed the 1-year limit outlined in 10 U.S.C. § 3133 or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under 31 U.S.C. § 1341.

4.8.4.2. De-obligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by 31 U.S.C. § 1535(d) governing when excess funds must be de-obligated. The amount obligated by the requesting agency or unit must be de-obligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and de-obligate unused funds, as needed, before the end of the funds' availability. Funds must be de-obligated by both the

requesting and servicing agency to the extent that the servicing agency or unit filling the order has not (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency.

4.9 Commencement of Work

Work performed under Economy Act orders must begin within a reasonable time after its acceptance by the servicing agency.

4.10 Contingent Event Prohibition

Economy Act orders must not be issued if the commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting agency.

4.11 Reimbursement of Appropriated Funds

4.11.1. The servicing agency determines the basis of the actual cost for reimbursement under the Economy Act. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing goods or services. The servicing agency's increased expenditures do not increase actual costs. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Section 1 outlines how to calculate indirect costs (overhead). DoW activities not funded by working capital funds normally do not charge indirect costs to other DoW activities.

4.11.2. The servicing agency is not allowed to require a payment of any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) and the requesting agency is not required to pay any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled per FAR 17.502-2.d.(4). The general rules for DoW Components to follow regarding amounts collected as reimbursements are in Section 1 of this volume.

4.12 Working Capital Fund Activities

Reimbursable costs in the case of servicing DoW activities operating under a working capital fund must be determined in accordance with working capital fund policy. DoW policy and guidance for accounting of the operations of servicing DoW activities financed under a working capital fund is outlined in Section 20.

4.13 Accounting

4.13.1. Direct Fund Cite Orders. Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable order. Servicing DoW activities must not administer or account for Economy Act orders as separate subdivisions of appropriations or funds

like an allotment. The Requesting DoW Component must account for appropriation type (e.g., annual, no-year, multiyear) Economy Act orders in accordance with Volume 3.

4.13.2. Obligation Authority. Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

4.13.3. Cost Account. Accumulate the costs of performance for all Economy Act orders with a cost account or other device. The cost account serves as a historical basis for determining the amount reimbursable for cost reimbursement Economy Act orders and as a basis for determining a fixed price for similar future fixed-price Economy Act orders.

4.13.4. Records. The servicing DoW Component must establish procedures that identify and retain a record of the requestor's appropriation accounting classification(s) for each order received. Establishment and compliance with these procedures will facilitate the auditability of the requestor's source of funding.

4.13.5. Billings. Billings covering reimbursements must identify costs by each item listed in the Economy Act order. Volume 10contains the DoW policy for executing intragovernmental payments.

4.13.6. Reconciliation and Elimination of Intragovernmental Transactions. Volume 6 contains DoW policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

5.0 USER FEES

The Federal Government must assess user fees against each identifiable recipient for special benefits derived from Federal activities beyond those received by the public. The User Charge Statute, Title 31, U.S. Code, Section 9701 (31 U.S.C. § 9701), "Fees and Charges for Government Services and Things of Value,") establishes that it is the sense of Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by an agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the U.S. Government is self-sustaining to the extent possible.

The DoW is authorized by legislation to establish user fees, in accordance with the guidelines that are defined by 31 U.S.C. § 9701. The Office of Management and Budget (OMB) Circular No. A-25 Revised, "User charges," and Chief Financial Officers Act of 1990 require federal agencies to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to periodically adjust existing charges to reflect unanticipated changes in costs or market values, and to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services.

5.1 Under Secretary of War (Comptroller) (USW(C)) Responsibilities

The (USW(C)) will promulgate financial management policy governing user fees.

5.2 DoW Components Heads Responsibilities or their designees, will:

5.2.1. Identify the services and activities that will adopt and charge a user fee or accept an in-kind consideration.

5.2.2. Determine the extent of the special benefits provided as specified in this volume.

5.2.3. Apply the principles specified in this volume in determining full cost or market price.

5.2.4. Publish user fees charged for services on schedules, lists, or tables posted on publicly available websites.

5.2.5. Review user fees biennially in accordance with OMB Circular No. A-25 Revised, to include assurance that existing fees are adjusted to reflect unanticipated changes in costs or market values; and a review of all other programs where fees are not being assessed to determine whether special benefits are being provided and whether fees should be charged for Government services or goods.

5.2.6. Publish and describe the results of the biennial review of user fees and any resulting proposals, such as adjustments to fee schedules, in the annual DoW Agency Financial Report as required by the Government Management and Reform Act of 1994 and the Chief Financial Officers Act of 1990.

5.2.7. Ensure the requirements of OMB Circular No. A-123, "Management's Responsibility for Internal Control," the Government Accountability Office's GAO 14-704G, "Standards for Internal Control in the Federal Government (the "Green Book")," DoDI 5010.40, "DoD Enterprise Risk Management and Risk Management and Internal Control Program," and appropriate audit standards are applied to user fee collections.

5.2.8. Maintain readily accessible records of the services or activities charging user fees or accepting in-kind considerations, extent of special services provided, exceptions to the general policy, cost information used to establish or calculate fees, and the specific methods used in their determination, and the collections (i.e., cash or in-kind consideration) from each user fee imposed. This information must be provided upon request to OMB for the evaluation of the fee schedules in accordance with the requirements in OMB Circular No. A-11, "Preparation, Submission and Execution of the Budget."

5.2.9. Initiate exception actions outlined in this volume. All such actions must be coordinated with the USW(C) prior to forwarding to OMB.

5.2.10. Develop legislative proposals as outlined in this volume when there are statutory prohibitions, restrictions, or limitations on the implementation, assessment or retention of user fees.

5.3 General Policy

5.3.1. Collections are credited to the General Fund of the U.S. Department of the Treasury (hereafter referred to as Treasury) as miscellaneous receipts as required by 31 U.S.C. § 3302, or if specific statutory authority is available, may be retained by the Component for a specific purpose.

5.3.2. User fees should only be established and implemented if mandated by specific statutory authority, or when implemented under the authority of the User Charge Statute and the monetary benefits to the Federal Government of receipts collected significantly exceed the costs of collecting the fees.

5.3.3. Since generating and maintaining reliable cost data is expensive, consideration must be given to the cost of personnel and related data gathering requirements, and the costs of implementing, maintaining, and using financial management systems when determining the level of cost detail required and whether monetary benefits exceed costs.

5.3.4. It is DoW policy not to compete unfairly with available commercial facilities in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service (or privilege) provides special benefits to an identifiable recipient, beyond those that accrue to the public, a fee should generally be imposed to recover the full cost to the Federal Government for providing the special benefit (or the market price) except as otherwise approved by the USW(C) and authorized by the Director of the OMB. A special benefit will be considered to accrue, and a user fee should be imposed, when a government service:

5.3.4.1. Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the public), or

5.3.4.2. Provides business stability or contributes to public confidence in the business activity of the beneficiary or

5.3.4.3. It is performed at the request of or for the convenience of the recipient and is beyond the services regularly received by other members of the same industry or group or by the public.

5.4 Applicability

None of the provisions in this section should be construed as giving authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits must be authorized by separate authority. This user fee policy is applicable except when other statutes or directives specifically direct other practices or procedures, such as for:

5.4.1. Services to military personnel and civilian employees of the DoW provided in accordance with this volume.

5.4.2. Products and services provided to military personnel, their families, and civilian DoW employees by DoW Nonappropriated Fund Instrumentalities (i.e., morale, welfare, and recreation (military and civilian), Military Services exchanges, lodging, supplemental mission funds, and special purpose central funds). Fees for such services are governed by DoDI 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," and other OSW policy.

5.4.3. Sale or disposal of surplus property under specifically approved.

5.4.4. Services furnished to the public and representatives of the public information media relating to the interest and understanding of the Armed Forces recruiting program.

5.4.5. Armed Forces participation in public events. Fees for such participation are governed by the provisions of DoDI 5410.19, "Public Affairs Community Relations Policy Implementation."

5.4.6. Records made available to the public, under FOIA, pursuant to DoDD 5400.7, "DoD Freedom of Information Act (FOIA) Program." Fees for searches and copies of records are governed by Chapter 6 of DoDD 5400.7.

5.4.7. Services furnished to non-Federal audio-visual media. Fees for such services are governed by the provisions of 32 Code of Federal Regulations Part 238 (32 CFR Part 238), "DoW Public Affairs Assistance to Non-Government, Entertainment-Oriented Media Productions."

5.4.8. Pricing of performance by DoW Working Capital Fund activities which must be in accordance with Section 20 of this volume.

5.4.9. Foreign Military Sales of War articles and services which must be in accordance with Volume 15.

5.4.10. Records made available to requesters under the Privacy Act of 1974, pursuant to DoDD 5400.11.

5.5 Calculation of User Fees

All fees must be based on the full cost to the U.S. Government or market price, whichever applies. Additionally, whenever possible, fees must be set as rates rather than fixed dollar amounts to adjust for changes in costs to the Government or changes in market prices of the good, resource, or service provided.

5.5.1. Except as provided in paragraphs 5.0, 5.9, and 5.11 a user fee should be imposed to recover the full cost to the Federal Government of providing the service, resource, or good when the Government is acting in its capacity as sovereign. "Full cost" includes all direct and indirect

costs associated with providing a good, resource, or service. Full cost must be determined or estimated from the best available records, and new cost accounting systems should not be established solely for this purpose. These costs include, but are not limited to, an appropriate share of:

5.5.1.1. Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in OMB Circular No. A-11.

5.5.1.2. Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment. If imputed rental costs are applied, they should include:(1) depreciation of structures and equipment (based on guidance contained in Volume 4, and an annual rate of return (equal to the average long-term Treasury bond rate) on land, structures, equipment and other capital resources used.

5.5.1.3. The management and supervisory costs.

5.5.1.4. The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements.

5.5.2. User fees should be based on market prices when the Government is not acting in its capacity as sovereign and is leasing or selling goods or resources, or is providing a service (e.g., leasing space in federally owned buildings). Under these business-type conditions, user fees need not be limited to the recovery of full cost, must be based on market prices, and may yield net revenues.

5.5.2.1. When a substantial competitive demand exists for a good, resource, or service, its market price will be determined using commercial practices, for example by (1) competitive bidding or reference to prevailing prices in competitive markets for goods, resources, or services that are the same or like those provided by the Government (e.g., campsites or grazing lands in the general vicinity of private ones) with adjustments as appropriate that reflect demand, level of service, and quality of the good or service.

5.5.2.2. In the absence of substantial competitive demand, market price will be determined by taking into account the prevailing prices for goods, resources, or services that are the same or substantially similar to those provided by the Government, and then adjusting the supply made available and/or price of the good, resource, or service so that there will be neither a shortage nor a surplus (e.g., campsites in remote areas).

5.5.3. Fees established in advance of performance should be based on the estimated cost of performance. Projected amounts must be reviewed the earlier of biennially or whenever significant changes in cost or value occur.

5.5.4. Internal management controls must be established in accordance with OMB Circular No. A-123, GAO-14-704G, and DoDI 5010.40 to ensure that user fees are developed, published on a publicly available website, and adjusted using current, accurate, and complete data. These controls must also ensure compliance with cash management and debt collection policies promulgated in Volume 5.

5.6 Collection of User Fees

DoW Components should make every effort to keep the costs of collection to a minimum and collect fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as described in Volume 5 and outlined in the Treasury Financial Management, Volume 1, "Federal Agencies," Part 5, "Deposit Regulations (1 TFM Part 5)."

5.6.1. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for services provided on a reimbursable basis.

5.6.2. Although fees must be collected in advance absent statutory authority to provide services or special benefits on a reimbursable basis, Components may collect advance fee payments incrementally if variable costs such as personnel or utility costs are incurred incrementally over time and if the services or special benefit is susceptible to being provided on a severable basis.

5.7 Disposition of User Fees

As required by 31 U.S.C. § 3302, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is generally referred to as the "Miscellaneous Receipts Statute." Accordingly, unless another statute provides otherwise, user fees collected under the authority of the User Charge Statute must be credited to the General Fund of the Treasury as miscellaneous receipts.

5.8 Exceptions or Waiving of User Fees

5.8.1. The Head of each DoW Component or designee may make exceptions to the general policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

5.8.2. The Head of each DoW Component or designee may recommend to OMB that exceptions to the general policy be made when the cost of collecting the fees would represent an unduly large part of the fee for the activity or any other condition exists that, in the opinion of the agency head or his designee, justifies an exception.

5.8.3. All exceptions must be for a period of no more than 4 years unless renewed by the Head of each DoW Component or designee for exceptions or OMB for exceptions after a review to determine whether conditions warrant their continuation.

5.8.4. Requests for exceptions and extensions must be submitted to the Director of OMB.

5.9 Legislative Proposal to Retain User Fees

5.9.1. General Policy

If Components require modification of statutory prohibitions on assessment of user fee charges, they may propose remedial legislation to repeal the assessment prohibition or to authorize an exception. Similarly, Components may propose legislative authority to retain and use amounts collected as user charges. Such proposals are subject to requirements for preparation and submission established in DoDD 5500.01, "Preparing, Processing, and Coordinating Legislation, Executive Orders, Proclamations, Views Letters, and Testimony." For additional guidance on submitting legislative proposals for approval or authorization to implement or modify a user fee program or to authorize retention and use of user fee collections, refer to OMB Circular No. A-25.

5.10 Authorities

Under the User Charge Statute, a statutory authority is required for DoW Components to retain and use user fees. Proposals requesting such authority may be appropriate when a user fee is levied to finance a service that is provided on a substantially self-sustaining basis and thus is dependent upon adequate collections.

5.10.1. The authority to use fees credited to an appropriation is generally subject to limits set in annual appropriations language. However, it may be appropriate to request exemption from annual appropriations control, if a provision of the service is dependent on demand that is irregular or unpredictable (e.g., a fee to reimburse an agency for the cost of overtime pay of inspectors for services performed after regular duty hours).

5.10.2. Legislative proposals that permit fees credited to accounts must be consistent with the full cost recovery guidelines. Any fees collected more than full cost recovery (i.e., under business-type conditions in which user fees are calculated based on market prices) are credited to the General Fund of the Treasury as miscellaneous receipts.

5.11 Benefits for which no fee must be assessed

5.11.1. Documents and information requested by members of the U.S. Armed Forces, as required by such personnel in their capacity as Service members.

5.11.2. Documents and information requested by members of the U.S. Armed Forces, who are in a casualty status or requested by their next of kin or legal representative.

5.11.3. The provisions of the address of record of a member or former member of the U.S. Armed Forces when the address is readily available through a directory (locator) service, and when the address is requested by a member of the U.S. Armed Forces or by a relative or a legal representative of a member of the U.S. Armed Forces or when the address of record is requested by any source for the purpose of paying monies or forwarding property to a member or former member of the U.S. Armed Forces.

5.11.4. Services requested by, or on behalf of, a member or former member of the U.S. Armed Forces and civilian personnel of DoW (where applicable) or, if deceased, his or her next of kin or legal representative that pertain to the provision of (1) information required to obtain financial benefits regardless of the terms of separation from the Service, (2) documents showing membership and military record in the Armed Forces if discharge or release was under honorable conditions, (3) information related to a decoration or award or required for memorialization purposes, (4) information related to the review or change in type of discharge or correction of records, (5) personal documents, such as birth certificates, when such documents are required by the member, (6) services that are furnished free in accordance with statutes or Executive Orders, and information from or copies of medical and dental records or x-ray films of patients or former patients of military medical or dental facilities, when such information is required for further medical and dental care, and requests for such data are (a) submitted by an accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of kin, or legal representative. Other requests subject to the Privacy Act of 1974 must be in accordance with DoDD 5400.11.

5.12 Services requested by and furnished to entities outside DoW:

5.12.1. A member of Congress for official use.

5.12.2. State, territorial, county, or municipal government, or an agency thereof, that is performing a function related to or furthering a DoW objective.

5.12.3. A court, when such services will serve as a substitute for personal court appearance of a military or civilian employee of DoW.

5.12.4. A nonprofit organization that is performing a function related to or furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.

5.12.5. Donors in connection with the conveyance or transfer of a gift to DoW.

5.13 Services

5.13.1. Occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.

5.13.2. Administrative services offered by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.

5.13.3. Services rendered in response to requests for classification review of DoW classified records, submitted under Executive Order 13526, "Classified National Security Information", and implemented by DoW Manual 5200.01 Volumes 1-3, "DoW Information Security Program." Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

5.13.4. Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of personnel and supplies to a disaster site. This does not mean that inter- and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a "user fee."

6.0 DISPOSITION OF PROCEEDS FROM DEPARTMENT OF WAR SALES OF SURPLUS PERSONAL PROPERTY

6.1 General Rules for Deposit and Use of Proceeds

6.1.1. According to 40 U.S.C. § 571, agencies must deposit net proceeds from sales of surplus property into the Treasury as miscellaneous receipts unless a law authorizes a deposit into an alternate appropriation. The law also requires that agencies pay the expenses of selling old material, condemned stores, supplies, and other public property from the proceeds of the sale, ensuring that only the net proceeds are deposited in the Treasury, or any other applicable appropriation authorized by law.

6.1.2. Under 10 U.S.C. § 2210, a working capital fund responsible for the disposal of property may retain proceeds from disposals that are necessary to recover the expenses incurred in disposing of that property. Therefore, the Defense Logistics Agency (DLA) Disposition Services will retain amounts sufficient to offset all expenses incurred in the disposition of excess/surplus personal property from the proceeds of sales of such property.

6.2 Legal Exceptions to the General Rules

The following authorizations permit the crediting of the proceeds of the sale to appropriations and/or funds of the Department.

6.2.1. Supplies, Material, Equipment, and Other Personal Property Not Financed by Stock Funds. In accordance with 10 U.S.C. § 2210, the DoW may credit the net proceeds from the sale or disposal of surplus property, after recovering necessary expenses, to current applicable appropriations. Therefore, any proceeds that remain after recovering disposal expenses will be credited to the current applicable appropriations of the Department (i.e., the appropriation currently available for purchasing such property).

6.2.2. Revolving Fund and Non-Appropriated Fund Property. In accordance with 40 U.S.C. § 574, when property is acquired with amounts either (a) not appropriated from the general fund of the Treasury; or (b) appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, the net proceeds of such a disposition or transfer of the property must be credited to the applicable reimbursable fund or appropriation; or paid to the federal agency that determined the property to be excess.

6.2.3. Contractor Sales of Surplus Government Property in the Possession of Contractors. The DFARS subpart 245.60, implements 40 U.S.C. § 574 (c) and provides overall direction for crediting proceeds from contractor-conducted sales of surplus government property in the possession of contractors. FAR 245.60 supplements by detailing specific plant clearance procedures, inventory schedules, and surplus property sales rules tailored to defense acquisitions.

6.2.4. Sales of Recyclable Material on Military Installations. The DoW or DLA Disposition Services distribute the proceeds from direct sales of installation-qualified recycling programs (QRP) on military installations, as outlined in 10 U.S.C. § 2577 and DoDI 4715.23.

6.2.4.1. The Director of DLA and DLA Disposition Services (under the USW for Acquisition and Sustainment) must establish procedures and controls to ensure that when installations consign recyclable materials for disposal to DLA Disposition Services on behalf of a qualified recycling program, they return 100 percent of any proceeds, minus the costs of sales and handling, to the installations in accordance with established accounting procedures.

6.2.4.2. Agencies must establish an accounting and control system for recycling programs that provides detailed management and audit information, tracks the quantity of material handled, calculates sales and handling costs for recycled material, and monitors expenditures made for appropriate projects and MWR programs. The integrity of the audit trail must be prioritized.

6.2.4.3. If a military installation has a QRP (as determined by the Secretary of the Military Department concerned or the Secretary of War) and a balance remains available after such funds are credited, then the installation may use no more than 50 percent of that balance for projects focused on pollution abatement, pollution prevention, energy conservation, alternative-fueled vehicle infrastructure support, and occupational safety and health activities. According to 10 U.S.C. § 2577, the project cannot exceed 50 percent of the amount established by law as the maximum for a minor construction project.

6.2.4.4. DoW Components must promptly deposit and record all recycling proceeds in the U.S. Standard General Ledger account 426600, which provides direct budgetary authority on line 1800 of the SF 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. They must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C. § 2577. The use of suspense accounts is prohibited, and any remaining balances must be transferred to the designated Treasury account.

6.2.4.5. A military installation may transfer the remaining balance available to its non-appropriated morale and welfare account for any morale or welfare activity. If the balance

exceeds $10 million at the end of any fiscal year, the installation must deposit the excess amount into the Treasury as miscellaneous receipts.

6.2.5. Lost, Abandoned and Unclaimed Privately-Owned Personal Property. The DoW may dispose of lost, abandoned, or unclaimed personal property after it has made diligent efforts to find the owner or the owner's heirs, next of kin, or legal representative, as prescribed by 10 U.S.C. § 2575.

6.2.5.1. When military installations find lost, abandoned, or unclaimed personal property, they must credit the net proceeds from the sale of the property to the operation and maintenance account of that installation and use to reimburse the installation for any costs incurred by the installation to collect, transport, store, protect, or sell the property; and to the extent that the amount of the proceeds exceeds the amount necessary for reimbursing all such costs, to support MWR activities under the jurisdiction of the armed forces at such installation.

6.2.5.2. Military installations must deposit the net proceeds from the sale of all other lost, abandoned, and unclaimed privately-owned personal property into the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property (X6001). After 5 years, military installations must transfer any unclaimed net proceeds from X6001 to Forfeitures of Unclaimed Money and Property (1060).

6.2.5.3. The owner(s) of personal property disposed of as described in this section may file a claim with the Secretary of War for an amount equal to the proceeds minus the costs incurred by the installation to collect, transport, store, protect, or sell the property. They must file the claim within 5 years of the disposal date of the property. To pay claims for property found on military installations, the installations must draw the amounts from their MWR account, into which the proceeds were deposited. For all other property, amounts to pay the claim must be from the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property account (X6001).

6.2.5.4. Refer to the Volume 11 Supplemental to identify, by type of surplus property, the collection and disposition of proceeds from the sale of surplus property.

6.3 Collection of Bid Deposits Collected Under the Card Acquiring Service

DoW Components establish policies governing acceptance under the Card Acquiring Service. These instances have transaction limits. Further guidance is contained within Volume 5, “Electronic Commerce and Deposit of Public Funds.” The OUSW(C) announces changes or additions to approved credit or debit cards in memoranda or through changes to the TFM. Treasury covers any fees normally charged to sellers, except for equipment and communication costs.

6.4 Disposition of Bid Deposits

If the sale requires a bid deposit, a DoW Component must initially deposit cash collected from bidders into account 097X6501, “Small Escrow Amounts,” until a successful bidder is determined, and a contract is awarded.

7.0 ANNUAL REIMBURSEMENT RATES

The DoW provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods to DoW Components, other government agencies, and the private sector under specified conditions. The OUSW(C)/DoW Chief Financial Officer (CFO) publishes reimbursement rates, to provide a basis for the Department and its Components to be reimbursed for such goods and services provided. This guidance applies to all DoW Components and goods or services encompassed by or subject to reimbursement rates approved by the DoW CFO.

7.1 Deputy Comptroller (Program/Budget) Responsibilities

The OUSW(C) Deputy Comptroller (Program/Budget) (P/B) is responsible for reviewing, coordinating, and publishing reimbursement rates for the Department. Whenever feasible, reimbursement rates will be published prior to the start of the new fiscal year to ensure sufficient lead time for distribution and for updating billing systems.

7.2 Requirements for DoW Components

7.2.1. Maintain systems that apply generally accepted cost-accounting procedures to develop proposed reimbursement rates. Each DoW Component, in coordination with the Defense Finance and Accounting Service, must maintain a cost-accounting system capable of capturing the data required to formulate reimbursement rates for consumers of goods or services. These proposed rates must be based on generally accepted cost-accounting practices.

7.2.2. Submit reimbursement rate exhibits to the DoW Deputy Comptroller P/B that propose rates for the upcoming fiscal year. These exhibits must be prepared and submitted in accordance with the timelines in this volume and the formats prescribed in the Volume 11 Supplemental document.

7.2.3. Bill customers using the rates approved by the DoW Deputy Comptroller P/B. Goods or services provided during an academic or a fiscal year will be billed at the applicable approved rate, respectively, effective at the start of the academic year or on October 1 of the fiscal year, as appropriate, regardless of when those rates are loaded in the billing system.

7.2.4. Ensure that rates different from those approved by the DoW CFO are not issued or changed without the prior written approval of that official or the DoW Deputy Comptroller P/B.

8.0 INTERNATIONAL NARCOTICS CONTROL PROGRAM

The DoW's International Narcotics Control Program (INCP) directly supports the Foreign Assistance Act (FAA) of 1961. The FAA's key objectives are to suppress the illicit manufacturing and trafficking of narcotics and psychotropic drugs, money laundering, precursor chemical diversion, and to progressively eliminate the illicit cultivation of the crops from which narcotic and psychotropic drugs are derived. While the FAA addresses statutory responsibilities for

multiple agencies, the DoW is specifically tasked as a key partner in the training of foreign allies on illegal narcotics interdiction and the prevention of illegal narcotics trafficking.

8.1 Billing Support

Section 632 (c) of the FAA explains special pricing requirements when services, including training, are provided by the Department of War to the Department of State in support of the INCP. Billing must be made within 30 calendar days after the monthly services are rendered. The payment due date must be no more than 30 days from the date of the invoice. Bills rendered under this program are not subject to audit by the customer.

8.2 Pricing

The following rules must be followed by DoW Components when determining pricing amounts collected as reimbursements for orders from the Department of State that cite INCP financing.

8.2.1. INCP Training. The tuition rate for DoW training provided to support INCP is an incremental rate comparable to the International Military Education and Training (IMET) rate. Volume 15 provides a detailed explanation on tuition rates, direct and indirect costs of international student training, and IMET training price exceptions not covered in this section. The cost elements to include in the pricing are as follows:

8.2.1.1. Civilian Instructors and School Support Staff. It is anticipated that additional costs charged to the INCP for civilian instructors will be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to international students are high. Courses must be reviewed to determine the additional cost incurred resulting from international student attendance. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

8.2.1.1.1. For groups of courses, an estimate must be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection must be made of the total number of students enrolled in applicable courses, both U.S. and international, and the number of civilian instructors and civilian staff required. Base both projections on the maximum number of student output by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff must be priced in accordance with this volume. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

8.2.1.1.2. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases is considered additional. If the entire class is composed of INCP students, the instructor, and staff must be considered additional in the pricing formula.

8.2.1.2. Military Instructors and Military School Support Staff. There must be no charges to the INCP program for military personnel conducting training courses.

8.2.1.3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, must be considered additional resources to a course based on estimated utilization hours.

8.2.1.4. Simulators. Simulator hours must be considered additional costs. Simulator costs must include pay of the operators, supplies and equipment maintenance. Allocate simulator costs to the course using an equitable distribution across the total hours available.

8.2.1.5. Supplies, Materiel, Training Aids, Ammunition. Charge the replacement costs of items not returned or reusable (including petroleum, oil, and lubricants) expended in the conduct of training as an additional cost.

8.2.1.6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of an international student's negligence, the additional cost to be charged must be the actual costs of the repairs or replacement cost of the equipment.

8.2.1.7. Base Support (That Is, Indirect Student Costs). A standard weekly rate must be charged for INCP training conducted on DoW installations. The fixed weekly amount must be the same amount used for billing DoW appropriations reimbursed by the IMET program. See Volume 15 for additional details.

8.2.1.8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students must be the same amount used in billing DoW appropriations reimbursed by the IMET program when courses are conducted on DoW installations and students use DoW appropriated dining facilities.

8.2.1.9. Instructor Training. Special courses provided on a non-routine basis to U.S. instructors and personnel are considered additional costs and must be charged accordingly. Charge the normal cost rate for all required training conducted at a U.S. training facility in direct support of the INCP program (i.e., the Department of State). Treat special courses conducted by a Management Service Team (MST) away from the normal training institution as dedicated service and charge the full cost billed to the INCP program.

8.2.1.10. Facilities and Equipment. The costs of any facilities or equipment acquired primarily for the support of international students enrolled in the INCP program are considered additional costs.

8.2.1.11. Field Studies Program (FSP). The full cost of the FSP to the U.S. Government is considered an additional cost.

8.2.1.12. Shipment of Retainable Instructional Materials (RIM). The shipment of RIM to students must be included in the tuition rate applicable to INCP students. Apply shipping

charges to the same DoW billing appropriations reimbursed by the IMET program. Refer to Volume 15 for additional details.

8.2.1.13. Travel and Per Diem. Instructor and student travel and per diem associated with the provision of training must be considered additional costs, to include transportation, living allowances, and medical expenses.

8.2.2. Other DoW Services

8.2.2.1. DoW Services Provided Incidental to Normal Mission Accomplishment. When support of the INCP is accomplished incidental to performance of a DoW mission requirement, there are no additional costs incurred. However, an extended mission or overall cost increase constitutes the reimbursement of the cost over and above the scheduled mission cost.

8.2.2.2. Scheduled DoW Transportation. Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements must be priced, where applicable, at current tariff rates for DoW Components.

8.2.2.3. Detailed Personnel. All costs incurred in connection with the detail of DoW personnel to the Department of State to support the INCP, both civilian and military, are considered additional expenses and must be priced at the normal rate charged to other Federal Agencies.

8.2.3. Supplies and Equipment. Section 482 of the FAA prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided must be priced in accordance with this volume. Additionally, this volume establishes pricing policy for excess and non-excess material.

8.3 Disposition of Proceeds

Section 632(c) of the FAA mandates that applicable collections from the Department of State must be reimbursed to the financing DoW appropriation account.

9.0 INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS

The DoW strengthens key international partnerships through the acquisition and transfer of logistic support, supplies, and services (LSSS) between DoW and certain countries and regional organizations. These acquisitions and transfers are accomplished through Acquisition and Cross-Servicing Agreements (ACSA), on a reimbursement basis, or by replacement-in-kind (RIK), or by exchange of supplies or services of an equal value (equal-value-exchange (EVE)). The use of these agreements strengthens alliances and provides beneficial support for U.S. service members and respective members of foreign militaries when U.S. supplies are not readily available.

9.1 Liquidation of Credits and Liabilities

9.1.1. Monetary reimbursement occurs via a monetary instrument in the currency of the supplying nation as payment for LSSS. The recipient is responsible for the total cost of the order, including additional fees imposed by financial institutions for payment processing. Exchange/Replacement reimbursements use RIK or EVE transfers as the means of repayment where equal value is the actual, estimated, or negotiated price at the time of order approval. Signatures of the recipient and the supplier for the terms of the agreement are required and constitute approval.

9.1.2. Reimbursement Order Liquidation Method. The reimbursement due date is 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness (see Volume 16). The bill is then distributed by the Component or by the Accounts Receivable Office (ARO) as prescribed in Volume 4. Bills must be accompanied by the completed Form (usually, Form 1-3a generated in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System (AGATRS), or document containing all minimum essential data elements, used to document the issue and receipt of supplies and services. Payment due date must not be more than 30 days from the date of the invoice, unless terms of the ACSA agreement or Implementing Arrangement specify a different payment timeline. A payment extension of 30 to 120 days from the due date is permissible, if initiated by the recipient and based upon their processing capabilities, with mutual written agreement of all parties.

9.1.3. Exchange/Replacement Order Liquidation Method. Exchange/Replacement orders must be recorded and accrued in compliance with Generally Accepted Accounting Principles. Recorded Accounts Payables and Accounts Receivables related to the exchange of goods and services must be settled through the issue or receipt, as applicable, of the thing of equal value or replacement item, within 12 months of the original (initial) order date of delivery, or within 90 days of an agreed upon settlement conference documented via the authorizing signatory certifying authority to the ACSA agreement. If not settled within this period, the exchange/replacement order must convert to a monetary reimbursable order and then be settled according to Volume 16. The resulting accounts receivable or accounts payable must be liquidated, expeditiously, if possible. Upon conversion to a direct bill, any delinquency greater than 90 days will result in the termination of DoW support to the ACSA supported entity until delinquent orders are liquidated.

9.2 Prohibitions

9.2.1. Inventories of Supplies. Inventories of supplies for elements of the U.S. Forces must not be increased in anticipation of a request for support under the authority of 10 U.S.C. §§ 2341 – 2350 and DoDD 2010.09.

9.2.2. Prohibitions on Transfers. DoW Components, must not agree to or carry out: (1) transfers in exchange for property whose acquisition by DoW is prohibited by law; (2) transfers of source, byproduct, or special nuclear materials subject to 42 U.S.C. § 2011, the Atomic Energy Act of 1954; (3) transfers of LSSS to countries with which the DoW does not have a current ACSA pursuant to 10 USC. § 2342(d); or (4) transfers of chemical munitions.

9.2.3. Mandated Separation of Duties. Safeguards to ensure proper separation of Duties. Commands will ensure that proper safeguards are in place to include ensuring that a single individual performs only one of the following functions.

9.2.3.1. Initiation of the ACSA Transaction requirement.

9.2.3.2. Signing to authorize the ACSA Order as the Logistics Officer.

9.2.3.3. Receipt, inspection, and acceptance of the ACSA supplies or services that are transferred with the Order; and

9.2.3.4. Signing the ACSA Order as the Finance Officer confirming disbursement of payment or acceptance of the re-imbursement payment.

9.3 Obligation and Earned Reimbursement Limitations

9.3.1. Application. Apply the obligations and earned reimbursement limitations without regard to offsetting balances; that is, only the original gross values of sales and purchases are considered for purposes of the limitations. These limitations do not apply during periods of active hostilities involving the armed forces and are allocated by the Joint Staff.

9.3.2. Financial Obligation Recording. Duly appointed and trained financial personnel must record entries in the appropriate financial systems in accordance with DoDI 1300.26.

9.3.3. Authorized Personnel. Financial Personnel must have on file a DD Form 577, appointing them to the role as the financial certifying official. Persons authorized as ACSA Signature Officials must have on file an official delegation memo from higher authority.

9.3.3.1. Recording Obligations. Within 10 days of an order authorization, the corresponding obligation or reimbursable credit must be recorded in the appropriate financial system as prescribed in Volume 3.

9.3.3.2. Recording Accounts Payable (ACSA Monetary Buys). Obligations (and any adjustments) must be established and recorded in the appropriate financial system for the amounts of orders placed and contracts awarded that will require payment as prescribed in Volume 10 for the current or some future accounting period.

9.3.3.3. Recording Accounts Receivable (ACSA Monetary Sales). Amounts due to the DoW will be recorded as sales for the amounts of the orders that will establish a claim to cash, or other asset as prescribed in Volume 4.

9.3.3.4. Recording Accounts Payable (RIK/EVE Buys). Recognize the liability when the DoW and the partner nation complete the ACSA order. Record amounts in the appropriate financial system for the amount or negotiated number of orders placed that may require payment as prescribed in Volume 4 for the current or future accounting period.

9.3.3.5. Recording Accounts Receivable (RIK/EVE Sales). Amounts due to the DoW will be recorded in the appropriate receivables account in the financial system for the number of orders regardless of the method of reimbursement, as prescribed in Volume 4.

9.3.3.6. Aging of Accounts Payable and Accounts Receivable: Accounts Payable and Accounts Receivable will begin aging upon the acceptance and/or certification by both parties at the on-going reconciliation of support conferences. Until orders and settlement terms have been agreed to and certified, by both parties, Accounts Payables and Accounts Receivables will remain in a current non-delinquent 0–30-day category for financial reporting and management-monitored metrics.

9.3.4. Department Level Obligation Naming Standard

9.3.4.1. Standard Format. Within the respective Financial Systems, Services, Components and Agencies using the ACSA Acquire/Transfer process must establish, at the highest level, an ACSA identifier, more specifically a unique document type/entry code. This must be accompanied by a required field to document the AGATRS generated ACSA requisition number. In the absence of a unique document type/entry code, or in the interim during establishment, organizations will identify a free-text field for entry of a standard Department-wide format of the word "ACSA_" followed by the AGATRS generated ACSA Order Requisition Number. Example ACSA_JO-12345-001. An example is as follows: Example → ACSA (*word*)__AGATRS ACSA Order Requisition.

9.3.4.2. Standard Format Tracking. Services/Components/Agencies must communicate their accounting procedures, document type/entry code, in addition to their respective field choice back to the Office of the Under Secretary of War for Acquisition and Sustainment (OUSW(A&S)) and OUSW(C) and distribute to all subordinates for inclusion in all financial operating procedures regarding ACSA.

9.3.5. Obligation Limitations

9.3.5.1. Acquisitions from North Atlantic Treaty Organization (NATO) Countries, NATO Subsidiary Bodies, the United Nations (UN) Organization or Any Regional International Organization. The total amount that may be obligated by DoW for reimbursable orders (purchases) with NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization must not exceed $200 million during any fiscal year. Of the $200 million limitation, no more than $50 million in obligations may be incurred for the acquisition of supplies other than petroleum, oil, and lubricants (POL).

9.3.5.2. Acquisitions from non-NATO Member Countries. The total amount that may be obligated by the DoW for reimbursable orders (purchases) with a non-NATO member country (with which the U.S. has an acquisition or cross-servicing agreement) must not exceed $60 million during any fiscal year. Of the $60 million limitation, no more than $20 million in obligations may be incurred for the acquisition of supplies (materiel) other than POL.

9.3.6. Earned Reimbursement Limitation

9.3.6.1. Transfers to NATO countries, NATO subsidiary bodies, the United Nations Organization or Any Regional International Organization. The total amount of earned reimbursable credits (sales) to NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the U.S. is a member that DoW can accrue must not exceed $150 million during any fiscal year.

9.3.6.2. Transfers to Non-NATO Member Countries. The total amount of earned reimbursable credits (sales) to a non-NATO member country (with which the U.S. has an acquisition or cross-servicing agreement) that DoW can accrue must not exceed $75 million during any fiscal year.

9.4 Requests for Authorization to Use Limitations

Obligation/Earned Reimbursement Limitations are allocated and tracked by the Joint Staff. Each organization entering reimbursable purchases or sales under ACSA must request authorization. Requests must be accompanied by justification, including a prioritization of requirements. The requests must be submitted to the cognizant Combatant Command (CCMD) through the requesting organization's appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority but rather allow use of existing budget authority to enter into purchases or sales under the authority of 10 U.S.C. § 2347. Refer to the Volume 11 Supplemental document.

9.5 Waiver During Contingency or Non-Combat Operations

When U.S. Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provision of humanitarian or foreign disaster assistance or in support of peacekeeping operations under UN Charter VI or VII), the restrictions are waived for the purposes and duration of that operation.

9.6 Issuance of the Authorization

The cognizant CCMD must review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant CCMD must review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant CCMD must advise the Military Departments (MILDEPs) of authorizations distributed.

9.7 Distribution of Authorization Received

Upon receipt of an authorization from a CCMD, Component commands must authorize their activities to enter into reimbursable orders under 10 U.S.C. § 2342. No activity or unit may enter such orders without proper authorization. Recipients of an authorization must establish procedures to ensure that authorized dollar amounts are not exceeded.

9.8 Ratification of Unauthorized ACSA Orders

9.8.1. Ratification is the confirmation or adoption of an unauthorized act after the fact. Ratification, as used in this subsection, means the act of approving an unauthorized commitment by an official who has the authority to do so. An unauthorized commitment, as used in this subsection, can be procedural or funding related, or a mix of both. Procedural errors occur when the person who approved the ACSA order was not in possession of the required authority to approve the ACSA order. Funding errors occur when the funds required to cover the ACSA order are insufficient.

9.8.2. FAR 1.602-3 provides a useful guide on how to carry out ratification properly and avoid an Anti-Deficiency Act (ADA) violation under 31 U.S.C. § 1341 and Volume 14. The official with authority to ratify an ACSA order must work with the official's corresponding legal office and Financial Manager(s) (to include those at Higher Headquarters) to determine if ratification is available and the best course of action. If ratification is deemed appropriate, the official authorized to ratify the ACSA order must use the process laid out by their component to answer the questions identified in this section and investigate to capture necessary documentation for adjudication/approval. ACSA Ratification or similar form with the same information should be used to document and capture the questions:

9.8.2.1. Determine Why. The obligating party must document the reasons why the ACSA order was signed and why such an obligation is inappropriate.

9.8.2.2. Determine U.S. benefit. Document the benefit(s) to the U.S. Government provided by ratification of the unauthorized commitments. Include the bona fide U.S. Government requirement necessitating ratification.

9.8.2.3. Remedial Corrective Actions. Describe all remedial corrective actions, disciplinary actions, or both that were taken; describe all action(s) taken to preclude recurrence.

9.8.2.4. Determine Measures for Non-recurrence. Identify the measures undertaken to ensure that the obligating party and the foreign partner will not enter such orders in the future.

9.8.2.5. Determine Funding Availability. Determine that (1) proper funding was available at the time the obligation was incurred and (2) proper funding remains available at the time of ratification.

9.8.2.6. Adjudication Approval Determination. Investigate and conduct resolution at the lowest level possible. If unable to resolve, elevate and work in conjunction with the Commander, Director, and Comptroller/Budget Officer in preparation for General Officer or Senior Executive Service assessment and requirement for Legal review. If unable to resolve, elevate to higher headquarters. For orders greater than $1 million, forward findings through command channels to Joint Staff (J4 and Comptroller) for adjudication and approval. If disapproved, reverse the ACSA order under the unauthorized transfer and return the LSSS to the

original owning party or begin ADA violation investigation and reporting as outlined in Volume 14.

9.9 Reports on ACSA Orders

This section prescribes the requirement for the quarterly report required by DoDD 2010.09. This report is designed to advise the Chairman of the Joint Chief of Staff (CJCS) on reimbursable orders related to the purchase or sale of mutual logistics support, supplies, and services with a foreign entity. The reporting requirements apply to the Office of the Secretary of War, MILDEPs, the CJCS, the CCMDs, and the Defense Agencies. Amounts reported as reimbursable orders must be supported by country-to-country or multinational agreements for mutual logistics support between the U.S. and the Governments of other NATO countries, NATO subsidiary bodies, UN Organization, any regional international organization of which the U.S. is a member, and other eligible foreign countries.

9.10 Report Format

The quarterly report must be prepared in the formats outlined in the Volume 11 Supplemental document. The CJCS may modify the report formats as the Chairman deems appropriate, if the revised formats meet the minimum information requirements.

9.11 Frequency and Distribution

The quarterly report must be submitted as follows:

9.11.1. No later than 15 days after the end of the preceding fiscal quarter, the commanders of the CCMDs must submit to the CJCS, a detailed report, by fiscal year, for each country-to-country or multinational order entered under the authority of 10 U.S.C. §§ 2341 - 2350, that was in effect during the prior quarter, itemized by reimbursable order.

9.11.2. The MILDEPs and Defense Agencies must assist, as necessary, the CCMDs in preparing the quarterly report.

9.12 ACSA Global Automated Tracking and Reporting System (AGATRS)

AGATRS is the DoW system of record for the Joint Staff, CCMDs, and Services to manage ACSA orders. AGATRS is an unclassified, web-based system that provides a worldwide automated means of building, tracking, and managing orders throughout their life cycle. AGATRS will be used to fully document all transfers of LSSS under ACSA authorities to meet the filing, tracking, and reporting requirements. Refer to current versions of the Chairman of the Joint Chiefs of Staff Instructions (CJCSI) 2120.01E and DoDD 2010.09 for additional information and instruction regarding AGATRS use and responsibilities.

9.13 Documentation Forms

Forms used to document the issue or receipt of supplies and services under the authority of 10 U.S.C. § 2342 are subject to a bilateral or multinational agreement. The DoW standard form

for ACSA order/receipt/invoice is the Form 1-3a producible via AGATRS. For orders with NATO, the form found in the E-Library on the NATO Website, NATO Standardization Agreement 2034, "NATO Standard Procedures for Mutual Logistics Assistance" is often used. Any form used must include the information requirements outlined in the Volume 11 Supplemental document.

9.14 Accounting for Funds and Reimbursements

Any organization receiving an authorization to incur obligations or receive reimbursements pursuant to authority in 10 U.S.C. § 2344 for an activity or unit for which it provides accounting and finance support, must capture or obtain data on the use of this authority and must provide for the appropriate targets or limitations within the affected allotments. Similarly, receipt of the earned reimbursement authority requires the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoW undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) must be recorded promptly in the financial records. Accounting for reimbursable orders under these authorizations must be maintained within the appropriate accounting records to assure crediting of remittances in accordance with this volume.

9.15 Exchange Orders and History Files

Control over exchange orders must be established and maintained through use of an exchange order history file. Input to the history file must be made by submission of each individual order form which must include the minimum information prescribed in the Supplemental document. AGATRS will be used to fulfill this purpose, ensuring compliance with DoDD 2010.09.

9.16 Pricing Reimbursable Orders

10 U.S.C. §§ 2341 - 2350 authorize two methods for pricing reimbursable orders. The method used is dependent upon the ability of the SecWar to negotiate for the adoption of specific pricing principles for reciprocal application. Additional pricing information is found in Volume 15.

9.17 Reciprocal Pricing Principles

When a reciprocal pricing agreement is negotiated between the U.S. and another authorized party, pricing by the supplying country must be in accordance with the following:

9.17.1. For new procurements, the price charged to a recipient country by the supplying country must be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged must allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

9.17.2. For supplies from inventories of the supplying country, or for logistics support and government services, the supplying country must charge the recipient country the same prices as it charges its own armed forces for identical supplies or services. When the DoW is the supplier, the price charged must be identical to rates charged by the DoW Components for cross-service logistics support or services. The DoW price charged is the price for type of sale "To Another DoW Component" as indicated in this volume. Where a price for a particular product or service is not otherwise specified, agreement on a price should be reached prior to execution. Failing that, a "not to exceed amount," establishing the upper limits of the financial liability of the receiving party, must be established.

9.18 Nonreciprocal Pricing Principles

To the extent that a DoW Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures must apply:

9.18.1. U.S. commanders delegated authority to negotiate, approve, or execute orders pursuant to DoDD 2010.09 must determine that the price for acquiring supplies or services is fair and reasonable. This determination must be supported by a price analysis based on prior experience and supporting data, and consideration of all applicable circumstances. If this determination cannot be made, no purchases or sales must take place.

9.18.2. Any transfer of supplies or services by U.S. Forces must be subject to the pricing provisions of 10 U.S.C. § 2344.

9.19 Disposition of Proceeds

Any payment for materiel or services provided by U.S. Forces and initially recorded as a sale order, must be credited to the appropriation, fund or account used in incurring the obligation. If such fund is expired, credit the payment into an appropriate appropriation, fund, or account currently available for the purposes for which the expenditures were made (see 10 U.S.C. § 2346). Payment for an order initially recorded as an exchange of materiel or services but converted into a sale due to non-receipt of replacement materiel or services, must be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made.

9.20 Debt Collection Actions

The DoW policy is to conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure debt owed to the DoW by a foreign entity is collected and held to an absolute minimum. All collection activity must comply with the provisions of the applicable agreement between the DoW and the foreign entity, CJCSI 2120.01E, and Volume 16, which also contains elevations procedures for foreign indebtedness.

10.0 SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

10.1 Guidance

This section assigns responsibilities and establishes guidance for the support of international organizations, and for providing reimbursable and non-reimbursable support.

10.2 Responsibilities

10.2.1. Under Secretary of War (Comptroller) (USW(C))

The USW(C) provides financial policy regarding support agreements and designates the administrative agent responsible for arranging support for U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility is the primary criteria used to assign administrative agent duties. Current designations are provided in Volume 11 Supplemental. The Military Services must request updates to this table as needed to reflect changes in available support infrastructure within a geographic area.

10.2.2. Secretaries of the Army and the Air Force

The Secretary of the Army must program and budget the annual U.S. contributions to the various NATO bodies in the Army Operations and Maintenance (O&M) appropriation. The Secretary of the Army must program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the NATO Force Structure and the NATO Response Force in which the U.S. participates. The Secretary of the Air Force must budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

10.2.3. Administrative Agent

The administrative agent must:

10.2.3.1. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body or other multinational headquarters, the designated agent provides the Army with program and budget information on the annual contribution for inclusion in the Army's O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy.

10.2.3.2. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

10.2.3.3. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support consistent with financial constraints that may be imposed through the normal program and budget process.

10.2.3.4. Support U.S. military elements attached to the designated international military organization on a non-reimbursable basis unless the support is an international budget cost or is a budget responsibility of another Military Department. The standards and directives of the administrative agent govern the level and type of support furnished. The level and type of support is consistent with the highest possible level of support allowable under this section while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element is included in the administrative agent's annual budget. The administrative agent must obtain support from the most efficient and economical source, including local sources, while ensuring that no parallel support facility is established (see DoDI 4000.19).

10.2.3.5. Provide U.S. military elements, which are TO&E or equivalent units, with replacement consumable and non-consumable material, obtaining peculiar items when necessary, from supply systems of the parent Military Service on a reimbursable basis.

10.2.3.6. Provide U.S. military elements, which are TDA or equivalent units, both with initial and replacement consumable and nonconsumable material.

10.2.3.7. Establish a table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

10.2.3.8. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees retain their status as U.S. employees and are paid from U.S. funds at the appropriate U.S. scale of pay and allowances.

10.2.3.8.1. The pay and allowances are budgeted at the appropriate international pay scale by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international pay scale must be collected from the international organization and reflected in the reimbursable portion of the DoW budget. The DoW direct budget must absorb any differences.

10.2.3.8.2. The U.S. civilians who occupy positions in international military organizations on a direct-hire basis (not as U.S. Government employees), as provided for by DoDI 5210.60, will be governed by the provisions of that firm offer of employment and other applicable U.S. Government regulations that deal with such employment. The international military organization concerned will remunerate those U.S. civilians at the applicable international pay scale; however, these U.S. civilians will not be entitled to the same pay and allowances or benefits as those of U.S. Government employees, except for Military Postal Access (MPS) access benefits as defined in this section.

10.2.3.8.3. The U.S. civilians who are employed by the North Atlantic Treaty Organization (NATO) on a direct-hire basis (not as U.S. Government employees) and perform functions in support of the U.S. Armed Forces have access to the U.S. Military Postal Service (MPS) at locations outside of the continental U.S.. This policy allows NATO direct hires MPS access. In accordance with 39 U.S.C. § 406, "Postal Services at Armed Forces Installations", funds must not be obligated or expended to establish, maintain, or expand a post office established for the purpose described in this volume. Refer to the Military Postal Procedural Manual for implementing guidance on Military Postal Service support for U.S. citizens employed by NATO.

10.2.4. Secretaries of the Military Departments

The Secretaries of the Military Departments with military personnel assigned to a U.S. military element must:

10.2.4.1. Budget and fund for personnel costs of military personnel of that component included in the U.S. military element.

10.2.4.2. Budget and fund for personally assigned equipment provided to military personnel of that component included in the U.S. military element.

10.2.4.3. Make initial issuance to TO&E or equivalent units of that component assigned or attached to U.S. military elements.

10.2.4.4. Budget and fund component peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that component.

10.2.4.5. Support other requirements. Costs are chargeable to the administrative agent on an interservice (reimbursable) basis.

10.2.4.6. Provide appropriate support to foreign military elements or to international military organizations unless identified in this volume as items of non-reimbursable support.

10.2.5. Head of a U.S. Military Element

The Head of a U.S. military element must support the international military organization on a non-reimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the element's normal manpower, equipment, or other resources from other U.S. sources.

10.2.6. Head of a DoW Component

The Head of a DoW Component must support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the AECA or the NMSA and ensure the use of appropriate internal controls and oversight measures

(e.g., support agreements manager assignments) and documentation of reimbursable support agreements to support financial audits, in accordance with DoDI 4000.19 and DoDD 5015.02.

10.2.7. Commander of a Unified Combatant Command

The Commander of a Unified Combatant Command must coordinate the activities of the administrative agents concerned in implementing this section within the command theater of operations.

10.2.8. Head of an International Military Organization

The Head of an International Military Organization must support U.S. military elements on a non-reimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies.

10.3 Reimbursements

10.3.1. Reimbursements due the U.S. from International Military Organizations for U.S. Personnel (Military or Civilian) occupying international civilian positions are a sum equal to the pay and allowances established for the occupied positions at the international scale must be credited to the U.S. as an offset to the U.S. contribution to the international organization.

10.3.1.1. The administrative agent must determine the amount of credit due and initiate a quarterly SF 1080, Voucher for Transfers between Appropriations and/or Funds, to transfer funds from the U.S. contribution to the international budget to the applicable financing DoW appropriation.

10.3.1.2. As an exception to this offset credit procedure, international military organizations located in the continental U.S. (CONUS), to which contributions are made in U.S. dollars, must make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

10.3.1.3. The administrative agent must screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

10.3.2. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to the AECA.

When DoW services are performed, articles delivered from inventory or new procurement initiated under the authority of the AECA, the pricing and billing must be in accordance with Volume 15.

10.3.3. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to NMSA.

When DoW services are performed or articles delivered from inventory under the authority of the NMSA, pricing must be in accordance with this volume and billing must comply with the international agreement negotiated in accordance with DoDD 2010.09.

10.3.4. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the AECA, NMSA, or this Regulation.

10.3.4.1. Leases of real and personal property are authorized by 10 U.S.C. § 2667 and must be priced in accordance with Volume 2 and Volume 12. Property with a life expectancy of less than 3 years or a value of less than $1,000 and provided under the authority of the AECA or NMSA must be provided on a sales basis. If DoW services or materiel are provided under authorities other than the AECA, NMSA, or this Regulation, the DoW Component providing that support must obtain a legal opinion supporting the use of such other legal authority before providing the service or materiel. The legal opinion must be retained for audit verification.

10.3.4.2. The designated official of the DoW Component furnishing the support must (a)originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent, (b) prepare the invoice for reimbursable support based on constructive delivery (c) distribute the SFs 1080 by submitting two copies of the SF 1080, with supporting details, to the international military organization receiving the services or material for verification of the charge and forwarding the original (disbursement SFs 1080) and the collection copy (SF 1080), without supporting detail, to the administrative agent or the designated coordinating agent. The designated office must also retain additional copies, with supporting details as may be required by the billing office, pending receipt of executed vouchers.

10.3.4.3. The administrative agent or the designated coordinating agent must (1) request that the comptroller of the NATO command or the appropriate international organization concerned provide a monthly listing of charges that have been accepted, and (2) ensure that such charges are reflected as offset credits to the U.S. in the contributions to the international budgets.

10.3.4.4. The coordinating agent must match the monthly listing of accepted charges with outstanding SFs 1080 and process the SFs 1080 for accepted charges as payments to the billing office. Upon receipt of the validated SFs 1080, the billing office must process the collection.

10.3.4.5. The designated coordinating agent must verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

10.3.4.6. When materiel or services are furnished to international military organizations that are located within the CONUS and contributions are made in U.S. dollars, the U.S. military activity providing the support is responsible for billing the international military organization directly and obtaining reimbursement in U.S. dollars.

10.4 Scope of Budget for International Military Headquarters and Agencies

The international budget includes the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following paragraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned, and the U.S. representative must be consulted if there is doubt whether the cost of any article or service is properly an international charge.

10.5 Civilian Personnel, Administrative Staff

Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance for U.S. military and civilian personnel.

10.6 Civilian Personnel, Operational Staff

Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes. This includes upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations; supervision or operation of headquarters fixed and movable equipment other than office equipment; and operation of headquarters enlisted mess facilities.

10.7 Rents and Maintenance

Rental of office space, barracks, warehouses, and other commercial-type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

10.8 Operation of General Services

Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

10.9 Communications

Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial type equipment for additional requirements; repair and maintenance of

communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.

10.10 Transportation

Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

10.11 Travel of International Staff

10.11.1. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

10.11.2. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payments charged to international funds, the costs of such travel are payable as follows:

10.11.2.1. From International Funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

10.11.2.2. From U.S. Appropriated Funds. Per diem and other expenses authorized by U.S. travel regulations, and the costs for personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.

10.12 Exercises and Maneuvers

When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utility costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when the source of production is other than a military unit.

10.13 Representational and Hospitality

Representational and hospitality expenses of the Supreme Commanders for international purposes.

10.14 Contingencies

Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

10.15 Construction

Design and new construction of buildings and facilities, including housing, structures, utilities, modification; and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

10.16 Furniture and Equipment

Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.

11.0 SALE OF SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS

11.1 General Guidance

The purpose of this section is to provide the policy for the sale of special or technical services to both state and local governments and provide guidance on amounts that must be recouped when the DoW Components perform these services. This guidance supplements the standards for financial accounting for receivables, and budgetary accounting for reimbursements, discussed in Volume 3 and Volume 4.

11.2 Policy Requirements

It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally must supplement and not supplant any services provided under other authority.

11.2.1. Types of Services

Components specialized or technical services are as follows:

11.2.1.1. Any existing statistical or other studies and compilations, development projects, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials developed or prepared in the future to meet the needs of the federal government or to carry out normal responsibilities.

11.2.1.2. Preparation of statistical or other studies and compilations, development projects, technical tests and evaluations, technical information, surveys, reports, documents, and assistance in the conduct of such activities, and in the preparation of such materials authorized by law to conduct or prepare (1) training of the type authorized by law to conduct for DoW personnel, (2) technical aid in the preparation of proposals for development and other projects, which provide grants-in-aid or other assistance, provided such aid primarily develops recipients' capability to prepare their own proposals or (3) technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services normally provided within the Department under existing authorities.

11.2.1.3. Any of the specialized or technical services provided by a Component to states and their political subdivisions under other authorities also may be provided under the authority of OMB Circular No. A-97.

11.2.1.4. If a Component receives a request for specialized or technical services consistent with the OMB Circular No. A-97, and which the Component has special competence to provide, the Component must forward the request to the Assistant Secretary of War (Sustainment) (ASW(S)) for submission to OMB for review. If the validity of a service request is in doubt, the Component should forward the request to the ASW(S) for review.

11.3 Conditions Under Which Services May Be Provided

Provide specialized or technical services, covered under OMB Circular No. A-97 at the discretion of the Component head, only under the following conditions:

11.3.1. Provide such services only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

11.3.2. Provide such services only upon the written request of a state or its political subdivision. Requests normally must be made by the chief executive of such entities and must be addressed to the head of the Component involved.

11.3.3. Such services may not be provided unless the servicing Component maintains similar services for its own use under the policies and procedures set forth in OMB Circular No. A-76, "Performance of Commercial Activities", and subsequent changes thereto. In addition, in accordance with the policies set forth in OMB Circular No. A-76, the requesting entity must certify that procurement of such services cannot be reasonably and quickly made through ordinary business channels.

11.3.4. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

11.3.5. Provide such services only upon payment or arrangement for reimbursement to the Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

11.3.6. Do not disseminate technical service information to third party governmental entities or associations, unless expressly authorized by the originating Component.

11.3.7. When a Component denies a service request it must provide a statement to the entity making the request indicating the reasons.

11.4 Reporting Requirements

The head of each federal agency will furnish annually to the respective Committees of the Senate and the House of Representatives a summary report on the scope of the services provided under OMB Circular No. A-97. These reports will be prepared as of the end of each calendar year and will indicate the nature of the services rendered, the names of the States and political subdivisions involved, and the cost of the work. Do not include services provided under other authorities in the reports.

12.0 MAJOR RANGE AND TEST FACILITY BASE

12.1 General

The Major Range and Test Facility Base (MRTFB) is a national asset that is sized, operated, and maintained primarily for DoW acquisition programs to provide the necessary instrumentation, infrastructure, and workforce to support developmental and operational test and evaluation, but also available to non-DoW users having a valid requirement for its capabilities.

12.1.1. The MRTFB is operated and maintained primarily for DoW test and evaluation support missions under the oversight of the Director, Test Resource Management Center (TRMC). The MRTFB provides test and evaluation support to the DoW Components responsible for developing, testing, or operating weapons systems. It serves Federal, state, local, and allied foreign governments as well as commercial users when a valid requirement for range, lab, or installed system test facility capabilities exists.

12.1.2. MRTFB missions vary from testing missiles, aircraft, and integrated space capabilities to ensuring that electrical components can survive in various environments. The MRTFB is designed to assure the most cost-effective development and testing of materiel, and warfighting capabilities and provide for inter-service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

12.2 Responsibilities

DoDD 3200.11 and DoDI 3200.18 established the following financial management responsibilities of MRTFB operations.

12.2.1. Under Secretary of War Research and Engineering (USW (R&E)) specifically, the Director, TRMC will review and provide oversight of proposed DoW budgets and expenditures for the MRTFB; and coordinate MRTFB decisions affecting financial policy and matters containing a monetary value (financial and non-financial) with the USW(C).

12.2.2. Chief Information Officer (CIO) of the DoW and the Secretaries of the Military Departments:

12.2.2.1. Plans, programs, and budgets for institutional costs of operation, maintenance, and sustainability of the MRTFB; and for capability improvements, modernization, and recapitalization; and

12.2.2.2. Implements a reimbursement system to define and collect user charges in accordance with this volume.

12.2.3 MRTFB Users

12.2.3.1. Plan, budget, and fund the MRTFB activities for applicable direct and/or indirect costs; and

12.2.3.2. Promptly fund(s) the activity managing the MRTFB facilities or ranges for expenditures of any consumable items, any damage to property or equipment caused by the user in the preparation for, or conduct of, any activity on the facility or range or for direct costs incurred or executed for aborted and/or canceled tests.

12.3 General Policy

The MRTFB is managed and operated under uniform financial guidelines across the DoW Components. Accordingly, all direct and indirect costs charged to MRTFB users must be uniform and applied consistently among all the MRTFB activities. DoW Components must work with the Director, TRMC, to ensure financial uniformity and consistency. MRTFB activities' costs are billed to (1) MRTFB users, (2) direct appropriations of the managing activity, or (3) other sources as directed by DoW.

12.4 MRTFB Costs

DoW Components (including DoW training) and Non-DoW Components use an MRTFB Activity. The MRTFB charges DoW Component users only direct costs. The MRTFB charges Non-DoW Component user direct costs plus an appropriate level of indirect costs. Non-DoW users must not increase the institutions' costs to the DoW to operate the MRTFB.

12.4 Accounting

12.4.1. Cost information sets fees and reimbursements. Each MRTFB activity must accumulate, and report as required, the costs of its activities for management and audit purposes. In accordance with the SFFAS 4, "Managerial Cost Accounting Standards & Concepts", costs must be accumulated by using cost accounting systems. Such systems must accurately capture full costs (i.e., direct costs or costs directly attributed to a specific user; and indirect costs or costs that cannot be directly attributed to a specific user) and determine user charges or standard rates.

12.4.2. Additionally, appropriate separation of duties and levels of authorization must be implemented into the cost-tracking process to protect vulnerable areas such as controls over automatic user billing and rate validation. All rates must be applicable to the specific product or service provided. Each MRTFB activity must validate standard rates at least annually and adjust them accordingly to reflect unanticipated changes in costs or market values.

12.4.3. In accordance with DoDD 3200.11, MRTFB activities are categorized as Army, Navy, Air Force, Space Force, or DoW CIO. Specifically, multiple assets comprise MRTFB activities, each of which is reported individually on its respective consolidated Balance Sheet under General Property, Plant, and Equipment and further disclosed in Note 10 to the financial statements.

12.5 Reimbursements for MRTFB Activity Usage

12.5.1. In accordance with DoDI 4000.19, MRTFB activities and DoW or Non-DoW, Federal Component users must use support agreements (MOA or MOU) to document and establish the GT&C between buyers and sellers for all inter- and intra-governmental reimbursable transactions. Additionally, in accordance with Volume 1, buyers and sellers must adhere to and properly annotate the SLOA when generating or accepting a reimbursable order (i.e., Military Interdepartmental Purchase Request). Moreover, reimbursement of direct costs incurred for prepositioning test instrumentation or assets for executed, aborted or canceled tests or for damages to property or equipment caused by a user in the preparation for, or conduct of, any activity on the facility or range; and consumables expended for an executed, aborted or canceled test must be pursued to the extent permitted by law and DoW policy.

12.5.2. For support agreements established during and or after FY 2017 and whose terms extend beyond FY 2017, MRTFB activities and DoW or Non-DoW Federal Component users must upload and store their agreements on the Department of the Treasury's G-Invoicing platform.

12.5.3. Working Capital Fund Activities. MRTFB activities using WCFs, fund operations through reimbursable inter-governmental orders and user fees collected from non-Federal users. Under the stabilized price standardized cost recovery method, Component managers of WCF activities must set rates/prices based on full cost recovery and must charge users in accordance with established pricing policies contained in Volume 2 and within the Working Capital section of this volume.

12.5.4. Non-Working Capital Fund Activities. MRTFB activities not using WCFs fund operations through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users.

12.5.4.1. DoW Component Users reimburse MRTFB activities for direct costs identifiable with a particular program or user order. MRTFB bills direct costs in accordance with this volume attributable to a job or function supporting a user order. One or more DoW users of an MRTFB activity, by mutual agreement, may fund investments in new or existing test and evaluation facilities. This agreement, however, must explicitly delineate responsibilities for asset ownership/capitalization, funding, staffing, operating, and maintaining the facility, and must be approved by all parties prior to obligating any funds for the project.

12.5.4.1.1. Investments made that change the composition of the MRTFB must conform to DoDI 3200.18.

12.5.4.1.2. Direct incremental costs (i.e., costs resulting from an increase in production) must be charged to DoW Component users.

12.5.4.1.3. Indirect Costs. MRTFB activity's must not charge DoW Component users for indirect costs. Overhead costs must remain fully borne by and paid for by the institutionally funded program element accounts comprising the MRTFB's budgetary structure. Indirect incremental costs are not charged to DoW Components.

12.5.4.1.4. Military Personnel Costs. As a rule, the applicable military personnel appropriations must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoW Component user. Therefore, since a direct appropriation funds military labor, do not charge the cost of military labor for non-WCF activity. WCF activities must be reimbursed by their users for the cost of military labor as prescribed in this volume.

12.5.4.2. Non-DoW Component Users

12.5.4.2.1. Direct Costs. Charge non-DoW Component users for MRTFB direct costs readily identifiable with a particular program or user order. Charge military labor incurred by non-Working Capital Fund activities to non-DoW Component users based on the actual hours worked or assigned. Price military personnel costs at the composite standard military pay rates in accordance with this volume.

12.5.4.2.2. Indirect Costs. Non-DoW Component users are to be charged and must reimburse MRTFB activities for indirect incremental costs unless such support is required by statute or (1) is authorized by DoW Joint Ethics Regulation or DoW Public Affairs guidance; or (2) is provided after approval of an exception, in writing.

12.5.4.2.3. Requests for exceptions may only be approved by the SecWar, the Deputy SecWar, the Chief Management Officer (if authorized by existing policy), the

Secretaries of the Military Departments (if authorized by existing DoW policy), and the USW (if authorized by existing DoW policy).

12.5.5. Foreign Military Sales. Foreign Military Sales (FMS) users must reimburse MRTFB activities in accordance with Volume 15. Foreign user countries or foreign commercial entities must purchase services from MRTFB activities through FMS procedures authorized under the Arms Export Control Act.

12.5.6. Government-Furnished Services. When an MRTFB activity is included in a contractual agreement as government-furnished services, the user must be charged based on the category of the contracting government agency in this volume.

12.6 Disposition of Collections

12.6.1. Working Capital Fund Activities. WCF MRTFB activities are funded through inter-governmental orders and user fees collected from non-Federal users. 10 U.S.C. § 2208(h) provides general authority for retention and use of amounts collected under both inter-governmental orders and user fees. Reimbursable inter-governmental orders are valid budgetary resources available to an MRTFB activity for obligation; however, an MFTRB activity financed using WCFs must recognize user fees as a budgetary resource when collected from a non-Federal user.

12.6.2. Non-Working Capital Fund Activities. For an MRTFB activity not financed using WCFs, its operations are financed through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users. Inter-governmental orders under reimbursable statutory authorities such as the Economy Act increase available budgetary resources financing the MRTFB. If a statutory miscellaneous receipts exception is applicable to a reimbursable transaction with a non-Federal user, user charges collected may be credited to the applicable direct appropriation reimbursable program. 10 U.S.C. § 4175(d) authorizes certain transactions with commercial entities conducting MRTFB test and evaluation activities.

13.0 DOW SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES

13.1 General Policy

This section provides reimbursable policy for the provision of DoW support to U.S. commercial space activities. This section also applies to all DoW Components that provide support to the U.S. commercial sector in the development of U.S. commercial space launch operations and other related U.S. commercial space activities.

13.2 Pricing of DoW Space Launch Property and Services

13.2.1. Property Sale or Transfer

13.2.1.1. DoW space launch property that is excess or otherwise not needed for public use may be sold or transferred in lieu of sale to U.S. commercial sector launch vehicle

operators performing commercial space activities (e.g., payload retrieval services, payload processing services). The transaction must be priced to recover direct costs, as defined in this volume.

13.2.1.2. Lease/License. DoW space launch property that is excess or otherwise not needed for public use may be leased/licensed, on a non-interference basis, to U.S. commercial sector launch vehicle operators performing commercial space activities. The transaction must be priced to recover direct costs in this volume.

13.2.2. DoW Space Launch Services

13.2.2.1. The acquisition price represents an amount equal to the direct costs defined in this volume.

13.2.2.2. For commercial space launch services, customers will be charged direct costs and may be charged indirect costs.

13.3 Fixed Price Estimates

Commercial space launch operators may be offered fixed price quotes for the sale of DoW launch services based on reasonable estimates of direct costs only when there is a well-defined contractor requirement and a reliable cost history of similar previous sales. Indirect costs may also be included.

13.4 Billing

Invoices for support provided by DoW must be completed and transmitted to the U.S. commercial space activity within 30 calendar days after the month in which the performance occurred. The payment due date must be no more than 30 days from the date of the invoice.

13.5 Disposition of Collections

13.5.1. Proceeds from the Sale of DoW Launch Property

For non-DWCF activities, credit proceeds to the general fund of the U.S. Treasury as miscellaneous receipts when not replacing the launch property. If replacing the launch property, deposit proceeds to the DoW appropriation account or fund currently available for its procurement.

13.5.2. Proceeds Deposits for License of Launch Property and Leases

Deposit proceeds from the license of launch property into the DoW appropriation account or fund currently available to finance the direct costs incurred. Credit proceeds from leases to the general fund of the U.S. Treasury as miscellaneous receipts.

13.5.3. Proceeds Deposits from the Sale of Launch Services

Deposit proceeds from the sale of DoW launch services into the DoW appropriation account or fund that financed the provisioning of those launch services. Credit these proceeds to the fiscal year in which the DoW Component provided the services

14.0 DISPOSITION OF PROCEEDS OR FEES FOR SERVICES PROVIDED BY OR THROUGH THE USE OF A DOW LABORATORY, CENTER, RANGE, OR OTHER TESTING FACILITY

14.1 General Policy

The DoW promotes research and development within the commercial sector of the U.S. economy by transferring technology and information from the Department to the commercial sector. This policy strengthens both national and economic security by establishing a national technology and industrial base to sustain military superiority and increase U.S. production capabilities. The transfer of technology and information from the Department to the commercial sector enables critical research and leads to the development of both useful military and/or commercial technology.

14.2 Conditions Governing Selling, Renting, and Lending

Authorization to Sell, Rent, Lend, Give, or Charge an Appropriate Fee. 10 U.S.C. § 4892 authorizes the SecWar or the Secretaries of the Military Departments concerned, in the interest of national defense, to:

14.2.1. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to the rights of third parties) to any person or entity.

14.2.2. Sell, rent, or lend Department equipment or materials to any person or entity for use in IR&D programs subject to the condition that the equipment or material be used exclusively for such research and development, or use in demonstrations to a friendly foreign government.

14.2.3. Make available to any person or entity, at an appropriate fee, the services of any Department laboratory, center, range, or other testing facility for the testing of materials, equipment, models, computer software, and other items; and

14.2.4. Make available to any person or entity, through leases, contracts, or other appropriate arrangements, the facilities, services, and equipment of any Department laboratory, research center, or range, if the facilities, services, and equipment provided will not be in direct competition with the domestic private sector.

14.3 Fee Determination Policies

In selling or leasing property or providing services or in making facilities, equipment, and other items, the DoW should charge appropriate fees in a manner consistent with 10 U.S.C. § 4123, 31 U.S.C. § 9701, and OMB Circular No. A-25.

14.4 Fees for Defense Laboratories Research and Development

14.4.1. 10 U.S.C. § 4123 authorizes a director of a defense laboratory to charge customer activities a fixed percentage fee (not to exceed four percent of costs), above normal costs of performance, to obtain funds to carry out four authorized activities. The defense laboratory director must first consult with the science and technology executive of the military department concerned.

14.4.2. Activities eligible for funding are:

14.4.2.1. Innovative basic and applied research that is conducted at the defense laboratory and supports military missions.

14.4.2.2. Development programs that support the transition of technologies developed by the defense laboratory into operational use.

14.4.2.3. Development activities that improve the capacity of the defense laboratory to recruit and retain personnel with necessary scientific and engineering expertise that support military missions; and

14.4.2.4. Repair or minor military construction of the laboratory infrastructure and equipment, only if the SecWar notifies the congressional defense committees of the total cost of the project before the start date; and ensures the project complies with the applicable cost limitations in 10 U.S.C. §§ 2805(d) and 2811.

14.5 General Policy on Proceeds or Fees

14.5.1. 31 U.S.C. § 9701 gives DoW the authority to charge fees to be self- sustaining as much as possible for services, sales, and rentals provided to a person (except a person on official business of the Department). The word person includes groups, associations, organizations, partnerships, corporations, and other businesses. Accordingly, the SecWar is authorized to prescribe regulations establishing the charge for a service or thing of value provided by the Department.

14.5.2. The sales price, rental and service fees must be calculated in accordance with guidance outlined in this section. 10 U.S.C. § 4892 prohibits these fees from exceeding the full amount of all direct and indirect costs incurred by the Department. DoW WCF activities must establish stabilized rates and unit prices for goods and services.

14.5.3. Internal controls must be established in accordance with 31 U.S.C. § 3512, OMB Circular No. A- 123, GAO-14-704G and DoDI 5010.40. Managers of DoW Components must be able to identify, measure, and assess risks related to mission delivery in establishing, collecting and reporting sales price and fees. The determination as to the effectiveness of internal controls must be justified, documented, and be able to stand up to audit scrutiny in accordance with the DoW Financial Statement Audit Requirements and Overview Guide as amended (DoW Common Access Card enabled access only).

14.5.4. OMB Circular A-25 requires DoW to initiate and adopt user charge schedules. In addition, these schedules must be reviewed biennially to ensure the charges are properly applied and adequately adjusted for changes in costs or market values. Furthermore, the biennial review of user fees must be published and discussed in the annual DoW AFR. The CFO Act of 1990 requires the publication of the DoW annual AFR.

14.5.5. When a Department laboratory, center, range, or testing facility decides to sell, rent, lend or give samples, drawings, information, or equipment or charge a fee for services subject to DoDI 5535.11, then the financial management policy regarding calculation, collection, and disposition of proceeds or fees must be followed.

14.6 Calculation of Sales Price

14.6.1. In general, the sales price of samples, drawings, information, equipment, or materials will be calculated or determined prior to or at the time of the sale. When calculating or determining the sales price of such assets, consideration must be given to (1) fair value; (2) historical cost less depreciation book value; (3) replacement cost; (4) net realizable value; (5) discounted (Cash) price used when selling an asset to a state or local agency; (6) without charge when reutilizing an asset within DoW, transferring an asset to another Federal agency, or donating an asset to a state or local agency); and (7) the specific mission, goals, and/or objectives of the research and development project associated with a particular asset's sale.

14.6.2. Additional guidance on the sale (and disposal) of DoW property can be found on the website for DLA Disposition Services. Moreover, specific guidance regarding property disposal can be found in DoDM 4160.21-V1 and DLAI 4160.01.

14.7 Calculation of Fees

14.7.1. When DoW services, facilities, or equipment are made available, an appropriate user fee must be imposed by the DoW Component providing the service, facility, or equipment to recoup the total cost incurred.

14.7.1.1. In accordance with 10 U.S.C. § 4892, user fees may not exceed the amount necessary to recoup the direct and indirect costs incurred (i.e., total or full costs) by providing the service, facility, or equipment. However, DoDI 5535.11 allows for the elimination of indirect costs when approved by the director or commander, prior to providing the service or use of facilities and equipment.

14.7.1.2. Costs may include capital improvement costs, utility costs, depreciation, contractor support, salaries of personnel, and all other ancillary support costs. Refer to DoDI 5535.11.

14.7.1.3. Specific policy pertaining to the calculation (i.e., identification of specific costs) and reporting of fees for the provision of services, equipment, and facilities under the authority of OMB Circular A-25.

14.7.2. When approved by the laboratory directors, facility directors, and/or commanders, prior to providing the service or use of facilities and/or equipment, all or a portion of the indirect costs may be eliminated from the fee. Fees charged for services at less than total costs are permitted only when there is a compelling reason, or it is determined that it is to be in the best interest of national defense.

14.7.2.1. Special consideration as to recovery of less than full costs may be given when(1) the recipient of the benefit is engaged in a nonprofit activity designed for public safety, health, or welfare; (2) Payments of full fees by a state, local government, or nonprofit activity would not be in the Department's best interest; or(3) the laboratory directors, facility directors, and/or commanders have determined the administrative costs of determining and collecting the full fees would outweigh the benefits to the Component.

14.7.2.2. When less than full cost is charged, laboratory directors, facility directors, and commanders must maintain adequate documentation justifying or supporting each decision. Such documentation must address the criteria outlined in this volume and be available for audits or inspections and for review by higher authorities.

14.7.3. DoW WCF laboratories and facilities must use standard (stabilized) rates to establish fees in accordance with Volume 11, and DoW Components designated as MRTFBs must determine costs and fees.

14.8 Collection of Proceeds or Fees

14.8.1. DoW Components should make every effort to collect proceeds or fees electronically, (e.g., electronic funds transfer), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as outlined in the TFM and further described in Volume 5. Moreover, support agreements with DoW Components or other Federal Government agencies, contract agreements with private parties or entities that are established in conjunction with sales, rentals, or lending of property and fees received for services should include requirements to use, as applicable, the collection services provided by the Fiscal Service.

14.8.2. In accordance with OMB Circular A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for reimbursable services.

14.8.3. All fees for services that incur variable costs over time, such as personnel or utility costs, may be collected incrementally over time.

14.9 Disposition of Proceeds or Fees Received

14.9.1. A DoW official or agent must safely keep public money in his/her custody or possession in accordance with 31 U.S.C. § 3302. The code prohibits lending, using public money, depositing the money in a bank, or exchanging it for other amounts. The code requires depositing the money in the Treasury not later than 3 days upon receipt. The Secretary of the Treasury may prescribe another timeframe requirement. The SecWar may allow an official or agent to incur expenses to collect, keep, transfer, and pay out public money.

14.9.2. Proceeds received from sales or rentals provided must be credited to the General Fund of the Treasury as miscellaneous receipts as required by 31 U.S.C. § 3302 and DoDI 5535.11.

14.9.3. Under authority of 10 U.S.C. § 4892, fees collected for services or when making facilities, equipment, and other items may be credited to the appropriations or other funds of the Component making such services, facilities, and equipment available.

14.10 Warranties and Liabilities

All transfers of property or services of whatever nature made pursuant to this policy must be without any express or implied warranty. This means the recipient of the property or services must agree in writing to hold harmless and indemnify the Department from any liability or claim for damages or injury to any person or property arising out of the property or services provided.

14.11 Liability for Loss of or Damage to Property of the Department

The written support agreement or contract with an individual, company, corporation, or organization must include a clause stating the Department will be reimbursed for any losses or damages arising out of or in conjunction with the use of DoW property. Refer to Volume 12, for guidance on how to assess financial liability.

15.0 TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES

15.1 General Policy

This section provides accounting and reporting procedures to implement provisions of 10 U.S.C. § 322 that are related to the training of special operations forces with friendly foreign forces.

15.2 Payment of Training Expenses

15.2.1. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and psychological operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

15.2.2. Expenses of deploying such special operations forces, including civil affairs forces and psychological operations forces, for that training.

15.2.3. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, "incremental expenses," with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ammunition, transportation (except to and from the continental U.S. or from one country to another country), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country's personnel.

15.2.4. Purpose of Training

The primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.

15.3 Accounting Policy

Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces must be incurred and reported under the following guidelines:

15.3.1. Funding for training of U.S. personnel may include amounts for training expenses authorized in 10 U.S.C. § 322. The funding source for these proposed payments must be funds made available to the applicable DoW Component for these purposes.

15.3.2. Prior to the commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions provided by the U.S. to a foreign country or by a foreign country to the U.S. To protect the interests of the U.S., the essential terms of the arrangement should normally be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal foreign agreements, under the provisions of DoDI 5530.03, "International Agreements," are not required with respect to these implementing arrangements.

15.3.3. If the participating country is unable to identify its expenses in time to meet reporting requirements, then knowledgeable U.S. personnel will estimate that participant's contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the

training. Estimates of a participating country's contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

15.3.4. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the U.S. for incremental expenses incurred by that country as a direct result of such training. "Incremental expenses" are defined in the FMR glossary.

15.3.5. Arrangements with a friendly country also may provide for payment to that country by the U.S. for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for the support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses.

15.3.6. For expenses that are paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement must stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation must include dates, quantities, units, and costs so that the senior U.S. official can determine the reasonableness and propriety of such costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.

15.3.7. The annual report requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported must include the separate identification of all the costs incurred, such as: (a) rations, fuel, and training ammunition, (b) personnel (including lodging and per diem costs) for other than normal pay and allowances, (c) costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training, and (d) all transportation of personnel, equipment and supplies to and from the training area.

15.3.8. The operations and maintenance funds expensed under 10 U.S.C. § 322, are not used to supplement other accounts, to circumvent budget ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

15.3.9. 10 U.S.C. § 322 authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, including civil affairs forces and psychological operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoW directives, regulations, and instructions, and all other applicable interagency procedures.

15.4 Annual Report by U.S. Unified Combatant Commands

Funds expended under the authority of 10 U.S.C. § 322 must be reported by the appropriate combatant commands on a FY basis to the Assistant Secretary of War (Special Operations/Low Intensity Conflict (ASW(SO/LIC)) to arrive not later than February 1 of each year. Each FY report

submitted by the combatant commands must be organized by theater and presented for each country in alphabetical order with each joint combined exchange training (JCET) deployment listed in chronological order. The reporting of classified training activities, if any, must be properly classified and the classification prominently identified. Each report must specify the following:

15.4.1. All countries in which training was conducted

15.4.2. The type of training conducted in each country for each JCET, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the U.S. Total expenses paid by the U.S. must be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in this section; (2) amounts paid to a foreign country for support provided to U.S. personnel, and (3) financial payments to a developing foreign country for incremental expenses.

15.4.3. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

15.4.4. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).

15.5 Consolidated Budget Display for DoW Security Cooperation Programs

15.5.1. The DASW for Security Cooperation (DASW(SC)), must receive from ASW(SO/LIC) by August 1 each year budget request data for activities conducted in the subsequent fiscal year, including the specific country or region pursuant to 10 U.S.C. § 322 for the purpose of developing a Consolidated Budget Display in accordance with 10 U.S.C. § 381(a).

15.5.2. The Under Secretary of War (Policy) (USW(P)) must submit a consolidated budget for all security programs and activities of the DoW each year, consistent with the submission of the President's annual budget request.

15.6 Semiannual Report on Use of Funds for DoW Security Cooperation Programs

15.6.1. The Combatant Commands must transmit to the Director, Defense Security Cooperation Agency (DSCA), no later than 15 days after the end of each calendar quarter, the cumulative total of all obligations and expenditures related to 10 U.S.C. § 322.

15.6.2. The Director, DSCA must transmit to the appropriate subcommittees of Congress a report on the obligation and expenditure of funds for security cooperation programs and activities of the DoW in accordance with 10 U.S.C. § 381(b), by not later than August 31 for the first

six-month period of that year; and February 28 of each year for the second six-month period of the previous year.

15.7 Annual Report by the Secretary of War

15.7.1. The ASW(SO/LIC) must receive reports from the commander of the special operations command, and the commander of any other unified or specified combatant command, as described in this section, and compile those reports into a single document and forward it to the USW(P).

15.7.2. The USW(P) must, not later than April 1 of each year, submit on behalf of the Secretary of War the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

15.7.3. The annual report must cover training during the preceding fiscal year for which expenses were paid under 10 U.S.C. § 322.

16.0 ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS

16.1 General Policy

This section establishes the policy to account for the production and sale of forest products. This section also assigns responsibility for DoW reimbursement and for the entitlement of a state to a share in the net proceeds derived from forest products sold from military installations or facilities.

16.2 Applicability and Scope

The policies established by this section:

16.2.1. Apply to the OSW and to the Military Departments (MilDeps, including their Reserve Components). The term "Military Services," as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

16.2.2. Cover forest products production and sales programs on military installations or facilities in the U.S.

16.2.3. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers (USACE) or to the state-owned National Guard installations.

16.3 Policy

16.3.1. DoW appropriations that incur obligations to fund the production and sale of forest products must be reimbursed from collections made because of the sale of those products.

16.3.2. Remaining collections are disposed of, as follows:

16.3.2.1. Distribute forty (40) percent of installation net proceeds to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is in more than one state, each state shares the proceeds proportional to the installation or facility area in each state.

16.3.2.2. Disburse to each state and transfer any remaining amount to the reserve account. If collections from the sale of forest products are inadequate, production and sale obligations may be financed either from the appropriation accounts or from transfers from the reserve account when other sources of funds are not available in a timely manner. If a disbursement to a state is rejected or cannot occur, then the transfer will be deposited into the Reserve account.

16.4 DoW Forestry Reserve Account (DoW FRA)

A DoW reserve account must be established. This account may be used for (1) improvements of forest lands; (2) unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner; (3) natural resource management that implements approved plans and agreements; and (4) the balance must not exceed $4 million on December 31 of any calendar year. Unobligated balances exceeding $4 million on that date are deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account.

16.5 Accounting and Reimbursements

16.5.1. Proceeds collected from forestry sales must be turned over to the supporting DoW disbursing officer. The MilDeps must use the Treasury Appropriation Fund Symbols (TAFS) identified in the Volume 11 Supplemental, Table 16-1, to ensure proper accounting and reporting of proceeds from the sales of DoW forestry products. 10 U.S.C. § 2665 provides complete guidance for collections and disbursements related to the Forestry Products Program. Annually, MilDeps must forecast and communicate requirements to their respective Forestry Program Manager and Budget Officer to facilitate the accurate apportionment of Forestry Program funding.

16.5.2. The Department of the Army is the only MilDep authorized to use special fund account 21*5285, “Forestry Reserve Account” (FRA), for its annual Forestry Products Program. The Army manages, on behalf of the OSW, the FRA separately from its annual apportionment and ensures the FRA balance within 21*5285 does not exceed the $4 million unobligated balance threshold by December 31 of each calendar year. The Department of the Navy and Department of the Air Force collect and execute (obligate and disburse) the Forestry Products Program proceeds using their General Fund (GF) and Operation and Maintenance (O&M) accounts. That portion of the proceeds used to finance reimbursable expenses must be transferred to the funding O&M or procurement appropriation in accordance with annual budget guidance. The Volume 11 Supplemental detail the applicable TAFS.

16.5.3. The MilDeps must validate the accuracy and completeness of their Forestry account transactions, maintain auditability of their Forestry account transactions, and transfer all residual funding to the DoW FRA by the first week of December of each calendar year. The MilDeps must obligate and disburse Forestry Program proceeds only for purposes specifically authorized in 10 U.S.C. § 2665.

16.5.4. All MilDeps are prohibited from using the Budget Clearing Account (suspense) F3875 to record and report forestry product proceeds. Each MilDep received instructions to develop standard operating Supplementaling their process to ensure all future collections and disbursements in the program are in accordance with this policy.

16.6 Compute Entitlements

16.6.1. Compute entitlements to each state in accordance with 10 U.S.C. § 2665(e). Determine these entitlements based on a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

16.6.2. Maintain records for each military installation or facility concerned to effect sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is in more than one state, make payments proportional to the area of the installation or facility situated in each state. If an installation or facility is in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

16.6.3. Disburse states' entitlements within 90 days after the end of the fiscal year. Pay by electronic funds transfer.

16.7 Distribute Net Proceeds

As directed by the USW (Acquisition and Sustainment) (A&S) or designee, in coordination with the OUSW(C), distribute net proceeds among the MilDeps to meet the overall funding requirements of the DoW forestry program.

16.8 Coordinating and Reporting Requirements

The Volume 11 Supplemental contains USW(A&S) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T(Q&A)1649.

16.9 Responsibilities

16.9.1. The USW(A&S) or designee must issue and monitor policy on forest management of DoW lands in accordance with DoDI 4715.03, "Natural Resources Management and advise the MilDeps of potential downward adjustments in funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

16.9.2. The Secretaries of the MilDeps must:

16.9.2.1. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, states' entitlements, unfinanced requirements, and transfers. Refer to "Coordination and Reporting Requirements" in the Volume 11 Supplemental for due date and other reporting information.

16.9.2.2. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoDI 4715.03.

16.9.2.3. Ensure that no unplanned program obligations are incurred simply to "exhaust" proceeds.

16.9.2.4. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

16.9.2.5. Ensure that all program obligations are accumulated in DoW appropriation accounts and that reimbursements and distributions to states and the use of funds from the DoW Reserve Account conform to Economy Action limitations and justifications.

16.9.2.6. Coordinate approved budgets with the USW(A&S) or designee to assist in planning and trade-off analysis and to ensure the effective and efficient functioning of the overall DoW program.

16.9.2.7. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoW forests remain capable of economic production.

16.9.2.8. Identify to the DoW Supporting Agent (SA) the official who is authorized to transfer surplus funds and accept reserve funds.

17.0 OFFSETTING RECEIPTS

17.1 General Standards

This policy must be used in addition to the accounting principles, standards, and guidance established in Volumes 4, 6, and 12.

17.2 Budgeting Standards

17.2.1. Budgeting standards for offsetting receipts are prescribed by the OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget.

17.2.2. Preparation of budget justification requirements is also prescribed in Volume 2. OMB adopted a single format to present information within the SF 132, SF 133 and Schedule P.

The realignment employs three common data sections, Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The SF 133, Schedule P, and Statement of Budgetary Resources (SBR) will use all three of the sections, and the SF 132 will use the common Budgetary Resources.

17.3 Accounting and Reporting Standards for Offsetting Receipts

17.3.1. Offsetting receipts within the Department are collections from the public that result from businesslike transactions such as sales of property, rental fees, or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the Treasury FAST Book. The Transaction Library and Standard Reporting Chart of Accounts are available on the ODCFO Standard Financial Information Structure (SFIS) web page. The web page also provides the DoW U.S. Standard General Ledger (USSGL) proprietary accounting entries and transaction illustrations.

17.3.2. Offsetting receipts that are not readily classified into established categories must be temporarily accounted for in the Budget Clearing Account (suspense), F3875. All efforts must be made to identify and clear out suspense accounts and record these receipts properly into the applicable categories listed above within 60 calendar days as discussed in Volume 5.

17.3.3. All offsetting receipts must be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude the use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

17.3.4. Offsetting receipt amounts reported by DoW Components must agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoW Components that prepare consolidated reports must obtain the required information from applicable organizations and ensure that the amounts reported agree with balances reflected by the Department of the Treasury.

17.3.5. FMS Form 1220. Actual offsetting receipts must be reported monthly on FMS Form 1220, "Statement of Transactions According to Appropriations, Funds and Receipt Accounts" in accordance with the TFX as prescribed in Volume 6.

17.3.6. SF 133 Report. Unless required by OMB, do not submit SF 133 reports for deposit funds, receipt accounts (including clearing accounts and suspense accounts), and closed Treasury Appropriation Fund Symbol (TAFS) (TAFS with canceled balances). Distributed offsetting receipts credited to Components must be included in the SBR. Undistributed offsetting receipts credited to the government-wide outlay totals should not be included in the SBR.

17.3.6.1. The SF 133 report is divided into four sections - Budgetary Resources; SBR; Change in Obligated Balance; and Budget Authority and Outlays, Net. Procedures on monthly budget execution reporting are prescribed in Volume 6." Submit these reports monthly to the Director for the OUSW(C) Program and Budget (P/B). Offsetting receipt amounts reported on these reports must equal the amounts deposited with the U.S. Treasury.

17.3.6.2. Submit a separate SF 133 report for each group of offsetting receipt accounts as part of the basic appropriation report. Separate SF 133 reports are required for Federal funds and trust funds aligned to the Military Functions, Civil Functions and Military Assistance functional groups.

17.3.6.3. Separate SF 133 reports are required within any of the foregoing groups if the receipts consist of proprietary receipts from the public (P), interfund receipts (ID), and/ or Federal intrafund receipts (IF), including those receipts in Budget Clearing Account (suspense), F3885.

17.4 Proprietary and Budgetary General Ledgers

17.4.1. Offsetting receipts must be recorded in the proprietary and budgetary general ledgers.

17.4.2. Volume 3 and Volume 4 prescribe the general ledger accounts to be used in recording offsetting receipts.

17.4.3. Source documents for the general ledger entries include cash collection vouchers, sales slips, rental receipts, and journal vouchers.

17.5 Use of Accounting Data for Budget Submissions

17.5.1. Budget requirements are established by OMB Circular No. A-11 and Volume 2.

17.5.2. Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at sub-function and agency levels. For instance, sub-function 051, "Department of War, Military," is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoW Federal Funds in the budget.

17.5.3. The accuracy and timeliness of recording and reporting offsetting receipts and outlays are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget out-years.

18.0 NON-ECONOMY ACT ORDERS

18.1 General Policy

This section prescribes the financial management policy applicable to orders placed for goods or services from non-DoW Federal agencies under statutory authorities other than the Economy Act authority provided in 31 U.S.C. § 1535. These orders are referred to as non-Economy Act orders. Section 1 of this volume provides overall guidance and discussion of general reimbursement procedures and supporting documentation.

18.2 Legal Authority

18.2.1. Specific statutory authority is required to place a non-Economy Act order with a non-DoW agency for goods or services and to pay the associated cost. If specific statutory authority does not exist, the default is the Economy Act which is discussed in Section 3 of this volume.

18.2.2. The more commonly used non-Economy Act authorities include, but are not limited to:

18.2.2.1. Acquisition Services Fund. The Acquisition Services Fund was established by the General Services Administration (GSA) Modernization Act which merged the General Supply Fund and the Information Technology Fund to carry out functions related to the uses of the Acquisition Services Fund including any functions previously carried out by the Federal Supply Service and the Federal Technology Service managed by the GSA.

18.2.2.2. Franchise Funds. Franchise Funds were first established by the Government Management Reform Act of 1994 to provide common administrative support services on a competitive and fee basis.

18.3 Justification

Non-Economy Act orders may be placed with a non-DoW Federal agency for goods or services if (1) proper funds are available; (2) the order does not conflict with another agency's designated responsibilities (e.g., real property lease agreements with GSA); (3) the requesting agency or unit determines the order is in the best interest of DoW; and (4) the performing agency is able and authorized to provide the ordered goods or services.

18.4 Simplified Acquisition Threshold

Non-Economy Act orders greater than the simplified acquisition threshold must comply with FAR Part 7 and established DoW Components' procedures for the proper use of non-DoW contracts. The "Non-Economy Act Acquisition Package Checklist" will assist in ensuring that statute, policy, and regulation are complied with under non-Economy Act orders.

18.5 Prohibitions

Non-Economy Act orders may not be used to violate provisions of law or accomplish what regulations do not permit under commercial contracts or circumvent conditions and limitations imposed on the use of funds including extending the period of availability of the cited funds.

18.6 Treasury Guidance

18.6.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year-End Requirements," discusses the requirements necessary

to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 5) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

18.6.2. The standard Interagency Agreement contains two Fiscal Service (FS) Forms: FS Form 7600A, General Terms and Conditions (GT&C) and FS Form 7600B, Order Form. (See the instructions form at Instructions for FS Form 7600A, and Instructions for FS Form 7600B respectively.) Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the Federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoW Components must use the latest published versions of FS Forms 7600A/B when completing a non-Economy Act order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's G-Invoicing system, DoW Ordering systems, Enterprise Resource Planning (ERP) systems, or when completing the FS Forms 7600 A/B manually. Until DoW Ordering Systems and ERP systems are capable of processing the FS Form 7600B, DoW trading partners must continue to accept the current order forms (e.g., DoW (DD) Form 448, Military Interdepartmental Purchase Request). Individual orders must be placed against an FS Form 7600A.

18.6.3. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoW Components. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoW Components must use hardcopies of FS Forms 7600A/B. DoW Components must establish internal policies and procedures for designating signature authority for GT&Cs.

18.6.4. The request scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. When the systems capability becomes available to accept the FS Form 7600B within DoW Ordering Systems or ERPs, the FS Form 7600B must discretely define the goods or services for each order. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

18.6.5. For logistical support overseas, in lieu of using the FS 7600A, DoW may submit a reimbursable Memorandum of Understanding MOU under 22 USC 2695 where DoW support is not available for DoW personnel. A G-invoicing reimbursable IAA support agreement is not acceptable and will not be signed in these instances.

18.7 Best Interest Determination

18.7.1. Each requirement must be evaluated in accordance with DoW Components' procedures to ensure that non-Economy Act orders are in the best interest of DoW.

18.7.2. Factors to consider include: (a) satisfying customer requirements; (b) schedule, performance, and delivery requirements; (c) cost effectiveness, considering the discounts and fees; and (d) contract administration, to include oversight.

18.8 Fiscal Policy

18.8.1. For non-Economy Act orders greater than the simplified acquisition threshold, the requesting official must provide: (a) evidence of market research and acquisition planning; (b) a Requirements document that is specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself; and (c) unique terms, conditions, and requirements to comply with applicable DoW-unique statutes, regulations, directives, and other requirements.

18.9 Reconciliation and Elimination of Intragovernmental Transactions

Volume 6 contains DoW policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

19.0 DEFENSE SUPPORT OF CIVIL AUTHORITIES

19.1 General Policy

The DoW has several key missions, including defending the homeland and supporting civil authorities. In certain cases, national defense resources might be provided to assist civil authorities during disasters, emergencies, or other incidents. The Defense Support of Civil Authorities (DSCA) is typically initiated by a request from a Primary Agency (PA) like the Federal Emergency Management Agency (FEMA). According to DoW policy, DSCA begins with a request from civil authorities or authorized entities, or as directed by the President or SecWar. All DSCA support requests, except for Immediate Response Authority (IRA), must be in writing and include an agreement to reimburse DoW as per Title 42, United States Code (U.S.C.), Sections 5121-5208 (42 U.S.C. §§ 5121-5208) (Robert T. Stafford Disaster Relief and Emergency Assistance Act, (commonly called the "Stafford Act"), 31 U.S.C. § 1535 (commonly called the "Economy Act"), or other applicable laws. DoW can allocate resources upon approval from SecWar or direction from the President.

19.2 Responsibilities

19.2.1. Key DoW participants in DSCA activities mentioned in this section include, but are not limited to, the SecWar, Under Secretary of War for Policy (USW(P)), Under Secretary of USW(C), Chairman Joint Chiefs of Staff (CJCS), Commanders of Combatant Commands (CCDRs), Joint Staff (JS), and DoW Components and agencies.

19.2.2. The SecWar holds the top authority over the DoW and advises the President on DSCA matters. SecWar approves the use of forces, personnel, units, and equipment; oversees policy and actions for DSCA during domestic incidents; and has sole authority to waive reimbursement for DoW support.

19.2.3. The USW(C)/CFO sets policies and guidelines to ensure timely reimbursement to DoW for DSCA activities.

19.2.4. DoW Components ensure adherence to FM guidance for DSCA operations, including cost tracking and reimbursement; and plan, program, and budget for associated DSCA capabilities as per law, policy, and assigned missions.

19.2.5. The Secretaries of the Military Departments require that reimbursement requests for actual DSCA expenditures (including work performed, contractor payments, or inventory deliveries) start within 30 calendar days after the month when the performance took place. Final billing invoices must be sent to the supported departments and agencies within 90 calendar days following the last billable event.

19.2.6. The Chief, National Guard Bureau (CNGB), under the authority, direction, and control of SecWar and the Secretaries of the Army and Air Force, reports the use of National Guard assets for DSCA when using Federal resources, equipment, and/or funding to the National Joint Operations and Intelligence Center. CNGB will ensure that the National Guard appropriations are appropriately reimbursed for DSCA activities.

19.2.7. The JS allocates resources for DSCA requests and issues execute orders (EXORDs) to the responsible CCDR to carry out SecWar-approved actions.

19.2.8. The Assistant Secretary of War for Homeland Defense and Global Security (ASW(HD&GS)) advises SecWar and USW(P) on DSCA, coordinates policy with federal agencies and DoW Components, and recommends DSCA policy to USW(P). The ASW(HD&GS) ensures all requests for DoW assistance include reimbursement provisions and works with USW(C), JS, and CCDRs to ensure reimbursements are made and reported to SecWar.

19.2.9. CCDRs with DSCA responsibilities must collaborate with subordinate commands to ensure proper reimbursement for DSCA. They provide command and control of DoW personnel and resources coordinating DSCA operations as directed by SecWar.

19.3 Financial Management Augmentation Team (FMAT)

The supported CCDR may form an FMAT to aid in performing FM responsibilities during DSCA operations. The FMAT is composed of experienced FM experts from each Service and major Defense Agency. Under the CCDR's oversight of DSCA activities, aspects of the FMAT can be engaged in real-world events. FMAT members facilitate communication with their respective Services and Agencies and assist in integrating DSCA FM processes into existing financial procedures and policies. Additionally, Military Services and Agencies will designate an FMAT Office in writing and FMAT members take part in training and exercises with the supported Combatant Command.

19.4 Federal Emergency Management Agency

The Secretary of Homeland Security serves as the primary Federal authority for managing domestic incidents. According to 6 U.S.C. § 314, the Administrator of FEMA is tasked with overseeing the Federal assistance programs under the Stafford Act. FEMA requests assistance through Mission Assignments (Form 010-0-8 Mission Assignment Form). These MAs must include necessary details on funding and other management controls, like funding obligation limits, for the requested support. FEMA is responsible for coordinating federal plans and responses to civil emergencies at both national and regional levels and for providing federal assistance to states during such emergencies. Under the Stafford Act, the President may instruct any federal agency to use its legal authorities and resources, with or without reimbursement, to support state and local emergency and disaster response efforts. An RFA is only valid once approved by SecWar. RFAs from FEMA are also known as mission assignments (MAs), though they do not have a directive effect until SecWar's approval.

19.5 DSCA New Requests

The PA uses an RFA or FEMA MA to request goods or services from DoW for DSCA under the Economy Act or Stafford Act. DSCA is typically provided on a cost-reimbursable basis unless directed otherwise by the President or waived by SecWar.

19.6 Immediate Response Authority Support

Support under IRA must be cost reimbursable when appropriate or legally required but must not be delayed or denied due to the requester's inability or unwillingness to commit to reimbursement. Verbal emergency requests must be followed by a written request with an offer to reimburse the DoW as soon as possible. IRA support will end when the need is no longer present or when the approving DoW official or a higher authority directs it (DoDD 3025.18).

19.7 General Accounting Guidance

DSCA is provided on a cost-reimbursable basis. Exceptions include cases where the law mandates or allows non-reimbursable support, pending approval by the appropriate DoW official. Requests for DSCA can be submitted under the Stafford Act or other conditions.

19.7.1. Stafford Act

19.7.1.1. The Stafford Act grants the President the authority to direct the SecWar to use DoW resources to aid state and local governments in addressing emergencies and major disasters. A Governor can seek Federal assistance under this act. Once the request is submitted and meets the certification requirements outlined in the Stafford Act, the President has the discretion to declare an emergency or a major disaster.

19.7.1.2. The Stafford Act establishes a system for emergency preparedness to safeguard life and property in the U.S., distributing disaster assistance responsibilities among federal, state, and local governments. FEMA is primarily responsible for domestic disaster relief

efforts and manages aid under the Stafford Act. Federal departments and agencies, including the DoW, assist FEMA upon request and can receive reimbursement from FEMA for eligible costs incurred during their support.

19.7.2. Non-Stafford Act

19.7.2.1. A Federal entity that has the primary responsibility and legal authority for managing an incident (i.e., the requesting agency) and requires support or assistance beyond its usual operations can seek coordination and facilitation from the Department of Homeland Security through the NRF. Agencies offering disaster aid under their own authorities, without a declaration under the Stafford Act, use their own appropriated mission funds. Upon request, the DoW can assist other Federal departments and agencies by establishing inter-agency reimbursable agreements and requesting reimbursement from the requesting agency for eligible costs. Typically, the requesting agency provides funding to the DoW for the requested assistance in accordance with the Economy Act, unless other statutory authorities are applicable.

19.7.2.2. When an urgent situation arises and there is no time to seek higher approval, Federal military commanders, DoW Components, and responsible DoW civilian officials can exercise IRA to save lives, reduce severe property damage, and prevent human suffering (DoDD 3025.18).

19.8 Applicability

19.8.1. This policy applies to the Office of the SecWar, the Military Departments, the Office of the CJCS and the JS, the Combatant Commands, the Office of the Inspector General of the DoW, the Defense Agencies, the DoW Field Activities, and all other DoW Components.

19.8.2. This policy applies to the Army and Air National Guard when under Federal command. It also applies when the SecWar deems it necessary to use National Guard personnel for DSCA and obtains concurrence from the affected States' Governors.

19.9 Scope

19.9.1. This section outlines DoW financial policy for emergency or disaster relief when SecWar approves support requests to assist other Federal departments or agencies under DoDD 3025.18.

19.9.2. Under the Unified Command Plan, DSCA responsibilities are assigned to the Commander of U.S. Northern Command for the 48 contiguous states, the District of Columbia, Alaska, Puerto Rico, and the U.S. Virgin Islands; while the Commander of U.S. Indo-Pacific Command assumes these responsibilities in Hawaii, U.S. territories or insular areas, and possessions within their area of responsibility.

19.10 Funding

19.10.1. Disaster relief is not a budgeted program for DoW. Congress appropriates the Disaster Relief Fund (DRF) to FEMA for Federal and State disaster relief. The DRF supports the Stafford Act, providing FEMA a no-year base to direct, coordinate, manage, and fund eligible response and recovery efforts for major disasters and emergencies that exceed State resources. DoW Components may need to initially cover DSCA costs with existing funds, expecting reimbursement later. DRF funding is divided into disaster relief cap adjustment and base/non-major disasters.

19.10.2. Funding under the disaster relief cap adjustment is allocated for major disasters declared under the Stafford Act and must be designated by Congress for disaster relief according to section 251(b)(2)(D) of the Balanced Budget Emergency Deficit Control Act (amended by the Budget Control Act). The incremental costs incurred by the DoW beyond its usual mission are reimbursable by FEMA from funds allotted for disaster relief in this category. DoW Components must establish processes to identify and document these incremental costs to ensure reimbursement, as outlined in Volume 4.

19.10.3. Funding in the base/non-major disasters category encompasses Emergencies, Pre-disaster Surge Support, Fire Management Assistance Grants, and activities that are not specific to disasters, such as Disaster Readiness Support (e.g., distribution center operations, reservist training). Pre-declaration requests for DoW support in response to disaster events are reimbursed to DoW based on actual costs. Typically, the requesting agency provides funding for the incident in accordance with the provisions of statutory authorities available for this purpose. This funding is not subject to cost-sharing. When an emergency necessitates a DoW response without a major disaster declaration, this funding category is utilized to reimburse DoW for the actual expenses (i.e., full costs) incurred.

19.10.4. DRF funding cannot be used for activities related to incidents that need a coordinated Federal response before the disaster is declared. If a department or agency requires support beyond its usual operations, it can request PA coordination and facilitation via the National Response Framework (NRF). Federal departments and agencies can assist one another by setting up inter/intra-agency reimbursable agreements.

19.11 Reimbursable Support Agreement

FM units deliver similar capabilities during DSCA operations as in other missions. The primary concerns affecting DoW's response in providing DSCA are authorities and funding. Costs incurred are reimbursable according to the Economy Act and Stafford Act, unless otherwise directed by the President. Typically, cost reimbursement happens under the Economy Act (from the Federal agency requesting support) or the Stafford Act (from Federal funds following a Presidential declaration). Reimbursement should be sought for DSCA support provided under these acts. Per 31 U.S.C. § 9701, IRA support to non-Federal agencies is reimbursed to the U.S. Treasury, while IRA support to Federal agencies is reimbursed to DoW organizations per the Economy Act.

19.12 Advances

Advance payments to the DoW from the DRF are usually not permitted but may be required if DoW Components lack sufficient funds to deliver the requested support to the PA before the fiscal year ends.

19.13 Expenditures Eligible for Reimbursement

44 Code of Federal Regulations, part 206.8, allows for the reimbursement of costs incurred by the DoW when providing requested assistance. Only the SecWar can waive reimbursement under the Economy Act and Stafford Act. Examples of eligible expenditures for reimbursement include:

19.13.1. Overtime, travel, and per diem of permanent Federal agency personnel.

19.13.2. Wages, travel, and per diem of temporary Federal agency personnel assigned solely for the performance of services directed in the major disaster or emergency area.

19.13.3. Travel and per diem of Federal military personnel assigned solely for the performance of services directed in the major disaster or emergency area.

19.13.4. Cost of work, services, and materials procured under contract for the purposes of providing directed assistance.

19.13.5. Cost of materials, equipment, and supplies (including transportation, repair, and maintenance) from regular stocks used in providing directed assistance.

19.13.6. All costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required by law; and

19.13.7. Other costs presented by an agency with written justification or mutually agreed upon in writing by the PA.

19.14 Requirements for Reimbursement

19.14.1. DoW Components operating under an approved RFA must submit reimbursement requests following SecWar-approved and Combatant Command's standing DSCA EXORDs. FEMA MAs should also follow FEMA's Mission Assignment Billing Reimbursement Checklist. Requests must reference the specific approved RFA/MA and the relevant disaster or emergency identification number.

19.14.2. Reimbursement requests for expenses from multiple orders cannot be combined. Components seeking reimbursement must keep all financial records, supporting documents, statistical records, and related records concerning the services or resources used by the Department.

19.14.3. A Component official knowledgeable about the original approved RFA must review reimbursement requests to ensure chargebacks outside the original scope are correctly adjusted.

19.14.4. Upon deployment to a supported Combatant Command following an approved RFA, units must report FM details to the Command or its designee until the order is closed. This requirement stands regardless of the unit's redeployment timing.

19.15 Fiscal Closure

Components must carry out RFA closeout procedures, and if excess reimbursable funding is found, notify the PA to deobligate it to the DoW.

20.0 DWCF GENERAL POLICIES

20.1 Treasury Fund Symbol

10 U.S.C. § 2208 establishes the DWCF. The U.S. Treasury Account Symbol for the DWCF is 097X4930. The Defense Counterintelligence and Security Agency WCF, Treasury account 097X4932, is also established pursuant to 10 U.S.C. § 2208 authority. For a table of specific sub-numbered account identifiers, refer to the Volume 11 Supplemental document, Section 20.

20.2 Charters

The DoW Component individual activity groups financed through the DWCF must be chartered under the DWCF to achieve the following objectives:

20.2.1. The DWCF is designed to create a cost-conscious culture by making both customers and providers mindful of and accountable for the costs of services. It provides a flexible financial framework to control costs, empowering managers to use resources efficiently. The fund encourages economical cross-servicing among DoW Components and formalizes relationships through contracts, ensuring cost-based reporting to clarify the financial consequences of decisions.

20.2.2. The specific objectives of the DWCF are to instill financial discipline in ordering agencies, making them build contractual relationships to balance the cost of goods and services against their benefits and critically evaluate price, quality, and delivery speed. The DWCF achieves this by enabling agencies to budget for "end-products," similar to commercial purchasing, and by establishing standard prices to aid in planning. For the DWCF activities themselves, the goals are to foster forward-looking financial management by making them dependent on customer reimbursements, equipping managers with modern tools, and improving cost control through the comparison of estimates to actual costs. This structure encourages producers to align their workforce and inventory with their activities and provides the flexibility to adapt to changes in supply and demand.

20.2.3. A charter must be prepared and submitted to the OUSW(C) Program/Budget (P/B), Director of Revolving Funds and Integration (RFI) for approval. Each DWCF business entity must

review its charter annually to assure it remains current. Changes must be prepared and submitted to the OUSW(C) RFI for approval.

20.3 Financing

20.3.1. The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services.

20.3.2. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. After initial capitalization, a DWCF activity's operations are funded by the reimbursements it receives from its customers for the goods or services provided.

20.3.3. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds.

20.3.4. Amounts earned by the DWCF are available for financing obligations without fiscal year limitation, although receipt of contract authority, and/or cost authority, as documented in the annual operating budget, determines DWCF activity's obligation authority.

20.3.4.1. The Supply Management activity groups and the Capital Investment Program receive contract authority. Contract authority permits activities to incur obligations in advance of appropriations or in anticipation of receipts from customers, but in accordance with an apportionment, allotment, or other limiting authority.

20.3.4.2. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date.

20.4 Authorized Customers

Authorized customers of the DWCF include any DoW organization, office, or element, and non-DoW federal government agencies. When authorized by law, customers may also include foreign, state, and local governments, private parties, and certain U.S. manufacturers, assemblers, or developers as specified in 10 U.S.C. §§ 2208(h), 2563, and 7543.

20.5 Sources of Budgetary Resources

When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and separately report the transactions relating to each type of source (in accordance with OMB Circular No. A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

20.6 Annual Operating Budgets

Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each individual activity group. The annual budget consists of two primary parts, which are the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the number of financial resources that are authorized for use in the acquisition of capital assets.

20.7 Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority for supply management activities. Budgetary resources are recognized from anticipated customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the OUSW(C). When accepted, customer orders create a quasi-binding contractual relationship between a DWCF activity and its customer since acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Section 24, a DWCF business entity must not initiate work or services or incur obligations in excess of anticipated orders received unless specific authorization is provided by a signed annual operating budget approved by the OUSW(C) P/B RFI, to ensure other budgetary resources are available at the DWCF sub-account level. Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

20.8 Stabilized Rates and Prices

The DWCF individual activity groups operate on a break-even basis in accordance with budgetary guidance contained in Volume 2. DWCF activities must establish rates during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses, and applicable surcharges. The budget process ensures that adequate resources are requested in the customers' fund accounts to pay the established rates and prices. Volume 2, Section 10 contains specific budget formulation requirements.

20.9 Restrictions on Use of Customer Appropriations

20.9.1. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation

funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

20.9.2. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation to cite.

20.10 Financial Reporting

31 U.S.C. § 3515 and 10 U.S.C. § 2208(n) require the Department to have audited financial statements covering all accounts and associated activities of the Department. The DoW will include DWCF financial information in its Annual Financial Report. Specific financial statement reporting requirements are contained in OMB Circular No. A-136, "Financial Reporting Requirements." Volume 6 also identifies recurring reporting requirements applicable to the DWC.

20.11 Mobilization Capability

20.11.1 Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions or an operational contingency as documented in Defense Planning Guidance or operational plans.

20.11.2. Financing the cost of a mobilization capability during peacetime requires a separate appropriation. These are not normal operating costs that are passed on to DWCF customers through rates. Direct appropriations will reimburse all costs related to maintaining a capacity. Volume 2 provides specific policy for the types of mobilization costs that can be funded by a direct appropriation. For detailed procedural guidance on funding, refer to the Volume 11 Supplemental, Section 20.

20.11.3. The SFFAS 4, "Managerial Cost Accounting Standards and Concepts," requires reliable and timely information on the full cost of federal programs, their activities, and outputs, which includes the total costs of supporting DWCF mobilization/surge activities.

20.11.4. DWCF Activity Management Agency or Command will budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload must be in accordance with DoD Directive (DoDD) 4275.5, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the OUSW(A&S).

20.12 DWCF Systems and Control

DWCF accounting systems must have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls must be designed to prevent incurring obligations more than budgetary resources. System owners must ensure compliance with each new SFIS matrix that is updated based on guidance released from Treasury.

20.12.1. Financial Management System. Transactions are executed in accordance with budgetary and financial standards issued by OMB and Treasury and are reported in accordance with the FASAB and SFFAS. DWCF accounting systems must be SFIS compliant and have the capability to account for the status of budgetary resources on a continuous basis and controls must be designed to prevent obligations more than budgetary resources. With an effective DWCF financial management system:

20.12.1.1. Transactions are executed in accordance with all budgetary and financial standards and legal authorities.

20.12.1.2. Assets are properly safeguarded to deter fraud, waste, and abuse.

20.12.1.3. Performance measurement information is adequately supported.

20.12.2. Budgetary Resources. When an activity receives budgetary resources from more than one source (e.g., spending authority from offsetting collections, direct appropriation, and contract authority), the receiving activity must maintain records that will enable it to control and separately report the transactions relating to each type of source, in accordance with OMB Circular No. A-11.

20.12.3. Legacy Systems. Component Responsibility: DoW Components must bear all legacy system costs until they have fully transitioned to the replacement (emerging/migratory) system. If a Component operates both systems in parallel for testing or to retain access to prior-year data, it remains financially responsible for both systems. When transition delays are caused by Component-related implementation issues, the Component must continue to bear the legacy system costs, even if it is the sole remaining user on that legacy system.

20.12.3.1. DFAS Liabilities: If the delay in fully transitioning is directly caused by a DFAS implementation problem, the Component will not bear the direct legacy system costs. DFAS will incorporate any unabated legacy system costs into customer rates as overhead.

20.12.3.2. Residual Undepreciated Value. Upon the transition of all users and subsequent decommission of the system, any residual undepreciated value will be charged to the DFAS Accumulated Operating Result (AOR) in accordance with Volume 11 Supplemental.

20.12.3.3. Timeline and Constraints: Components must complete their transition to the migratory system prior to the beginning of a new fiscal year. To maintain budget integrity, legacy cost allocations among Components must not be adjusted during the year of execution.

20.13 Funds Management

Financial resources establishing a DWCF must be appropriated. Continuing operations are financed by reimbursements received. Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource. Obligations incurred (Undelivered Orders, Obligations, unpaid or Prepaid/Advanced and Delivered Orders, and Obligations, paid or unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to Volume 3 for further guidance on funds management.

20.14 General Ledger Accounts

All DWCF activities must adhere to the United States Standard General Ledger (USSGL) published by the Treasury Bureau of the Fiscal Service. The USSGL Standard Financial Information Structure Transaction Library provides a decomposition of USSGL accounting transactions for DoW.

20.15 Auditing

Pursuant to 31 U.S.C. § 3515, the DoW activities, of which a DWCF is considered a component, are required to prepare audited financial statements. While preparing for and undergoing audit, DWCF activities must be able to provide documentation sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts. The DWCF is subject to audit by the DoW Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.

20.16 Roles and Responsibilities

20.16.1. The OUSW(C) will:

20.16.1.1. Establish DoW policy on all DWCF operations and provide financial management oversight.

20.16.1.2. Authorize, approve, or rescind DWCF Charters.

20.16.1.3. Establish budget preparation, accounting, and reporting policies.

20.16.1.4. Review and approve operating and capital budgets and monitor budget execution.

20.16.1.5. Monitor compliance with all governing guidance.

20.16.1.6. Advise DWCF managers on accounting and reporting policies.

20.16.1.7. Exercise funds control responsibilities in accordance with congressional direction and OMB guidance.

20.16.2. The Director, Defense Finance and Accounting Service (DFAS), will:

20.16.2.1. Advise and assist the USW(C) in the development of financial systems and procedures.

20.16.2.2. Advise DWCF activities on accounting and reporting procedures and issue supplementary instructions as needed.

20.16.2.3. Review DWCF accounting systems for compliance with established requirements.

20.16.2.4. Prepare external and internal accounting reports for the DWCF.

20.16.3. The Military Department Secretaries and Defense Agency Directors will:

20.16.3.1. Manage their respective DWCF activities within approved funding limitations.

20.16.3.2. Designate a management agency or command to be responsible for the effective management of each DWCF activity.

20.16.3.3. Comply with, and recommend changes to, this and other governing regulations, and provide periodic financial and management information as required by the USW(C).

20.16.3.4. Submit proposed Charters for new DWCF activities, initiate change, as needed, or the rescission of existing charters to the USW(C).

20.16.4. The designated DWCF Activity Management command and individual activity managers will:

20.16.4.1. Assign responsibility and authority for the management and operation of DWCF activities.

20.16.4.2. Ensure all activities operate within approved funding limitations and determine compliance with established requirements.

20.16.4.3. Incur obligations and control costs in line with the approved annual budget to perform the activity mission.

20.16.4.4. Establish, monitor, and assess internal controls and resolve internal control weaknesses.

20.16.4.5. Identify to higher management any impediments in achieving performance goals and justify investments for future improvements.

20.16.5. DWCF Activity Customers will:

20.16.5.1. Budget for the cost of material, work, and services ordered from a DWCF activity.

20.16.5.2. Manage the budgetary resources provided for such orders.

20.16.5.3. As early as possible, notify the DWCF Activity Management to terminate a previously ordered service and incur liability for all costs incurred until termination.

21.0 DWCF ACTIVITY ESTABLISHMENT, TRANSFERS, AND CLOSURE

This section establishes the high-level policy for the establishment, transfer of functions, and closure of DWCF activities.

21.1 Establishment of DWCF Activities

21.1.1. Charter Requirement. Prior to financing, a proposed DWCF activity must be formally established through the submission and approval of a charter. For detailed guidance on charter format, required contents, support documentation, and the process for amendments or annual reviews, refer to the Volume 11 Supplemental, Section 21. The DoW Components must review DWCF operations each fiscal year to ensure that the charters are current. Any required changes must be submitted to the OUSW(C) P/B RFI.

21.1.2. Criteria for a DWCF Activity. For USW(C) to consider a Service or DoW agency organization, program, or function for inclusion in the DWCF it must meet all the following criteria:

21.1.2.1. Materials produced or services provided are shared or required by a group of customers or are common requirements of more than one major command, and/or DoW Component.

21.1.2.2. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the goods and services provided. For additional information on general cost concepts refer to Volume 4.

21.1.2.3. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoW and/or other federal government entities.

21.1.2.4. Identification of a buyer-seller relationship to the extent that the buyer can influence cost, workload, and the buyer has alternative sources that can provide the products or services. Operation of the program or organization as a DWCF business area should result in a

better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

21.1.3. Procedural Guidance. For detailed guidance on charter format, required contents, support documentation, and the process for amendments or annual reviews, and commencing DWCF operations, refer to the Volume 11 Supplemental, Section 21.

21.2 Transfer of Functions

21.2.1. Core Principle. The transfer of all or a portion of the functions from one DWCF activity to another, or to an appropriation-funded activity, must be executed through a formal, negotiated agreement. Automatic transfers of budgetary or proprietary account balances are prohibited.

21.2.2. Requirements. The negotiated agreement must, at a minimum, identify the specific functions and resources to be transferred and establish the effective date. All accounts must be validated prior to transfer. For detailed procedures governing negotiations, account transfers, personnel actions, and system changes, refer to the Volume 11 Supplemental, Section 21.

21.3 Closure of a DWCF Activity

21.3.1. Funding. DWCF operating funds are not available for closure costs resulting from actions directed by higher authority, such as the Base Realignment and Closure (BRAC) Commission. Such costs must be financed through other authorized appropriations.

21.3.2. Residual Assets and Liabilities Upon closure, any remaining financial assets and liabilities must remain within the DWCF. All residual account balances must be reviewed, validated, and reduced to zero within one year from the date an activity ceases operations. For detailed procedures on handling closure costs and residual accounts, refer to the Volume 11 Supplemental, Section 21.

22.0 DWCF BUDGETARY RESOURCES

22.1 Sources of, Restrictions on, and Claims Against Budgetary Resources

Budgetary resources for the DWCF consist of collections from customers, which are credited to the fund's Treasury account. These resources are subject to apportionment and reapportionment by the OMB. Claims against these resources include undelivered orders, accounts payable, and accrued expenses. All obligations must be supported by available budgetary resources.

22.1.1. Apportionment and Administrative Limitations

22.1.1.1. If an apportionment is received by a sub-account or an activity group for a specific purpose, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that otherwise would be available to the sub-account or activity group, in compliance with 31 U.S.C. § 1517(a).

22.1.1.2. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, time, or amount for which budgetary resources may be used. An administrative limitation, if any, of budgetary resources provided to a DWCF Component, or subdivision, by the OUSW(C) or designated representative; and/or a subdivision, if any, of budgetary resources provided to a DWCF activity group or activity (operating unit) by a DWCF Component official must be followed. If an administrative limitation is received, the DWCF Component must keep obligations within the limitation even though the limitation may be less than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be in writing, signed, and clearly state that it is a violation of the 31 U.S.C. § 1517(a) to incur obligations that exceed the limitation.

22.1.1.3. There are three forms of apportioned budget for the DWCF:

22.1.1.3.1. Direct Appropriation. Direct appropriated amounts are to be used for the specific purpose identified in the appropriations act or other legislation. Funds not appropriated specifically for the designated purpose are not available for that purpose. Unless specified otherwise, direct appropriations for the DWCF are no-year funds that do not expire.

22.1.1.3.2. Spending Authority from Offsetting Collections (Reimbursable Obligations). Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. Volume 3, Section 17 describes reimbursable obligations in detail.

22.1.1.3.3. Contract Authority

22.1.1.3.3.1. Contract is apportioned budget authority which can be legally obligated and may be used only for the purpose, time, and amount specified by statute relating to that contract authority. It is not funded and is apportioned and allocated without a supporting Treasury cash balance. Contract Authority must always be replaced or liquidated by subsequent or other budgetary resources and cash balances, more commonly within the DWCF, by offsetting collections credited to the DWCF. Unless otherwise specified by statute, contract authority is apportioned to the DWCF for the current fiscal year of the apportionment only, and closes for new obligations if not used within the fiscal year it is apportioned;

22.1.1.3.3.2. The OMB apportions contract authority at the beginning of a fiscal year for the amount of the DWCF program. It provides the authority to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligation. Within the DWCF, contract authority is available for capital asset program obligations, i.e., all DWCF activity groups, and supply management operations. Supply Management activity groups include Supply Management, Distribution Depots, Defense Commissary Agency (Resale), and the Defense Reutilization and Marketing Service; and

22.1.1.3.3.3. There are no statutory restrictions placed on the obligational availability or availability to liquidate contract authority obligations of offsetting collections.

22.1.2. Claims Against Budgetary Resources

A DWCF Component must consider claims against budgetary resources in the determination of budget authority that is available for obligation. Claims against budgetary resources should be recorded in financial records of the DWCF entity. A DWCF Component should maintain financial records in sufficient detail to permit a segregation of budgetary resources and, within that segregation, an identification of claims against the budgetary resources.

22.1.2.1. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager should not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group, or activity, as applicable, must request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and must defer the incurring of additional obligations until budgetary resources are sufficient to fund them. The DWCF Component must document the authority to incur additional obligations in an Annual Operating Budget signed by the OUSW(C) P/B RFI.

22.1.2.2. Where a DWCF activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source and if the funds transferred are subject to restrictions different from those existing in the account to which transferred.

22.1.2.3. Of the three general availability restrictions of purpose, time, and amount, purpose should be determinable from administrative records while time and amount should be determinable from financial records.

22.1.2.4. A DWCF Component should have two primary types of financial accounts, proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by themselves, are not sufficient to determine budgetary resources.

22.1.3. Restrictions on Budgetary Resources

22.1.3.1. The DWCF is used to more effectively control and account for program costs and the work performed in the DoW. The Secretary of the Treasury establishes DWCFs upon request of the SecWar. A DWCF Component may only use amounts appropriated:

22.1.3.1.1. For the purpose stated in the appropriation act or other law providing the amounts, for no more than the amount appropriated or otherwise made available; and

22.1.3.1.2. Within the time period for which the funds are available for obligation and are subject to such other limitations and/or restrictions as may be stated in the applicable appropriation act or other law providing the amounts, and such other statutory restrictions, both express and implied, as may be relevant.

22.1.3.2. Budget Authority is the authority provided by law to incur financial obligations that will result in outlays.

22.1.3.2.1. Budget authority is available for obligation only in accordance with purpose, time, and amount restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSW(C) and the DWCF Components;

22.1.3.2.2. In addition to being subject to statutory restrictions, DWCF budget authority is apportioned and allocated to the sub-account level on the OMB's SF 132. WCF budget authority is administratively allocated to the activity group levels as appropriate. The allocated amounts may be further restricted through administrative action.

22.2 Supplemental Appropriation and Reappropriation

In instances where the DWCF requires additional capital beyond what is generated through customer reimbursements such as for major capital investments or to cover extensive losses, a supplemental appropriation may be requested from Congress. Similarly, unobligated balances from prior fiscal years may be reappropriated for new purposes, subject to congressional approval.

22.2.1. Receipt of the appropriation provides an immediate infusion of cash. The amount of the appropriation used must be accounted for and reflected in accounting records and financial reports.

22.2.2. Appropriation is a financing source against which expenses must be matched and reported on the Statement of Operations. If the amount of the appropriation is in excess of negative net and cumulative results of operations, the amount of the appropriation used must only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero-dollar ($-0-) position. The remaining amount of the appropriation must be used to offset any subsequent year net operating losses.

22.3 Customer Orders

22.3.1. Anticipation of Customer Order

22.3.1.1. The DWCF Component must estimate the dollar amount of reimbursable orders it expects to receive in the current fiscal year.

22.3.1.2 There must be a specific law that authorizes reimbursable work with non-Federal entities. A DWCF Component cannot cite the Economy Act as the statutory authority to perform work for non-Federal customer orders with or without an advance. A law must

specifically allow a DWCF activity to incur obligations against customer orders received from non-Federal sources with an advance.

22.3.1.3. Customer orders with advances from non-Federal sources are credited to a Treasury Appropriation Fund Symbols (TAFS) that is legally available for the work performed. Customer orders with advances from non-Federal sources are credited to a TAFS that is legally available for the work performed where the period of availability of the performing Federal agency TAFS is determined by the activity's general counsel.

22.3.2 Receipt of Customer Orders

22.3.2.1. Customer orders received are orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance plus orders received from the public, including state and local governments, but only to the extent accompanied by a cash advance.

22.3.2.2. Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received.

22.3.3. Recognition of Reimbursement Earned (Revenue)

An earned reimbursement is the amount of the customer orders that have been filled, provided that in the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations.

22.3.4. Treatment of Unearned Revenue

Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date. The appropriation language for DoW's DWCF permits the fund to receive advances for supplies and services. The DWCF business entities must be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation. The DoW Components receiving an advance must record the amount received as a liability until the payment is earned, i.e., goods or services have been delivered. After the payment is earned, the DoW Component must record the appropriate amount as revenue and reduce the liability accordingly.

22.4 Non-Expenditure Fund Transfers

22.4.1. Policy. Non-expenditure transfers may occur between the DWCF and other DoW accounts to adjust capital levels or transfer assets. These transfers do not represent an expenditure for the transferring account or a collection for the receiving account but rather a realignment of resources. All such transfers must be properly documented and approved by the OUSW(C).

22.4.2. Restrictions for Non-expenditure Transfers. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a non-expenditure transfer into the DWCF unless such change is specifically authorized by law.

22.4.3. Procedural Guidance. For detailed procedures on executing non-expenditure transfers, refer to the Volume 11 Supplemental, Section 22.

23.0 DWCF COSTS AND COST ACCOUNTING

23.1 Working Capital Fund Costs

Working Capital Funds are designed to create a cost-conscious environment by making customers aware of the full cost of goods and services. Costs included in the stabilized rates and prices charged to customers must encompass all direct and indirect costs associated with the output. This includes direct labor, direct materials, and all overhead expenses. The goal is to operate on a break-even basis over the long term, where the rates charged recover the full cost of operations without generating a profit or a loss.

23.2 Cost Accounting Requirements for Depot Maintenance

23.2.1. Overarching Policy. DWCF depot maintenance activities that utilize a job order costing methodology must use formal cost accounting practices in compliance with the provisions of SFFAS 4. Activities must uniformly record, accumulate, and report job order costs to assist management and ensure compliance for all material types.

23.2.2. Managerial Cost Accounting. In accordance with SFFAS 4, DoD depot maintenance activities must:

23.2.2.1. Accumulate and report the costs of activities on a regular basis for management information purposes.

23.2.2.2. Establish responsibility segments, measure and report the costs of each segment's outputs, and calculate the unit cost of each output.

23.2.2.3. Determine and report the full costs of government goods and services, including direct and indirect production costs and G&A overhead costs.

23.2.2.4. Recognize the full costs of goods and services provided by other federal entities.

23.2.2.5. Use and consistently follow costing methodologies most appropriate to the segment's operating environment to accumulate and assign costs to outputs.

23.2.3. Procedural Guidance. For detailed procedures regarding the establishment of cost accounting modules, job orders, cost centers, and the specific handling of labor, material, and indirect costs, refer to the Volume 11 Supplemental, Section 23.

24.0 DWCF REIMBURSEMENTS AND REVENUE RECOGNITION

24.1 Reimbursement Principles

After initial capitalization, DWCF activities are financed primarily through reimbursements received from customers for goods and services provided. For non-federal customers, a cash advance is required before work begins. For detailed procedures on cash advances and the nature of reimbursements, refer to the Volume 11 Supplemental, Section 24.

24.2 Performance Under Project Orders and Economy Act Orders

DWCF activities may perform work for other federal agencies under the authority of Project Orders or Economy Act Orders. The DWCF activity must be reimbursed for the full costs incurred in the performance of such work. For detailed procedures regarding the de-obligation of excess funds upon completion of an order, refer to the Volume 11 Supplemental, Section 24.

24.3 Revenue Recognition

Recognize revenue when it is earned, not necessarily upon receipt of payment. Revenue is considered earned when goods are delivered or services are performed. SFFAS 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," provides further guidance. For detailed procedures on the timing of revenue recognition and the treatment of unearned revenue, refer to Volume 11 Supplemental.

25.0 DWCF SUPPLY MANAGEMENT ACTIVITIES

25.1 Pricing of Inventory Items

25.1.1. The budgeting policy requirements for the budget development of prices for Supply Management Activities (SMA) items are in Volume 2, Section 10.

25.1.2. Standard Price

25.1.2.1. Charge DoW customers the standard price for DoW Inventory Control Point (ICP)-managed items (excluding subsistence), or Integrated Materiel Management (IMM) items. The Federal Logistics Information System (FLIS), accessible through WebFLIS, is the authoritative source of standard prices. Prices are computed based on factors, including replenishment cost of the item; surcharges for transportation, inventory loss, obsolescence, and maintenance; Capital Investment Recovery; and supply operations. Each cataloged inventory item with an assigned national stock number and, under DoW ICP management, must have a selling price for all authorized customers. See DoD Manual (DoDM) 4140.68 "Integrated Materiel Management of Nonconsumable Items," for non-consumable items standard pricing details.

25.1.2.2. Charge the standard price to non-DoW customers directly supporting DoW-related mission requirements. The selling price to other non-DoW customers is prescribed in Volume 2, Section 10.

25.1.2.3. DWCF activities must institute selling prices at the lowest practical item level to promote cost visibility/management and motivate cost effective customer/supplier behavior.

25.1.2.4. The SMA must determine the item standard price annually in advance of the execution year. The standard sales price is effective for billing purposes on the first day of the fiscal year. A standard price cannot change in the fiscal year without prior approval from the OUSW(C) P/B RFI. The dollar amount of unfilled customer orders accepted at the previous fiscal year's standard price must be adjusted (upon notification to and confirmation from the customer) to reflect the latest standard price when notice of the price change is received.

25.1.2.5. Catalog and assign all local procurements a standard price including any retail level cost recovery element. In accordance with the DoDM 4140.01, Volume 2, "DoD Supply Chain Materiel Management Procedures: Demand and Supply Planning," inventory retail level is the level below the wholesale, either at the consumer level for providing material to ultimate users or at the intermediate or region level. See DoDM 4140.01, Volume 2 for additional demand and supply planning guidance.

25.1.2.6. The DWCF establishes selling prices in the budget that are normally fixed during execution to mitigate the impact of unforeseen fluctuations on customers' ability to execute programs. See Volume 2, Section 10 for full recovery of costs and setting of prices.

25.1.2.7. The standard price must also contain the total materiel costs, see Volume 2, Section 10. Total materiel costs include:

25.1.2.7.1. Materiel costs (without inflation) for losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records.

25.1.2.7.2. Materiel Inflation (normal inflation) is the dollar amount of the inflation rate set by OMB. Materiel Cost Adjustments as outlined in Volume 2, Section 10 accounts for any anticipated price growth beyond normal inflation.

25.1.2.7.3. Loss/damage/washout/obsolescence are costs where a replacement unit is required. Activities that manage on an exchange carcass basis incur replacement cost for carcass losses and washouts. Lost carcasses, e.g., in transit to customer or supply system, must be investigated and necessary internal controls strengthened as required by Volume 12, Section 7. Carcass washouts are carcasses initially determined to be repairable but subsequently determined to be unrepairable and require replacement. If determined unrepairable due to customer-caused cannibalization or other malicious damage, charge the customer the difference between the exchange price and the current standard price, and this cost must not be

included in the surcharge element. Maintenance activities must maintain all documents, see Volume 1, Section 9.

25.1.2.8. In a system supporting exchange pricing, the price charged to customers returning a Depot Level Reparable part for repair and purchasing a serviceable (new or repaired) part, equates to the latest repair price plus wash out costs per item plus pricing elements necessary to recover other operating costs. If no carcass is returned, the customer must be charged the full standard price. See Volume 2, Section 10, for specifics on exchange pricing. Also, see Volume 4, Section 6, for information on supply turn-in.

25.1.2.9. Supply Management (SM) operations also incur non-materiel overhead and pricing adjustment costs, including adjustments for prior year operating results, approved surcharges, and other factors. The Cost Recovery Rate reflects the markup on total materiel costs required to recover operating costs, calculated by dividing total non-materiel costs by total materiel costs. This represents the percentage markup on materiel costs required to operate the supply activity. These cost elements are displayed on the SM-5a "Markup on Materiel Cost" exhibit in Volume 2, Section 10.

25.1.2.9.1. The provisioning cost element is provided when a weapon system was originally fielded under a contractor logistics support agreement. The component may fund the provisioning action in the standard item price if the contractor fails to perform or a component decision is made to transfer program management to a DWCF supply activity. The component may fund this action using contract authority without an immediate reimbursement if a funding source can be identified and used for reimbursement by the time of first delivery and the OUSW(C) P/B RFI, has preapproved the action. Preapproved reimbursable transactions of this type must be recorded as "other income" and not included in the standard price.

25.1.2.9.2. Inventory Augmentation. An anticipated inventory requirement that drives growth in inventory beyond replenishment, excluding appropriately resourced increases for mobilization. When required, the supply activity develops a financing strategy for the Program and Budget Review, or the Budget Execution Review if, in the year of execution, the activity must execute above its planned Unit Cost Ratio (UCR). When an activity internally augments inventory, regardless of the UCR, the activity provides a prioritization strategy in accordance with DoDM 4140.01, Volume 2. The Joint Logistics Resource Requirement Board co-chairs must approve the financing strategy. Recoup costs by direct appropriation or a cost recovery element in the pricing structure. See Volume 2, Section 10.

25.1.2.9.3. Unusual or nonrecurring losses, such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events, are not normal inventory losses and must not be included in the cost recovery element for inventory expenses. DWCF Activities must obtain approval from the OUSW(C) P/B RFI, to fund such losses.

25.1.2.10. The standard item sales price must include recovery of operating costs including payroll, personnel travel, transportation, defense agency billings, other DWCF

purchases, operating materials and supplies, rent/communications/utilities, depreciation, transportation, and other service contracts.

25.1.2.11. Other cost recovery elements, as approved by the OUSW(C) P/B RFI, during the budget review, may be added to the price and include Accumulated Operating Results adjustments, cash surcharges, and fund management adjustments.

25.1.2.12. The purpose of the cost recovery elements is to balance total revenues with total net operating costs. Total net operating costs must not include requirements funded by appropriations, such as war reserve materiel or national defense stockpiles (see Volume 4, Section 6). The costs within the recovery elements must account for the following as applicable:

25.1.2.12.1. The SMA finances the costs of wholesale ICPs and wholesale supply depot operations. Such costs include civilian labor and benefits, military labor, supplies, purchased services, and reimbursements to other defense agencies providing support. The cost of performing equivalent functions at the retail level (installation/area supply support) may be included in the cost assessed by the wholesale activities if the retail activity is managing the distribution of Defense Logistics Agency, General Services Administration, or any other government agency where an additional rate would not be applicable.

25.1.2.12.2. The SMA finances the costs of separate activities that exist primarily to benefit the wholesale ICP and/or a wholesale supply depot mission. Establish mission support overhead cost pools that identify civilian labor and benefits, supplies, purchased services, and other costs incurred in functions such as line management command and control, staff management and policy, centralized procurement, accounting, personnel, and automated data processing. The portion of overhead costs directly benefiting the SMA mission is allocated to, and reimbursed by, the SMA. The allocation must be prorated on the relationship of the cost of the benefits provided to the SMA, and to the cost for all activities or functions.

25.1.2.12.3. Shipping and transportation costs, including costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

25.1.2.12.3.1. Transportation costs include SMA-issued items. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost must be included. Second destination transportation (SDT) costs should assume average cost as adjusted by budget year projected changes. SMA generally finances SDT costs for transportation within the Continental United States (CONUS) and between overseas locations. Assess additional charges for expedited delivery.

25.1.2.12.3.2. The SMA must reimburse transportation and other shipping costs only for items approved by an item manager for return to the SMA from DoW customers.

25.1.2.12.3.3. Costs of shipping and transportation for customer return of reparable exchange carcasses. Accordingly, customers are not charged separately for the returns.

25.1.2.12.3.4. Shipping and transportation costs of item manager-directed Lateral Redistribution Orders (LRO) of stock. The ICP or IMM must reimburse the supplying/holding activity for packing, crating, handling, and transportation for ICP/IMM-directed materiel moves.

25.1.2.12.4. The costs of providing and managing commissary items, including related operating costs, must be identified as commissary operating costs. These costs include headquarters or regional-level costs. Commissary operating costs are reimbursed by appropriations for commissaries and the commissary trust revolving fund. See DoD Instruction 1330.17 for additional information.

25.1.2.12.5. If a SMA experiences a sudden decrease in volume of customer orders, it may require additional revenue to liquidate contract authority. Resources may be obtained through either transfer or direct appropriation, or by SMA establishment of a cost recovery element (or combination of both). The SMA will eliminate any cash surcharge once undelivered order stock levels have stabilized for the new volume of demand.

25.1.2.13. A cost recovery element used by a retail-level supply activity:

25.1.2.13.1. Will include inventory (materiel) expenses for retail-managed items which are the net of gains and losses, obsolescence, and shelf-life deterioration.

25.1.2.13.2. May include other cost recovery elements, when approved by the OUSW(C) P/B RFI.

25.1.3. Foreign Military and Private Party Sales. Per Volume 15, the DWCF must sell items to Foreign Military Sales customers at the current price. The current price is also applicable to private parties (state and local governments, and non-governmental entities not under a DoW contract) authorized SM support.

25.1.4. Lateral Redistribution of Stock. When another activity has stock to fill an order, a SMA may direct an LRO to that activity to issue stock directly to the customer. As provided in DoDM 4140.01, Volume 5, "DoD Supply Chain Materiel Management Procedures: Delivery of Materiel," LRO billing procedures ensure a supply holding activity is reimbursed for both the standard price of the materiel and standard packing, crating, handling, and transportation costs. The item manager will bill the customer for the standard price of the materiel and pay the supply holding activity via the ICP/IMM for the standard price of the materiel and the standard packing, crating, handling, and transportation costs. DoW Components facilitating LROs must record outlays of Fund Balance with Treasury (FBwT) as a disbursement. Recording a negative collection is prohibited. Since these are intra-agency transactions, trading partners must use the correct detailed transaction-level codes. See the Deputy Chief Financial Officer financial policy memorandum (FPM), "Accounting Treatment of Lateral Redistribution Activities (FPM 20-05)."

25.1.5. Authorized Changes of Standard/Exchange Prices. Prices cannot be changed during a fiscal year without justification to, and prior written approval of the OUSW(C) P/B RFI. The item manager will group all approved price changes and release for updates to the SMA's pricing catalog not to exceed once a month. The only exceptions to the price changes requirement

for prior approval are: Unit of issue changes; First time buys; and Contract modifications or new contracts for the same requirement.

25.1.6. Discount Pricing. Product prices must reflect the full cost of the product and the related management activity unless the following conditions are met, and approved by OUSW(C) P/B RFI:

25.1.6.1. Requests to discount item prices must include an impact analysis of the anticipated cost (profit/loss) and Component approval.

25.1.6.2. Reductions from standard prices may be made for an actual difference in item utility or desirability due to age, condition, or model for items being phased out of the system; and items no longer procured, with limited remaining shelf-life, in less-than "fully serviceable" condition, or in long supply, i.e., assets stratified as "potential reutilization stock."

25.1.6.3. See Volume 4, Section 6, for SMA development of exchange transaction prices.

25.1.7. Pricing for Additional/Premium Service. Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers to economize according to needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) are available when a customer paid but was not provided a level of service. Customers are authorized to pay for enhanced service; this policy does not authorize reduced charges. Individual orders may be assessed an additional cost based on the following elements:

25.1.7.1. Expedited delivery.

25.1.7.2. Delivery outside the CONUS based on destination.

25.1.7.3. Depot handling fees related to order issues only. The fee(s) includes a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

25.1.7.4. Other additional/premium charges as approved by OUSW(C) P/B RFI.

25.1.8. Capital Investment Recovery Reflects the estimated recoupment of all assets defined by the capital program in terms of recoupment of outlays. See Volume 2, Section 10 for details on recovering these infrastructure related costs.

25.2 Contract Authority for Supply Management Operations

25.2.1. Background

25.2.1.1. Based on 10 U.S.C. § 2210, obligations may be incurred against anticipated reimbursements, without regard to fiscal year limitations. OMB Circular No. A-11

defines Contract Authority as a type of budget authority permitting obligations in advance of appropriations, offsetting collections, or receipts to make outlays to liquidate the obligations.

25.2.1.2. Contract Authority is apportioned and allocated without a supporting Treasury cash balance. Consequently, contract authority must be replaced or liquidated by other budgetary resources. Contract Authority is apportioned to the DWCF Capital Programs and the SM Operating Programs for the current fiscal year of the apportionment only, and for no other fiscal year.

25.2.2. Budgetary Resources

25.2.2.1. SM budgetary resources available during the current fiscal year consist of congressionally appropriated and re-appropriated amounts made available; the net of any non-expenditure transfers and internal distributions of budgetary authority into and out of the SMA and other Federal Government accounts (cash transfers); and apportioned contract authority.

25.2.2.2. Liabilities (accounts payable) are typically payable from the FBwT within the terms of the Prompt Payment Act, 31 U.S.C. Chapter 39, as implemented under Title 5, Code of Federal Regulations, Part 1315. Unfunded (unliquidated) contract authority is a SMA long-term liability because budgetary resources required have not yet materialized through customer orders or Congressional appropriations.

25.2.2.3. Unobligated appropriation balances are not available for use in the subsequent year unless reapportioned as a new apportionment in the new fiscal year.

25.2.2.4. The OMB may approve and apportion contract authority in the amount of the approved SMA-operating program, which may include the amount of the requested variability target or a portion thereof.

25.2.2.5. The OMB apportions contract authority on the SF 132, “Apportionment and Reapportionment Schedule.” The Office of the Deputy Comptroller P/B allots contract authority on the Annual Operating Budgets.

25.2.2.6. Apportioned contract authority is either obligated or returned. Obligated contract authority is substituted with the receipt of customer orders and then liquidated with revenue collection from order fulfillment. With Congressional approval, appropriations can be used to liquidate contract authority rather than spending authority from offsetting collections.

25.2.2.7. Customer orders received are requisitions and other orders accepted for furnishing items on a reimbursable basis. Order-generated budgetary resources are available to fund obligations provided that, in the case of orders from the public, an advance has been collected. Contract authority must not be used to fulfill orders from the public unless an advance is collected and reflected in the SMA's FBwT, except when explicitly authorized by law.

25.3 Contract Authority and Cash Management

25.3.1 Components' activity groups are responsible for cash management (see Volume 2, Section 10). The liquidation of contract authority is only authorized by collections from customer orders or by an appropriation. SM cash collections are the primary funding source for liquidation unless otherwise approved in writing by OUSW(C) P/B RFI.

25.3.2. SM activities may also submit requests as part of the component's budget request, for appropriations to liquidate contract authority, if a change in customer demands warrants this action. Similarly, OUSW(C) P/B RFI, must pre-approve in writing any proposed budget negative surcharges, other than Accumulated Operating Results recovery.

25.4 Multiple-Year Contracts

25.4.1. Overview

25.4.1.1. SM activities are authorized to use multiple-year contracts to procure items from a single contractor and more than one annual program increment of items to obtain an Economic Order Quantity (EOQ).

25.4.1.2. The SMA determines if items with stable demand are sole sourced and/or acquired by a multiple-year contract.

25.4.1.3. SM activities fund advance EOQ procurement for manufacturing components, parts, and raw material in quantities exceeding the current annual requirement when it is cost effective to do so. Advance procurements may be funded fully in single-year increments on a termination liability basis or included in a multiple-year contract with the nonrecurring contract costs.

25.4.1.4. Pursuant to 10 U.S.C. § 3501, the DoW is authorized to enter into multiple-year contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on cancellation ceilings. Furthermore, annual DoW appropriations acts may limit the use of multiple-year contracts. The OUSW(C) P/B RFI, must approve, prior to contract award, a single contract in excess of $100 million or $10 million in estimated termination liability. Each separate contract option must be treated as a single contract event, with the dollar amounts determining whether OUSW(C) P/B RFI approval is required.

25.4.2. Obligations. The SMA must obligate the minimum amount required for the period of the contract.

25.4.2.1. If the contract provides for annual terms with options to extend the terms in subsequent years, the Government must obligate the amount required to be procured in the first year. The obligation for each option year must be recorded when the option is exercised.

25.4.2.2. If the contract provides for minimum quantities over a period of more than one year, the obligation must be recorded for the sum of the minimum quantities times the

agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation must be recorded for the sum of the minimum dollar amounts.

25.4.2.3. The bona fide needs rule, derived from 31 U.S.C. § 1502(a), applies to appropriations limited to a definite period of time. Although the rule does not statutorily restrict a SMA from incurring obligations against contract authority for subsequent fiscal year requirements, contract authority may impose limitations on execution of obligations. Also, SM activities use contract authority to incur obligations to acquire stock or forecasted customer orders, and do not execute customer budgetary resources. Therefore, the timing of SMA's contract authority obligations does not govern, establish, or reflect the customers' appropriation bona fide need.

25.4.3. Cost of Items. The cost of items procured by multiple-year contracts must be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract must be recorded as SMA materiel obligations.

25.5 Budgetary Accounts

25.5.1. Overview. Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority apportioned by OMB. SM activities are subject to apportionment, as required by the ADA, in accordance with the procedures prescribed in OMB Circular No. A-11, "Instructions on Budget Execution" and Volume 3, Section 17.

25.5.2. Allotments. Annual Appropriation Act general provisions provide that, "Except in amounts equal to the amounts appropriated to DWCF in this Act, no obligations may be made against a DWCF to procure war reserve materiel inventory unless the Secretary of War has notified the Congress prior to any such obligation." Obligation authority for mobilization must be allotted and allocated separately as a direct program. Conversely, non-mobilization obligations must be allotted and allocated separately as a reimbursable program and accounted and reported separately.

25.5.3. Budget Execution Balances for budgetary accounts are displayed on the SF 133, "Report on Budget Execution and Budgetary Resources" and the Defense Finance and Accounting Service "Accounting Report (Monthly) 1307, part VII" (see Volume 3, Section 17).



DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS, AND PROGRAMS"

UNDER SECRETARY OF WAR (COMPTROLLER)

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VOLUME 12

SPECIAL ACCOUNTS, FUNDS, AND PROGRAMS

1.0 GENERAL

1.1 Purpose

Volume 12 is the Department of War's (DoW) authoritative volume for specialized financial matters that are not part of routine operations. It establishes the official policies for managing a variety of fund types, including General, Special, Trust, and Revolving Funds.

This volume provides the authoritative guidance for the financial administration of special-purpose accounts and programs, covering transactions like contributions and loans. It details the rules for specific initiatives such as contingency operations, base closures, international agreements, and personnel entitlements like the GI Bill and the Military Retirement Fund (MRF). The core purpose of this guidance is to ensure all specialized financial activities are conducted with legality, consistency, transparency, and accountability across the DoW.

1.2 Authoritative Guidance

Refer to the Volume 12 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary on the FMR webpage.

1.4 Procedures

Refer to the Volume 12 Supplemental on the FMR webpage for sections listed throughout this volume.

2.0 FUNDS

2.1 Reference

Refer to the Volume 12 Supplemental for more information on Fund Groups and Symbols.

2.2 General Funds

2.2.1. Unless specific statutory authority authorizes a reimbursement to an appropriation account or fund (including special funds), DoW Components must credit all collections to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of, a general fund receipt account collection or receivable must be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

2.2.2. DoW Components must record accounts receivable for the general fund receipt accounts whenever an event determines that money is owed to the United States (U.S.) Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

2.2.2.1. A receivable must be recorded for general fund receipt account 2651, "Sale of Scrap and Salvage Materials, Defense," based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

2.2.2.2. A receivable must be recorded for general fund receipt account 3019, "Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force," based upon the receipt of an approved DoW DD Form 200, "Financial Liability Investigation of Property Loss."

2.2.2.3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4.

2.3 Clearing, Default, and Custodial Accounts (3500-3885)

Temporary Account Requirement. Since accounts F36XX, F3875, and F3885 are temporary in nature, DoW Components must expeditiously transfer all monies to the proper account to minimize the balance. Use of these suspense accounts are valid if approved by the U.S. Department of the Treasury (Treasury) provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

2.4 Management Fund Accounts (3900-3999)

2.4.1. A management fund must be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoW Component. Projects may encompass participation by organizational units of one DoW Component or of two or more DoW Components.

2.4.2. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

2.4.3. A management fund may not be used to finance a new operation or project, although eligible under paragraph 2.3, if other effective and efficient financing techniques are available. In general, appropriation reimbursements must be used. However, industrial funds must be used to finance industrial or commercial-type activities, and stock funds must be used to finance the acquisition of consumable (expense-type) materiel for stock.

2.4.4. Management fund accounts are subject to periodic internal audits.

2.4.5. Responsibilities

2.4.5.1. The Office of Under Secretary of War (Comptroller) (OUSW(C)) and Deputy Chief Financial Officer (DCFO) must:

2.4.5.1.1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSW(C) DCFO will receive, review, evaluate and approve proposed management fund account charters. Refer to Figures 1-1 and 1-2 within the Volume 12 Supplemental.

2.4.5.1.2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of War (Comptroller) (USW(C)) the establishment or continuance of a management fund account.

2.4.5.2. The Heads of DoW Components must:

2.4.5.2.1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this section.

2.4.5.2.2. Oversee compliance with this section regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

2.5 Revolving Funds (4000-4999)

2.5.1. Revolving funds subject to apportionment are apportioned on an obligation basis. The DoW Component must submit an SF 132, 'Apportionment and Reapportionment Schedule,' to the Office of Management and Budget (OMB) for approval of the budgetary authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year. For more information regarding Revolving Funds, refer to Volume 12 Supplemental section 2.5.

2.5.2. Claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

2.5.3. Incurring obligations or authorizing the incurrence of obligations more than apportioned budgetary resources must be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

2.5.4. Each revolving fund is required to submit a separate set of reports to the Treasury as described in Volume 6. Therefore, the data required for each revolving fund to prepare these reports must be identified within the DoW Component's accounting system.

2.6 Special Funds (5000-999)

Special Fund Expenditure Accounts. The accounting for special fund expenditure accounts must be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund considering any special provisions in the enabling legislation.

2.7 Deposit Funds (6000-6999)

Deposit fund accounts are established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. Deposit fund transactions are excluded from the budget totals because the amounts are not owned by the government, and therefore are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. This section identifies various types of deposit funds.

2.7.1. Unidentified Remittances. Unidentified remittances must be credited as suspense items outside the budget unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts must be credited to the receipt clearing fund accounts. An example of a DoW deposit fund account is the Army's Group Life Insurance Fund, fund account symbol 021X6434.

2.7.2. Unclaimed Collections. On a quarterly basis, DoW Components must initiate action to clear unclaimed collections held in their trust, revolving, and deposit fund accounts for more than one year. Unclaimed collections are money held by the government for individuals whose whereabouts are unknown. Unclaimed collections of $25 or more are transferred to "Payment of Unclaimed Moneys" with the accounting citation 020X6133, if held for more than one year. This account represents money that, when claimed, is properly refundable to the legal owner of the funds. Unclaimed collections of less than $25 or amounts of $25 or more that have been held for more than one year for which the rightful owner can be neither identified nor located are transferred to R1060 unclaimed amounts.

2.8 Trust Funds (8000-8999)

2.8.1. Trust Fund Receipt Accounts. The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund considering any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign

Military Sales (FMS) related to the Executive trust fund, special accounting requirements have been established in Volume 15.

2.8.2. Trust Fund Expenditure Accounts. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

2.8.3. Trust Revolving Funds (8400-8499). Accounting for trust fund expenditure accounts and trust revolving funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund considering any special provisions in the trust agreement or the enabling legislation.

2.9 Available Receipts

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an "X" is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until Fiscal Service prepares a warrant to move the funds to a current fiscal year expenditure account.

2.10 Unavailable Receipts

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts are sometimes invested. In these circumstances, Treasury designates the fund as "available only for investment."

2.11 Transfer Appropriation Accounts

Fiscal Service establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular office or bureau within the receiving department. For example, 017-097 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (097) and was transferred to the Department of the Navy (017) for execution purposes.

2.12 Patent Royalty Activities

2.12.1. Each fiscal year, Treasury will create a new three-year Treasury Account Symbol (TAS) to record collections and payments of expenses related to patent royalties. DoW Components should obligate and disburse directly from the three-year TAS for the purposes specifically authorized in Title 15, U.S. Code Section 3710c (15 U.S.C. § 3710c), which states that collections are only available for three years.

2.12.2. DoW Components must record the collections in the United States Standard General Ledger (USSGL) 426600 – Other Actual Business-Type Collections from Non-Federal Sources. USSGL 426600 provides direct budget authority on line 1800 of the Standard Form (SF) 132 and SF 133.

3.0 CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

3.1 Defense Cooperation Account

A special account is established in the Treasury for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of War (SecWar), or designee under 10 U.S.C. § 2608.

3.2 Authority

3.2.1 SecWar. 10 U.S.C. § 2608 provides authority for the SecWar to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property. It may accept from any foreign government or international organization any contribution of services.

3.2.2. Under Secretary of War (Comptroller) (USW(C)). Authority to accept such contributions has been delegated to the USW(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration, and distribution of contributions of funds from foreign countries for defense programs.

3.2.3. Military Departments (MILDEPs) and Defense Agencies. The Secretaries of the MILDEPs and the Directors of the Defense Agencies have authority to accept from any business (person) or international organization any contribution of real or personal property for use by their organizations.

3.2.4. Washington Headquarters Services (WHS). Given WHS responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability, the Director of the WHS has authority to accept contributions of personal property offered to the Office of the Secretary of War (OSW) for use at the Pentagon.

3.2.5. Delegation of Authority. The USW(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case-by-case basis.

3.3 Policy on Contributions

3.3.1. Nonmonetary Contributions. These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment), or services that would benefit the DoW, if accepted. Once the DoW accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoW organization should recognize the contribution in its financial statements. See Volumes 4 and 6 for accounting and reporting guidance.

3.3.1.1. The receiving DoW organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made, thus making DoW the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see subparagraph 3.5.1).

3.3.1.2. The receiving organization must document and retain on file the details of each non-monetary contribution received. For audit purposes, the receiving organization must retain the supporting documentation in accordance with the National Archives and Records Administration – General Records Schedules.

3.3.2. Monetary Contributions. The USW(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

3.3.2.1. Contributions in Cash

3.3.2.1.1. Cash contributions, including proceeds from the sale of any contributed property, must be deposited into the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

3.3.2.1.2. Consistent with sound cash management practices, any cash accepted, under USW(C) authority, must be either converted into a check and forwarded to the DFAS using overnight delivery service or deposited into a Treasury General Account with funds transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3.3.2.1.3. Any funds forwarded by electronic funds transfer (EFT) must be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division must be notified prior to forwarding any funds electronically.

3.3.2.1.4. Documentation associated with cash contributions, including copies of deposit tickets and the original correspondence from contributors, must be forwarded within 24 hours of the deposit using overnight delivery service to the DFAS Trust Fund Accounting Division.

3.3.2.2. Contributions by Check

3.3.2.2.1. Checks received by DoW officials must be made payable to the "United States Treasury." The reference line on the check should indicate the "Defense Cooperation Account."

3.3.2.2.2. Checks received by DoW officials must be forwarded to the DFAS Trust Fund Accounting Division. The DFAS must deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3.3.2.2.3. Documentation associated with check contributions, including the original of any correspondence from contributors must be forwarded with the check.

3.3.2.3. Contributions by Wire Transfer

3.3.2.3.1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

3.3.2.3.2. After approval by the USW(C), donors may make contributions to the DCA via EFT from commercial banks to "Account Number 1" in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York must credit the Department accordingly, using the format in the Volume 12 Supplemental.

3.3.2.3.3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors must be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

3.3.2.4. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency, the cognizant DoW official must:

3.3.2.4.1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

3.3.2.4.2. Advise the USW(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the donor makes the currency transfer.

3.3.2.4.3. Upon approval by the USW(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York "Account Number 1" via the donor's central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoW official should seek guidance from the DFAS Trust Fund Accounting Division for appropriate alternative arrangements.

3.3.2.4.4. Foreign checks received by DoW officials must be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

3.3.2.4.5. Cash and checks received by DoW officials in countries not served by a DoW disbursing officer must, upon approval by the USW(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

3.3.3. Policy on Acceptance of Contributions

3.3.3.1. Authorities that may accept contributions must use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, must consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition or reflect unfavorably on the Department. "Prohibited source" and "Ethics Counselor" must have the meanings set forth in DoD Directive (DoDD) 5500.07, "Ethics and Standards of Conduct."

3.3.3.2. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

3.3.3.3. Department personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

3.3.4. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

3.4 Reporting on Contributions

3.4.1. Reporting Requirements. Not later than 10 days after the end of each quarter, each DoW official that has accepted and received a nonmonetary contribution must submit a report to the DFAS Trust Fund Accounting Division that identifies elements cited within the Volume 12 Supplemental.

3.4.2. DFAS Reporting Requirement. Not later than 15 days after the end of each quarter, the DFAS must prepare and forward to the USW(C) a report to be submitted to Congress that provides information cited within the Volume 12 Supplemental.

3.5 Investing Contributions

3.5.1. General. Consistent with good cash management practices, funds in the DCA must be invested in securities of the United States or in securities guaranteed as to principal and interest by the United States.

3.5.2. Purchasing Government Securities. Refer to the Volume 12 Supplemental document for the DFAS requirements for purchasing Government securities.

3.5.3. Selling Securities. Refer to the Volume 12 Supplemental document for the DFAS requirements for selling Government securities.

3.5.4. Maturing Securities. The DFAS must maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

3.5.5. Payments or Transfers. The Congress must authorize payments or transfers from the DCA. The USW(C) will provide withdrawal notification to the DFAS, which must ensure appropriate action is taken.

3.5.6. Annual Reviews. The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoW and the Treasury policies and procedures, and adequacy of internal controls.

4.0 DIRECT LOANS AND LOAN GUARANTEES

This section establishes the DoW policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the ***Federal Credit Reform Act of 1990*** (FCRA) as amended. The major purposes of the FCRA are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the most appropriate form to meet the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

4.1 Accounting Standards

4.1.1. Netting Subsidy Re-estimate Amounts (within Cohorts). To calculate subsidy costs, components begin by estimating the expected cash flows and inflows over the life of the loans for each cohort year. Expected cash flows are then discounted to the point of the loan disbursement to determine the net present value. The subsidy cost represents the net present value cost of making or guaranteeing new loans.

4.1.1.1. The data used for budgetary subsidy cost estimates are updated, or re-estimated, annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Re-estimates must be made immediately after the end of each fiscal year, if any loans in the cohort are outstanding.

4.1.1.2. OMB Circular No. A-11, Part 5, Section 185.6 (f), "Reestimate Increases/Decreases," states that in cases where agencies execute a risk category on a loan-by-loan basis, increases or decreases in subsidy cost for different loans within the same cohort and risk category will be netted against each other. Loans that require increased subsidies should draw on the excess from any risk categories within the cohort where the re-estimate shows a subsidy decrease. A negative or downward subsidy re-estimate should be recognized as a direct reduction in expense, not as a revenue, gain, or other financing source.

4.1.1.2.1. If the netting within the cohort indicates a net increase in the subsidy cost of the cohort since the last estimate or re-estimate, an obligation in the amount of the net increase (plus interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose.

4.1.1.2.2. If the netting within the cohort results in a net downward re-estimate, there is no overall increase in subsidy cost for the cohort, and hence no additional appropriated subsidy for the program account. To keep the correct balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (plus interest on the re-estimate) must be recorded in the financing account.

4.1.1.2.3. Within the financing account, any amounts borrowed for downward re-estimates for individual loans not needed for/transferred to loans with upward re-estimates are transferred to a miscellaneous receipt account.

4.1.1.3. The DFAS maintains separate accounting records for each loan and loan guarantee with all accounting transactions. All projects having a downward re-estimate, whether they are in a cohort with an upward re-estimate project, borrow the gross amount of their respective downward re-estimates from the Treasury's Bureau of the Fiscal Service. The borrowed funds received by a downward re-estimate project is transferred to the amount needed to fund an upward re-estimate project in the same cohort, with any net remaining funds paid to the Treasury.

4.1.1.3.1. The downward re-estimate project records such intracohort transfers as a credit to USSGL account 427100 "Actual Program Fund Subsidy Collected" with an offsetting debit to USSGL 427100 recorded by the upward re-estimate project. Consequently, the total re-estimate amount included in Line 4120 "Federal Sources" on the SF 133 "Report on Budget Execution and Budgetary Resources" is the sum of the net cohort balances.

4.1.1.3.2. The Treasury, primarily through the Fiscal Service, provides detailed accounting and reporting guidance for Federal credit programs through the Guide for Basic Accounting and Reporting for Direct Loan Programs without Collateral in Federal Credit Program and the Guide for Basic Accounting and Reporting for Loan Guarantee Programs without Collateral in Federal Credit Program.

4.2 Credit Reform Fund Controls

4.2.1. Fund Control. Leaders of DoW agencies must prescribe, by regulation, a system of administrative control of funds. For credit programs and resources, systems for administrative control of funds must ensure that internal controls include objectives specific to compliance with the Antideficiency Act (ADA). Additional detailed guidance can be found in OMB Circular No. A-11, Part 4, Section 150.

4.2.2. Antideficiency Act Violations. ADA violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, to the Comptroller General, and to Congress. For additional information, refer to Volume 14. For examples of ADA violations refer to the Volume 12 Supplemental.

4.3 Credit Apportionment and Reapportionment

All Treasury Appropriation Fund Symbols (TAFS) and all program, financing, and liquidating accounts are required to be apportioned, except in the case of a TAFS that is exempt from apportionment per OMB Circular No. A-11, Part 4. Refer to Volume 3.

4.4 Report on Budget Execution and Budgetary Resources (SF 133)

4.4.1. Coverage. Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources must be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in OMB Circular No. A-11, Part 4.

4.4.2. Timing of Reports. The SF 133 must be submitted electronically through the Treasury's Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance System at the end of November, July, August, and each quarter or such other time period specified by the OMB for each open TAFS. Optionally, the SF 133 is submitted through the GTAS for the additional monthly reporting in November, July, and August for expiring TAFSs. This facilitates analysis and ensures consistent presentation of budget execution information so that Government-wide totals are meaningful. A copy of the SF 133 for each calendar quarter must be submitted to the Committee on Appropriations, House of Representatives.

4.5 Direct Loans

The DoW Component must record an obligation of subsidy in the program account when it signs a binding contract, in accordance with the provisions of OMB Circular No. A-11, Part 5, 'Federal Credit.' Subsidy funds must be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the Federal Credit Reform Act (FCRA) of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

4.6 Guaranteed Loans

The DoW Component must record the obligation of subsidy in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular No. A-11, Part 5, "Federal Credit." The DoW Component must pay subsidy funds from the program account to the financing account when the third-party lender disburses the guaranteed loan to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, the DoW Component makes any change in the estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f)

of the FCRA of 1990. If the subsidy amount decreases, the DoW Component must make a payment to a receipt account.

4.7 Computation of Interest Expense and Interest Income

Refer to the Volume 12 Supplemental for: Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs; Frequency of Interest Computations; Weighted Average Interest Rate; and Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts.

4.8 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the FCRA of 1990 (as amended) and are intended to account for direct loans and loan guarantees. DoW entities must follow the Standard Financial Information Structure (SFIS), which is based on the Treasury USSGL. For more complete information, visit the SFIS website.

5.0 GRANTS AND COOPERATIVE AGREEMENTS

5.1 DoW Statutory Authorities for Use of Grants

A DoW Component may use grants when the SecWar delegates the statutory authority, or when a statute grants the authority directly to the Head of the DoW Component. Title 32, Code of Federal Regulations (CFR) § 21.420 lists the types of statutory authority the DoW may use to award assistance instruments.

5.2 Grants Financial Management

5.2.1. Financial Management Information System

5.2.1.1. The DoW Component must ensure the availability of a financial management information system capable of recording and monitoring grant transactions and providing, by transaction, a delineation of the federal and grantee breakout of program costs.

5.2.1.2. The system must enable the DoW Component to quickly identify the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

5.2.2. Record Retention. The DoW Component must maintain grant-supporting financial management documentation in accordance with the requirements in its DoW Component records retention requirements.

5.2.3. Recording and Reviewing Commitments and Obligations. Accounting for funds under a grant must start with the commitment of funds prior to their obligation by an awarding official. The awarding official must be a DoW grants or agreements officer with a statement of appointment that meets the requirement in 32 CFR §§ 21.435-21.465. After funds commitment,

budgetary obligations must be recorded upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the performance obligations of the parties to the award, and other terms. A legal obligation to disburse grant funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or other obligating document. Refer to Volume 3 for more information.

5.2.4. Volume 10 provides detailed payment provisions for grants and other instruments of assistance.

5.2.4.1. Timing and Frequency

5.2.4.1.1. 32 CFR § 22.810 prescribes the timing and frequency of grant payments. In general, it is Governmentwide policy to minimize the time elapsing between any payment of funds to a grantee and the grantee's disbursement of the funds for program purposes. For States, payments are governed by Treasury-State Cash Management Improvement Act agreements and default procedures codified in 31 CFR § 205 and I Treasury Financial Manual (TFM) 4A - 2000 Overall Disbursing Rules for All Federal Agencies.

5.2.4.1.2. The assisting DoW Component must account for payments made to grantees to cover part or all their anticipated expenses or advance payments as advances. This accounting treatment continues until the grantee performs under the award, meaning the grantee meets the requirements to use the funds in accordance with the grant agreement. Refer to Volume 4 for more information.

5.2.4.1.3. The DoW Component should require payments as reimbursements when the grantee cannot meet the requirements in subparagraphs 5.2.4.1.1 and 5.2.4.1.2, when the DoW Component sets a specific grant condition per 2 CFR § 200.207, or when the grantee requests this payment method. The DoW Component may also use reimbursement for any construction grant, or if private market financing or Federal loans fund the major portion of the construction project, and the Federal award constitutes a minor portion of the project.

5.2.4.2. Method. It is a government-wide requirement to use EFT in the payment of any grant to the maximum extent practicable under 32 CFR § 22.810.

5.2.4.3. Process. Disbursing offices must follow the policies and procedures in Volume 10 for payment provisions for grants.

5.2.4.4. Withholding Payments. The DoW Component may withhold payments for allowable costs when:

5.2.4.4.1. The grantee failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award. If the grant is not otherwise suspended, the DoW Component must release the payment to the grantee upon the grantee's compliance. If the grant is suspended, the DoW Component will make payment adjustments according to 2 CFR § 200.342;

5.2.4.4.2. The grantee is delinquent in a debt to the United States as defined in OMB Circular No. A-129. In this situation, the DoW Component must provide reasonable notice to the grantee that payments will not be made for obligations incurred after a specified date until the indebtedness to the Federal Government is paid; or

5.2.4.4.3. The grantee has a sustained audit finding which resulted in amounts due to DoW. The DoW Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt and continues to accrue while an appeal is underway.

5.2.4.5. Interest from Advanced Payments. A DoW Component may allow grantees to retain interest earned up to $500 per year for their administrative expenses. Grantees must remit any additional interest earned on DoW advance payments, required to be deposited in interest-bearing accounts, annually to DoW using either an Automated Clearing House network or a Fedwire Funds Service payment.

5.2.5. Recording of Expense

5.2.5.1. When the grantee that received the advance has performed under the grant, the DoW Component must record an expense in an amount equal to the cost of the services performed or cost incurred and reduce the advance account by that amount. The grantee must provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the grant.

5.2.5.2. The DoW Component must account for payments to grantees for reimbursement of work performed or costs incurred as expenditures and expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

5.2.6. Accruals. The DoW Component must recognize and report balances due or advanced to grantees at the end of the reporting period and apply cost-benefit considerations to the process of estimating and validating accruals.

5.2.6.1. Accrual estimates must be treated as follows:

5.2.6.1.1. Amounts issued as advances must be adjusted, even if grantees have not yet reported expenses incurred; and

5.2.6.1.2. Where there is no advance or no remaining advance, the DoW Component must estimate amounts payable to grantees.

5.2.6.2. The DoW Component must document and maintain support for the data and assumptions used to develop grant accrual estimates and follow internal control guidance in Federal Accounting Standards Advisory Board Technical Release 12.

5.2.7. Accounts Receivable

5.2.7.1. At the termination or closeout of a grant, the DoW Component must establish an accounts receivable for any disallowed expenses, improperly applied funds, unused funds, and any other amount due to the DoW according to the grant's terms and conditions.

5.2.7.2. When a grantee has a sustained audit finding that resulted in amounts due to DoW, the DoW Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the DoW Component notifies the grantee of the debt and continues to accrue while an appeal is underway.

5.2.8. Debt Collection. A DoW Component establishes a debt when it determines it has overpaid a grantee under the terms and conditions of the grant. Volume 10 and Volume 16 describe the treatment of debt collection.

5.3 Real Property and Equipment

5.3.1. Grantee Purchased Real Property or Equipment. A DoW Component must provide prior approval to grantees to purchase real property or equipment with federal funds. Generally, title to real property or equipment vests with the grantee upon the grantee's acquisition and DoW does not account for its reversionary interest in real property and equipment (32 CFR § 34.21(a) and (b)). The title must be conditional, subject to the following:

5.3.1.1. The grantee must use the real property or equipment for the authorized purposes of the grant until funding ceases, or until the property or equipment is no longer needed for the grant. Use in other projects must be limited to those under federally sponsored projects (i.e., awards) or programs that have purposes consistent with those authorized for support by the DoW Component;

5.3.1.2. The grantee cannot encumber the property without approval of the DoW Component; and

5.3.1.3. The grantee must use the real property or equipment following the terms of the grant and dispose of the property or equipment following disposition instructions from the DoW Component, consistent with 32 CFR § 34.21(d) and (e).

5.3.1.4. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for any outstanding proceeds from the disposition of real property or equipment.

5.3.2. Federally-owned Property. Title to Federally-owned property remains vested in the DoW (32 CFR § 34.22) and:

5.3.2.1. The DoW Component must establish appropriate general ledger accounting controls and property records and include the assets in its financial statements. The

asset must be recorded at acquisition cost to the grantee and depreciated in accordance with guidance in Volume 4.

5.3.2.2. If DoW has no further need for the property, it must declare the property excess and report it for disposal following the instructions in Volume 4 for Excess Items Disposition, unless the DoW Component has statutory authority to dispose of the property by alternative methods.

5.3.3. Exempt Federally-owned Property. Exempt Federally owned property means property acquired under a grant when the DoW has chosen to vest title to the property to the grantee without further obligation to the Federal government, based on explicit terms and conditions of the grant. A DoW Component may exercise this option only when statutory authority exists.

5.4 Supplies

Title to supplies will vest in the grantee upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the grantee must retain the supplies for use on other activities or sell them. In either case, the grantee must compensate DoW, following the requirements in 32 CFR § 34.24. The grantee may deduct and retain $500 or ten percent of the proceeds, whichever is less, for selling and handling expenses. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for compensation received from grantee residual inventory.

5.5 Intangible Property

Intangible property applies to a patent, patent application, copyright, or other intangible property acquired, but not developed or produced, under the grant. When the grantee no longer needs the intangible property for the originally authorized grant purpose, the DoW Component must arrange for the disposition of the intangible property, following the requirements in 32 CFR § 34.25. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for the remaining proceeds from disposition of intangible property.

5.6 Other Required Reporting

5.6.1. Improper Payment. An improper payment is any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

5.6.1.1. Questioned costs, including those identified in audits, are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular No. A-123 Appendix C.

5.6.1.2. Grant programs are subject to the payment integrity requirements in Volume 4.

5.6.2. Public-Private Partnership Reporting. Grants which meet the definition of public-private partnerships (P3), risk-sharing arrangements or transactions with expected lives greater than 5 years between public and private sector entities, may be subject to disclosure under SFFAS 49. Volume 6 and SFFAS 49 provide detailed information about P3 reporting.

5.6.3. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. 1 TFM 2 - 4500 requires electronic submission of several reports pertaining to foreign obligors to the Treasury. Refer to Volume 6 and Volume 16 for more details.

6.0 FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY, LOST, DAMAGED, DESTROYED, OR STOLEN

6.1 Applicability

The requirements within this section apply to all government property regardless of whether the government property is recorded in an Accountable Property System of Record. This section does not apply to loss, damage, destruction, or theft of Government Furnished Property, Contractor Acquired Property, and property acquired by a contractor because of partial, advance, progress, or performance-based payments in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property must be processed in accordance with the terms and conditions of the accountable contract or third-party agreement to which the lost, damaged, destroyed, or stolen property was accountable.

6.2 General Requirements

6.2.1. Initiation of General Inquiries and Investigations

6.2.1.1. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, must conduct a general inquiry to determine if the situation warrants a formal investigation. A DD Form 200 is not required for general inquiries. Loss, damage, destruction, or theft of supply system materiel must be processed in accordance with paragraph 6.5.

6.2.1.2. An investigation must be conducted for all loss, damage, destruction, or theft of government-owned equipment with initial unit acquisition cost (value) of $5,000 or greater; all sensitive, classified, or leased (Refer to Volume 4) property regardless of initial acquisition cost; and any real property (see Department of Defense Instruction (DoDI) 5000.64 for more information). Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction, or theft of small amounts of property occurs frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

6.2.2. DD Form 200. The DD Form 200 is the required documentation for investigations and must be used to document the facts and circumstances of the loss, damage, destruction, or

theft. The person conducting the investigation must complete blocks 1 through 11 of the DD Form 200. Refer to the Volume 12 Supplemental.

6.2.3. Review. Upon completion of the investigation, the DD Form 200 must be forwarded to the appointing authority for review. The appointing authority must determine if a financial liability officer or a financial liability board is needed to investigate. The general criteria for appointing a financial liability officer or board and the responsibilities of a financial liability officer or board regarding inventory losses are contained within the Volume 12 Supplemental. General Counsel and/or the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (10 U.S.C. §§ 801-806).

6.2.4. Evidence of Theft. Cases involving stolen government-owned property must be referred to local security and/or law enforcement officials, in accordance with agency procedures.

6.2.5. Notification and Examination. When financial liability is recommended, the individual must be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also must be given the opportunity to request a waiver of the financial liability in accordance with 10 U.S.C. § 2775.

6.3 Approving and Appointing Authority

Due Process. The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of individuals involved to respond to recommendations of financial liability is not a sufficient reason for the appointing and approving authorities to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in the Volume 12 Supplemental.

6.4 Government Housing Liability

Military Personnel Liability for Government Housing Determination of Proximate Cause. A member of a Military Service must be held liable to the U.S. for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

6.5 Supply System Material

This section applies to personal property defined as "supply system materiel" and contains procedures to be followed when inventory losses are discovered. The provisions of this section are applicable to all activities accountable for supply system material, including stock fund and other inventories (e.g., appropriated fund).

6.5.1. Inventory. Physical inventories must be performed in accordance with the provisions contained herein and in Department of Defense Manual (DoDM) 4140.01, Volume 5.

6.5.2. Causative Research. Causative research must be conducted for all inventory discrepancies that meet any of the criteria specified in Defense Logistics Manual (DLM) 4000.25, Volume 2. For inventory discrepancies that do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability must be provided by means of an inventory adjustment document.

6.5.3. Resolved Inventory Losses

6.5.3.1. Accountability. The data developed by post count validation, pre-adjustment research, and causative research must be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments must be processed in accordance with this Regulation and DLM 4000.25, Volume 2.

6.5.3.2. Statistics. The type of inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25, Volume 2.

6.5.4. Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

6.5.4.1. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand must be provided by means of an inventory adjustment document. The detailed data requirements and procedures for preparing and processing the inventory adjustment document must be as prescribed in the appropriate DoW Component implementing documents.

6.5.4.2. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph must be cited as authority for relieving the accountable officer of accountability.

6.5.4.3. Statistics. The type of inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25, Volume 2.

6.5.5. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

6.5.5.1. Accountability. See subparagraph 6.4.4.1.

6.5.5.2. Statistics. See subparagraph 6.4.4.3.

6.5.6. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A financial liability investigation must be used to support the adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

6.5.7. Criteria for an Investigation. A financial liability investigation must be initiated on all unresolved inventory discrepancies for each stock number that meets any of the criteria identified in the Volume 12 Supplemental.

7.0 FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

7.1 Authoritative Guidance

7.1.1. The National Defense Authorization Act (NDAA) for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the DoW. The NDAA for Fiscal Year 1995 extended this authorization to include foreign nationals employed by a foreign government, for the benefit of DoW, under any of the following agreements that provide for separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. 10 U.S.C. § 1581, "Foreign National Employees Separation Pay Account," provides for the establishment and operation of this account. The use of the term "foreign national employees" in this section is meant to apply to both foreign national direct and indirect hire employees. 10 U.S.C. § 1592 establishes that funds in the "Foreign National Employees Separation Pay Account, Defense" account may not be used to pay severance pay to a foreign national employed by DoW that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

7.1.2. This guidance applies to all DoW appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (DWCF). DWCF activities must continue to make necessary foreign national employee severance payments under established DWCF procedures. This guidance also does not apply to the FMS Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund. Use of nonappropriated funds (NAF) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded (APF) entities is prohibited.

7.2 Policy

7.2.1. Calculations. Foreign national employees' separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disburse these amounts from the Treasury "Foreign National Employees Separation Pay Account, Defense," 097X8165. The applicable Treasury receipt account is 097X8165.001, "Employing Agency Contributions,

Defense." Find additional guidance on obligations for separation allowances for foreign national employees in Volume 3.

7.2.2. The Director, DFAS, must administer the account as well as perform related accounting functions.

7.2.3. Transfers into the "Foreign National Employees Separation Pay Account, Defense" must be made following procedures in the procedures/guidance document.

7.2.4. Deobligations. Each DoW Component must notify its supporting DFAS site of all deobligation transactions, adjustments, and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

7.3 Subsequent Disbursements

7.3.1. Validation of Funds Availability. Local disbursing offices and the Department of State (DoS) may continue to make disbursements for foreign national employee separation payments, when approved by DFAS, using DoW cross-disbursement procedures. Each DoW Component and non-DoW office (e.g., DoS) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement. A positive balance in the account is necessary prior to payment; therefore, both DoW and non-DoW activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

7.3.2. Cross-Disbursements. When cross-disbursement procedures are used, the appropriate DFAS site must be advised prior to each actual disbursement. Find additional guidance on cross-disbursement transactions in Volume 3.

7.4 Responsibilities

Refer to the Volume 12 Supplemental.

8.0 INTERNATIONAL AGREEMENTS

8.1 General

This section establishes the financial procedures that must be followed when DoW Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto. It does not cover Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements associated with security assistance programs. Such transactions are implemented under provisions identified in Section 15.

8.1.1. International Agreement Document. This term includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical

arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization.

8.1.2. International Agreement Design for Coordination. Each international agreement submitted for coordination must contain a fiscal, legal and policy memorandum in accordance with DoDI 5530.03, "International Agreements," paragraphs 5.2.b., or a Summary Statement of Intent (SSOI) in accordance with paragraph 5.2.b.(5). Refer to Volume 12 Supplemental for detail regarding these memoranda.

8.2 Legal Considerations

Legal authority information is critical to the preparation of an international agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. Any agreement that involves the obligation of U.S. appropriated funds must have an underlying legal authority for the use of such funds; the agreement itself cannot create such an authority. Refer to the Volume 12 Supplemental for detailed information regarding these legal considerations.

8.3 Fiscal Considerations

8.3.1. Availability of Financing Sources. There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section must identify any other applicable prohibitions. It is implicit in the identification of the financing sources set forth in the Volume 12 Supplemental that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

8.3.1.1. No funds designated by the Congress for North Atlantic Treaty Organization (NATO) or major non-NATO cooperative research and development under 10 U.S.C. § 2350a may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

8.3.1.2. U.S. Government military assistance funds (i.e., Foreign Military Financing, FMS loans, and FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by section 27 of the Arms Export Control Act or a cooperative development project with a major non-NATO ally under 10 U.S.C. § 2350a.

8.3.2. Financial and Nonfinancial Contributions. A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. If the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section must summarize the results of such an analysis. The price analysis must be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally must be valued at the exchange rate current at the time that the agreement is prepared. There must be no

subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI must display the value of the currency in terms of U.S. dollars.

8.3.3. Valuation of Nonfinancial Contributions. The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI must describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions must also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions can be found in the Volume 12 Supplemental.

8.3.4. Reasonable and Necessary Expense. Any obligation of DoW appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoW missions, unless the use of DoW funds for other than a DoW mission specifically is authorized by statute.

8.4 Proposed Agreement

8.4.1. Financial Policies and Appropriate Cross References. An international agreement must contain language that implements the requirements established by U.S. law and regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

8.4.2. Fund Availability Qualification. Because agreements may involve future years for which Congress has not yet appropriated funds, all agreements that require that DoW provide financial contributions must contain a funds availability clause to prevent a premature recording of an obligation against a future year's appropriation.

8.4.3. Reconciliation of Agreement Dollar Value to Financing Sources. An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

8.4.4. Adherence to Prescribed Pricing Rules

8.4.4.1. If an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Subparagraphs 8.3.2 and 8.3.3 discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of

special pricing attention is charges for existing DoW technical data and computer software, or the use of equipment or facilities.

8.4.4.2. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

8.4.5. Determination of Program Equitableness

8.4.5.1. 2350a and 22 U.S.C. § 2767, and in accordance with DoDI 5530.03, international agreements involving cost sharing should be equitable. The United States and the other participants to an international agreement must contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project and must receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant's cost share must be proportionately equal to the benefits it receives. In many cases, "equitable" will mean equal, but the sharing need not be exactly equal to meet the equitable standard; minor deviations are permissible so long as the cost sharing is fair based on the totality of the circumstances involved, and not in contravention of other law or regulation. Any such deviation will be cited clearly in the SSOI and approved by the relevant DoW officials during their routine coordination of international agreements. Further details of meeting the requirements for equitability are provided in the Volume 12 Supplemental.

8.4.5.2. The SSOI or fiscal memorandum to a proposed international agreement, must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoW officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

8.4.5.3. Calculation of Expected Contribution. In support of an equitability determination by DoW approving officials, the expected contribution must be calculated and presented in the SSOI or supporting documentation using one of the methods identified in the Volume 12 Supplemental:

8.4.6. Sales and Transfers of Technical Data Developed Under an Agreement – Refer to the Volume 12 Supplemental.

8.4.7. Taxes, Duties, and Similar Charges – Refer to the Volume 12 Supplemental.

8.4.8. Advance of DoW Funds

8.4.8.1. An advance constitutes a disbursement of DoW funds before an authorized DoW official has certified that materials have been delivered or ordered services performed. An agreement must not provide for DoW advance payments, unless the conditions for such advances, as set forth in Volume 4, are met. An advance to a foreign country is authorized only when

required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

8.4.8.2. When possible, advances must be made for no more than the amount necessary to fulfill the DoW share of project expenses for one month. Advances and prepayments must not exceed the amount necessary to fulfill the DoW share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires: Payment of interest at competitive rates; Timely identification of interest earned by each party; and Interest disposition in accordance with the participants' instructions.

8.4.8.3. The DoW share of funding required to support an international project must be obtained in full by appropriation, and no part of such funding must be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest must not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

8.4.8.4. Advances of DoW funds in excess of 90 days or $5 million require consultation with the Treasury. Contact with the Treasury must be through the OUSW(C).

8.4.9. Billing Requirements. When payments are to be made, the agreement or subsequent financial arrangements must include information identified in the Procedures document.

8.4.10. Special Types of Agreements

8.4.10.1. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoW services or materials provided are priced in accordance with Volume 11.

8.4.10.2. Cooperative Research, Development, Test and Evaluation (RDT&E), Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

8.4.10.2.1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

8.4.10.2.2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

9.0 FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

9.1 Overall Funding Policy

9.1.1. For this policy, the term "civilian separation incentives" means resignation and retirement incentives and outplacement subsidies that may be used to encourage designated civilian employees to separate voluntarily from DoW.

9.1.2. Available separation incentives include Voluntary Separation Incentive Pay (VSIP), VSIP Phase II, Voluntary Early Retirement Authority (VERA), and Voluntary Reduction in Force (VRIF). The DoW activities may pay up to $25,000 (before taxes and deductions) from appropriations, funds, or accounts available for such purposes for the voluntary resignation, early retirement, or optional retirement of a designated civilian employee.

9.1.3. Outplacement subsidies are used as an incentive for other Federal agencies to hire employees displaced by reduction in force (RIF) or transfer of function. DoW activities may pay up to $20,000 from appropriations, funds, or accounts available for such purposes. The payment is for Permanent Change of Station (PCS) costs incurred by another Federal agency when that agency hires any DoW employee in a surplus skill category who is subject to RIF. See the DoW FMR.

9.1.4. Audit Readiness/Internal Procedures. Each DoW Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

9.1.5. Recording Funding Obligations. Funds for separation incentives and outplacement subsidies must be obligated when an employee accepts the offer of an incentive payment. The obligation must be recorded in DoW Standard General Ledger account 640000, "Benefits Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the Office of the DCFO SFIS for additional information on account descriptions, and OMB Circulars, Circular No. A-11, Section 83 for additional information on object class codes.

9.2 Specific Funding Policies for Different Types of Employees

9.2.1. Civilian Separation. A DoW Component that offers civilian separation incentives to an employee, to induce the voluntary separation of that employee to create a vacancy for another employee of the same DoW Component, must fund the resulting separation payments from the applicable appropriation, fund, or account that otherwise is available to pay for salaries and expenses of that DoW Component. The source of Voluntary Separation Incentive Payments funds may include a DWCF for employees of a DWCF-funded activity. DoW central account funding is not provided.

9.2.2. Foreign Military Sales Trust Fund – Refer to Volume 12 Supplemental.

9.2.3. Placements Outside the Department. DoW activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoW employee with another Federal Agency as authorized under 5 U.S.C. § 5724 and DoDI 1400.25, Volume 1702. When the gaining Federal agency accepts a DoW Component-offered outplacement subsidy, the DoW activity must notify the gaining agency that DoW funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification must include the DoW fund citation to be billed and the address of the fiscal station paying the subsidy. Payment must be made by the applicable DoW activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

9.3 Controls over Available Funds

Controls must be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. ADA provisions apply to the DoW Component appropriations, funds, and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies, appropriate action must be taken. In this regard, the DoW Components either must cancel or withdraw incentive offers prior to employee acceptance or obtain additional funds.

10.0 PRIVATIZATION OF WAR UTILITY SYSTEMS

10.1 DoW Utility Systems

As permitted under the authority of 10 U.S.C § 2925, the Secretary of a Military Department is allowed to transfer utility systems. This authority does not extend to utility projects operated by the Army Corps of Engineers under its civil works authority. The policy is driven by DoDI 4170.11, "Installation Energy Management," which establishes utilities privatization as the preferred strategy for modernizing and recapitalizing these critical systems. Consequently, the Military Services are mandated to attempt privatization of such utility systems at all Active and Reserve Component installations, both within and outside the United States. However, there are specific exceptions to this mandate: privatization is not required for installations scheduled for closure, for systems that the Secretary of the Military Department certifies as exempt for security reasons, or in cases where privatization would be uneconomical. The USW for Acquisition and Sustainment (A&S) is assigned primary responsibility for overseeing this instruction.

10.2 Conveyance of Utility Systems

10.2.1. Consideration and Determination. Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount equal to the fair market value (as determined by the Secretary) of the right, title, or interest of the United States conveyed. Such consideration may take the form of a reduction in charges for utility services provided or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system

without any consideration or cause to be inapplicable to authorities that govern disposal of DoW real property and personal property. The Secretary concerned may authorize a contract for utility services to have a term more than 10 years, but not to exceed 50 years. The determination of cost effectiveness must be made using a business case analysis that includes an independent estimate of the level of investment that should be required to maintain adequate operation of the utility system over the proposed term of the contract or contract renewal. The business case analysis must also demonstrate how a privatized system will operate in a manner consistent with energy resilience and cybersecurity requirements and associated metrics provided to the conveyee to ensure that the reliability of the utility system meets mission requirements.

10.2.2. Reduction in Charges. A reduction in charges for utility services provided is acceptable consideration when the services are provided by the utility or entity obtaining the utility, and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services provided is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an "Other Asset" (Account 199000), and the recorded asset is reduced by charges to "Operating Expenses/Program Costs" (Account 610000) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in Volume 4.

10.2.3. Lump Sum Payment – Refer to the Volume 12 Supplemental.

10.3 Conveyance Authorization and Agenda

10.3.1. Same Utility Service Procurements. Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to Assistant Secretaries of the Military Departments' Financial Management and Comptroller (FM&C) for approval. The FM&C must notify the supporting DFAS site of approved funds distributions.

10.3.2. Savings and Conservation Projects and Improvements. Refer to the Volume 12 Supplemental.

11.0 ENERGY AND WATER SAVINGS AND REVENUE MANAGEMENT

11.1 Financial Management Policy, Incentives, and Revenues

The Congress has enacted a series of measures aimed at strengthening energy and water security, resilience, and sustainability within the DoW. This section establishes the financial management policy for identifying, retaining, and utilizing energy and water cost savings, as well as financial incentives and revenues derived from the sale of electricity. It provides comprehensive guidance on the receipt and use of utility incentives and water cost savings for conservation efforts; the availability and application of energy cost savings; the implementation of energy savings contracts and related activities; the sale of electricity generated from alternative energy and cogeneration facilities; and DoW participation in programs designed to manage energy demand or reduce energy consumption during peak periods. Refer to the Volume 12 Supplemental for more detailed steps and procedures.

11.2 Energy Savings and Incentives Received from Utilities

11.2.1. Extended Availability from Energy Savings. Energy savings amounts with extended availability must be transferred to extended availability accounts for execution.

11.2.1.1. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is established.

11.2.1.2. Transfers to extended availability accounts must be made by a SF 1151, "Nonexpenditure Transfer Authorization," or other authorized Service-specific method that incorporates all SF 1151 requirements (refer to Volume 14). Reprogramming actions will not be required in the case of such transfers.

11.2.1.3. The level that uses the accounts, such as the command, installation, Military Department, Defense Agency, and/or OSW level Accounting, must establish appropriate controls, and oversight for amounts in extended availability accounts to optimize funds executability.

11.2.2. Financial Incentives - Refer to the Volume 12 Supplemental.

11.3 Revenues from the Sale of Electricity

Refer to the Volume 12 Supplemental for Sale of Electricity; Use of Proceeds from the Sale of Electricity; and Congressional Notification.

11.4 Budgeting and Energy Savings on Utility Payments

Each military department must include the portion of the guaranteed savings due to the contractor for payment under an Energy Savings Performance Contract (ESPC) or to the utility for payment under an Utility Energy Service Contract (UESC) in its utility requirements submitted in budget requests for the length of the ESPC or UESC entered by that military department. The total utility requirements submitted as part of budget requests must include the entire amount of guaranteed savings provided in an ESPC or performance assurance savings provided in an UESC, including amounts for contract payments and amounts to be retained by installations. The total of the amounts requested must not exceed those that would have been requested in the absence of the ESPC. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs or UESCs for that military department are in existence. In accordance with the OMB Circular No. A-11, Appendix B, "Budgetary Treatment of Lease-Purchases and Leases of Capital Assets," the costs of ESPCs may be scored on an annual basis, consistent with the guidance provided in OMB Memorandum M-98-13, "Federal Use of Energy Savings Performance Contracting," and OMB Memorandum M-12-21, "Addendum to OMB Memorandum M-98-13 on Federal Use of Energy Savings Performance Contracts and Utility Energy Service Contracts."

11.5 Use of Balances Available Resulting from Energy Cost Savings

Refer to the Volume 12 Supplemental.

11.6 Accounting for Energy Cost Savings

11.6.1. 10 U.S.C. § 2912. The energy cost savings amounts realized in accordance with 10 U.S.C. § 2912 remain as unobligated balances available for obligation at the end of the fiscal year and the succeeding fiscal year.

11.6.2. Unobligated Balance Transfers. Unobligated balances covered by subparagraph 11.6.1 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see subparagraph 11.1.1). The authority and policy to be cited for the transfer is 10 U.S.C. § 2912(e).

11.6.2.1. The SecWar may transfer amounts that remain available for obligation to other funding accounts of the DoW if the purpose for which such amounts will be used is specified in the Volume 12 Supplemental.

11.6.2.2. Amounts transferred to a funding account of the Department under subparagraph 11.5.2.1 will be available for obligation for the same period as amounts in that account.

11.6.2.3. At the end of each fiscal year, the SecWar must submit to Congress a report detailing any funds transferred pursuant to subparagraph 11.5.2.1 during that fiscal year, including a detailed description of the purpose for which such amounts have been used.

12.0 FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

12.1 Policy

DoW Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2, and must administer the allocations of base closure funds. DoW Components are to deposit the proceeds in the appropriate account authorized by law. If transfer funds were deposited into the wrong account, a suspense account, or other interim account, an SF 1080, "Voucher for Transfers Between Appropriations and/or Funds," must be used to transfer funds to the proper account. Refer to the Procedures document for: DoW Base Closure Account 1990 and DoW Base Closure Account 2005; DoW Overseas Military Facility Investment Recovery Account; and Reserve Account.

12.2 Budget and Accounting Responsibilities

12.2.1. Requests for Funds

12.2.1.1. DoW Components DoW Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the USW

for A&S or designee, the Director, OSW Base Realignment and Closure (BRAC) Office, must submit a financial plan to the Director, Military Personnel and Construction, OUSW(C), Program/Budget (P/B), supported by a "DoW Base Closure Account Financial Plan," (Format 460-BC), to request allocations of base closure funds. Refer to the Volume 12 Supplemental for more information. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities must identify specific base closure program requirements to their host DoD Component.

12.2.1.2. Director, Military Personnel and Construction. This office must initiate the SF 132, "Apportionment and Reapportionment Schedule," for the appropriate base closure account for submission to the OMB for its approval.

12.2.2. Funds Distribution

12.2.2.1. Director, Military Personnel and Construction. Upon OMB approval of the SF 132 for the base closure account, this office must provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

12.2.2.2. Director, Defense Finance and Accounting Service. The Director of DFAS must obtain and record, in the departmental-level accounting records, a Financial Management Service 6200, "Appropriation Warrant," for the base closure accounts. Refer to the Exhibit in the Volume 12 Supplemental.

12.2.3. Plan Execution - Refer to the Volume 12 Supplemental.

12.3 Reporting Responsibilities

12.3.1. DoW Components. The DoW Components must prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports must offer detail for each subaccount specified in a Fund Authorization document provided by OSW (refer to the Volume 12 Supplemental). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.

12.3.2. Defense Finance and Accounting Service. DFAS must establish base closure accounts with the Treasury and manage associated transactions, such as posting SF 1151 "Nonexpenditure Transfer Authorizations." This function also requires the preparation of various departmental-level reports, including appropriation and fund status reports as mandated by Volume 6, and Chief Financial Officer (CFO) reports for all base closure accounts. Additionally, it involves offering the consolidation of financial reports to produce Treasury Index 97 financial reports on a pass-through basis. This guidance can be supplemented with additional procedures as necessary, subject to the approval of OUSW(C).

12.4 Administration of Base Closure Funds

12.4.1. Appropriated Fund Activities. Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoW base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoW Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. Refer to the Volume 12 Supplemental for general guidance on Expenses that Ordinarily Result in a Cash Outlay and Losses that Do Not Ordinarily Result in a Cash Outlay.

12.4.2. Disposition of DoW Base Closure Assets - Refer to the Volume 12 Supplemental.

13.0 TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

This section provides financial policy for the disposal, transfer, and leasing of real property, as well as the transfer and lease of personal property. Financial policy for the disposal of personal property is addressed in Volume 11.

13.1 Policy

Leases: Non-excess Property and Personal Property. The Secretary of a Military Department may lease non-excess real and personal property under its control that is not needed for a public use for the time that it is leased in accordance with 10 U.S.C. § 2667. 10 U.S.C. § 2667 provides the same authority to the SecWar with respect to property under the control of a Defense Agency. Throughout this section and the corresponding section in the Supplemental, the term "Secretary concerned" will mean the Secretary of a Military Department, with respect to matters concerning that Military Department; and the SecWar, with respect to matters concerning the OSW Components of Defense Field Activities. Refer to the Volume 12 Supplemental.

13.2 Reporting Requirements to Congress

Refer to the Volume 12 Supplemental

14.0 EDUCATIONAL ASSISTANCE PROGRAMS

14.1 Overview of Educational Assistance Programs

The DoW provides several Educational Assistance Programs that establish a legally binding entitlement for eligible individuals, including active-duty service members, reservists, survivors, and their dependents. These programs serve the dual purpose of aiding in military recruitment and retention while also facilitating the readjustment of service members to civilian life and providing educational support for their families. While the authorization of these entitlements constitutes a binding contract with the Federal Government, it may require a separate,

subsequent appropriation of funds. This section provides specific guidance on the financial operations, transaction recording, and accounting standards for managing these programs, and additional details can be found on the U.S. Department of Veterans Affairs (DVA) website.

14.1.1. Veterans' Education Assistance Program (Post-Vietnam). The Veterans' Education Assistance Program (VEAP) (38 U.S.C. § 3201) is an educational benefit for service members who entered service between January 1977 and June 1985. This program was terminated on April 1, 1987. However, the Services may be required to budget and submit payment for unfunded liabilities as determined by the DoW Board of Actuaries on a year-by-year basis.

14.1.2. Montgomery GI Bill – Active Duty. The Montgomery GI Bill – Active Duty (MGIB-AD) (38 U.S.C. Chapter 30), also known as "Chapter 30," provides education benefits to veterans and service members who have met the minimum requirements of their obligated period of active duty. Refer to the Volume 12 Supplemental for Eligibility Requirements; Benefits; and Budget Submission Guidance.

14.1.3. Montgomery GI Bill – Selected Reserve. The Montgomery GI Bill Selected Reserve (MGIB-SR) 10 U.S.C. Chapter 1606 program offers up to 36 months of education and training benefits. Refer to 10 U.S.C. § 16132(a). Refer to the Volume 12 Supplemental for Eligibility Requirements; Period of Entitlement; Benefits; and Budget Submission Guidance.

14.1.4. Post-9/11 GI Bill. The Post-9/11 GI Bill (38 U.S.C. Chapter 33) provides education and job training to qualifying Veterans or members of the Armed Forces who served on active duty after September 10, 2001, and have met the minimum requirements of their obligated period of active duty. The DVA funds the Post-9/11 GI Bill. Such members are also entitled to transfer the Kicker of this benefit to a spouse or dependent children if conditions to transfer the basic benefit are met. Refer to the Volume 12 Supplemental for Eligibility; Benefits; and Budget Submission Guidance.

14.2 Funding for Educational Assistance Programs

The Veterans Educational Assistance Act of 1984 established a trust fund to finance DoW education liabilities on an actuarially sound basis. The DoW Education Benefits Fund (EBF) is a trust fund used to accumulate funds for transfer to the DVA to cover the DoW share of benefits. The DoW funds the MGIB-AD benefits, the MGIB-SR basic and Kicker benefits, and the VEAP benefits. The DoW Office of the Actuary performs actuarial valuations and provides actuarial support and expertise for the EBF. Refer to the Education Benefits Valuation Report, which is updated annually. Refer to the Volume 12 Supplemental for more information and guidance on the fund; payments; transfers; deposits; and Table 14-1 for Active-Duty Critical Skill "Kicker" benefits.

14.3 Fund Transfers of Military Personnel Appropriations

Refer to the Volume 12 Supplemental.

14.4 Payroll Deductions

Refer to the Volume 12 Supplemental.

14.5 Refunds or Erroneous Deductions from Active-Duty Members

Refer to the Volume 12 Supplemental.

14.6 Collection of Educational Debts Owed to the Government by Selected Reserve

Refer to the Volume 12 Supplemental.

15.0 MILITARY PERSONNEL ENTITLEMENT PROGRAMS

Entitlement Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary. This section prescribes the accounting policy for two entitlement programs established for DoW military personnel. The entitlement programs are the MRF and the Medicare-Eligible Retiree Health Care Fund (MERHCF).

15.1 General Accounting Policy for Entitlement Programs

15.1.1. Payment of Benefits. Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

15.1.1.1. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

15.1.1.2. Compliance with Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

15.1.1.3. Reimbursable Events. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

15.1.2. Identifiable Refunds. When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

15.1.3. Suspension of Payments. When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the DFAS must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

15.2 Accounting Policy for The Accrual And Investment of MRF

15.2.1. Retired Pay Entitlements

Retired military pay is a pension program established by 10 U.S.C. §§ 1461 – 1467 and administered by the Secretary of the Treasury. The MRF must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of the DoW under military retirement and survivor benefit programs. As such, the program fits under the category of entitlement authority as defined by 2 U.S.C. § 622(9). Accounting Policy for the Accrual and Investment of MRF – Refer to the Volume 12 Supplemental.

15.3 Accounting Policy for the Accrual, Investment, and Transfers of MERHCF

15.3.1. MERHCF Purpose

MERHCF was established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398. Its purpose is to pay for the qualifying healthcare costs of Medicare-eligible beneficiaries, including uniformed service retirees, their dependents, and their survivors.

15.3.2. MERHCF Entitlements

The "Department of War Medicare-Eligible Retiree Health Care Fund" (MERHCF) is an OSW Special Fund and is classified as an entitlement authority as defined in 2 U.S.C. § 622(9). The MERHCF, administered by the Secretary of the Treasury, is mandated to accumulate funds to finance, on an actuarially sound basis, the liabilities of DoW under uniformed services healthcare programs for beneficiaries, as designated by 10 U.S.C. §§ 1111 – 1117.

15.3.3. Responsibilities

15.3.3.1. Assistant Secretary of War for Health Affairs (ASW(HA)). Approves and issues procedures for the management and operation of MERHCF and provides guidance and operational direction to the Defense Health Agency (DHA).

15.3.3.2. Director, DHA. Implements DoW policy for MERHCF, directs reviews of legislative changes for potential impacts, and oversees execution reviews.

15.3.3.3. Department of War Medicare-Eligible Retiree Health Care Board of Actuaries. Provides advice on actuarial matters, reviews actuarial valuations of MERHCF, and reports annually on its actuarial status to the Secretary of War, and not less than once every four years (quadrennial report), to the President and Congress.

15.3.3.4. Chief Actuary, DoW Office of the Actuary. The DoW Office of the Actuary (OATC), Chief Actuary, reports on the actuarial status of MERHCF, provides cost estimates to OMB and participating Services, and reviews legislative changes for actuarial impact.

15.3.3.5. USW(C). The USW(C) prepares the total unfunded liability amortization payment plus the total normal cost contribution for certification by the Secretary of War to the Secretary of the Treasury.

15.3.3.6. Director, DFAS. Manages MERHCF's investments, establishes the necessary accounts, develops financial management processes, performs accounting, reports financial activities for required financial statements, and supports financial audits.

15.3.3.7. Secretaries of the Military Departments. Provide personnel data as requested and conduct all fund transfers, accounting, reconciliation, and other administration relating to the operation of MERHCF.

15.3.3.8. Administering Secretaries for the Participating Uniformed Services. The Administering Secretaries for the participating Uniformed Services include the Secretary of Homeland Security (for USCG) and the Secretary of Health and Human Services for PHS and NOAA. The Administering Secretaries for the participating Uniformed Services calculate and transfer their normal cost contributions to MERHCF and provide personnel data as requested.

15.3.4. MERHCF Accounts

The DoW MERHCF (097X5472, "Department of War, Medicare-Eligible Retiree Health Care Fund") is classified as a Special Fund and uses specific receipt, expenditure, and investment accounts. Amounts deposited are immediately available for investment, payment of benefits, and administrative costs. DFAS is responsible for making amounts available from the fund to cover all qualifying expenses.

15.3.5. MERHCF Assets

15.3.5.1. Contributions. Payment from DoW appropriations and other uniformed services (USCG, NOAA, and PHS), and the Treasury to fund future benefits.

15.3.5.2. Unfunded Actuarial Liability Payment. Payments from a permanent indefinite general fund appropriation, 097X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability), and to cover actuarial gains and losses.

15.3.5.3. Investment Income. Income earned on the invested portion of the fund.

15.3.5.4. Return of Prospective Payment Transfers. Amounts returned to the fund that were previously transferred but found to be in excess of what was needed.

15.3.6. Accounting for MERHCF Revenues

DFAS records investment earnings. All contributions from DoW, other uniformed services, and the Treasury must be based on determinations by the DoW OACT under methods approved by the DoW MERHCF Board. Prior to each fiscal year, the Secretary of War shall certify the amortization payment and normal cost contributions due to the fund.

15.3.7. Reimbursements of Medicare-Eligible Retiree Health Care

The Fiscal Year 2005 National Defense Authorization Act provides permanent, indefinite appropriations from the Treasury to finance the cost of Medicare-Eligible Retiree Health Care (MERHC) accruals beginning in fiscal year 2006, rather than from MILPERS annual appropriations. Therefore, the per capita normal cost for MERHC accruals is not billable to other DoW Agencies or Federal Agencies. However, under 22 U.S.C. § 2761(a)(1)(C) of the Arms Export Control Act, these costs must be included in the rate billed to foreign countries or international organizations for the sale of defense services. These reimbursements must be deposited into the Treasury Miscellaneous Receipts account 304100.

15.3.8. Investment of MERHCF Cash Balances

DFAS is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury. The income on such investments must be credited to receipt account 097X5472.002, "Earnings on Investments, DoW Medicare-Eligible Retiree Health Care Fund," and form a part of MERHCF.

15.3.9. Accounting for MERHCF Outlays

15.3.9.1. DFAS must make amounts available from the fund for payment of qualifying expenses. These expenses fall into two categories:

15.3.9.1.1. Purchased Care. Healthcare purchased from non-DoW providers.

15.3.9.1.2. Direct Care. Healthcare services provided to Medicare-eligible beneficiaries directly in DHA MTFs.

15.3.9.2. DHA determines the annual prospective payment amounts required from the fund for these categories. These amounts are based on the estimated costs of providing services to Medicare-eligible beneficiaries. Throughout the year of execution, an execution review is conducted to compare prospective payments against the earnings from the actual care provided. An established 10% variance threshold governs this reconciliation. Variances falling within this +/- 10% threshold are mutually waived. For variances that exceed the threshold, only the amount of the variance in excess of the 10% band is reconciled through adjustments to future prospective payment calculations. The results of this review are used to inform future fund requirements, and funds determined to be in excess of requirements may be returned to the MERHCF in accordance with 10 U.S.C. § 1113.

15.3.10. MERHCF Financial Reporting Requirements

DFAS is responsible for preparing all required financial reports for MERHCF, including the SF 133 (Report on Budget Execution and Budgetary Resources), the Status of Funds report, and all Federal financial statements as required by OMB Circular No. A-136 to support the DoW Agency-wide financial statements. The financial statements must recognize a liability for the present value of future MERHC benefits for eligible participants.

16.0 DOW REWARDS PROGRAM

16.1 Responsibilities

Refer to the Volume 12 Supplemental.

16.2 Implementing the Program in the Field

16.2.1. Rewardable Information. Eligible persons may receive a reward for providing information or non-lethal assistance that benefits (1) an operational activity of U.S. or allied forces in combined operations against international terrorism outside the U.S. or (2) force protection of U.S. or allied forces in combined operations.

16.2.2. Payment Approval Amounts. Tactical Rewards Officers can authorize rewards up to $10,000. A Combatant Commander (CCDR) is permitted to approve rewards up to $1,000,000. For rewards greater than $1,000,000 and up to $2,000,000, approval from the USW Policy (USW(P)) is necessary. Rewards exceeding $2,000,000 but not surpassing $5,000,000 require the authorization of the SecWar or the Deputy SecWar, or, through a separate written delegation, the USW(P). Statutorily, if any proposed reward (whether pre-approved or otherwise) exceeds $2,000,000, consultation with the Secretary of State is mandated for the SecWar. Table 1 in DoDI O-3000.13 outlines these approval limits. Refer to the Volume 12 Supplemental for further

guidance on approving officials; approval level; rewards lists; payments; coordination; and requests for additional funds.

16.3 Policy

16.3.1. Allocation of Funds. The USW(C)/CFO will ensure DoW funds for the Rewards Program (RP) are correctly allocated to WHS for control and execution. Geographic combatant commanders will inform the Director, Joint Staff of any necessary inter-theater fund allocations.

16.3.2. Improper Usage of Funds. U.S. citizens, officers or employees of the U.S. federal, state, or local government, or employees of a U.S. Government contractor are not eligible for rewards under the DoW RP. CCDRs should be cautious about rewarding foreign security force members due to potential risks such as extortion, corruption, negative perceptions, or undermining U.S. law or DoW human rights policies related to training and equipping foreign security forces. The USW(P) can grant exceptions to this rule for specific countries and will review these waivers annually. Requests for such approvals should be directed to the Assistant Secretary of War for Special Operations/Low-Intensity Conflict (ASW SO/LIC). Previously approved waivers remained valid under this guidance.

16.3.3. Delivery, Transporting and Safeguarding of Funds. Any funds made available for the DoW RP will be delivered, transported, and safeguarded consistent with Volume 5.

16.3.4. Appointment of Paying Agents. The Disbursing Officer will appoint Paying Agents responsible for delivering funds under the DoW RP in accordance with Volume 5. Allied forces members will receive the same training as U.S. paying agents and sign a statement of understanding. Since the DoW cannot hold foreign nationals and other non-U.S. citizens pecuniarily liable for fund losses, the appointing authority must carefully consider the necessity and risk when appointing them as paying agents. The responsible agent must record all funds given to and returned by allied forces paying agents on DD Form 1081, "Statement of Agent's Officer's Account," as specified in Volume 5. Upon completing authorized payments, the paying agent must return the paid vouchers, negotiable instruments, and any remaining funds to the disbursing officer along with a properly filled out DD Form 1081.

16.3.5. Documentation of Payments. DoW RP payments will be executed and recorded in accordance with Volume 5 and Volume 10.

16.3.6. Circumventing Limits. The DoW prohibits circumventing monetary limits and approval requirements by dividing a single reward into multiple smaller rewards or by other methods. However, the DoW allows splitting payments of approved expenses for administrative purposes (for instance, paying a vendor 50 percent at the start of a project and the remaining 50 percent upon completion).

16.3.7. Clearance of Accounts. The DoW Component must clear accounts maintained under the RP consistent with Volume 5.

16.3.8. Certification of Payments. Payments made under the DoW RP will be certified in a manner consistent with Volume 5.

16.3.9. Audits and Program Reviews. The DoW RP will undergo periodic audits by internal bodies like the DoW Inspector General and other audit agencies, as well as external groups such as the Government Accountability Office and congressional oversight committees. Officials managing the RP must cooperate fully with these reviews, audits, or investigations.

16.4 Payments and Rewards through Government Personnel of Allied Forces

Execution of Rewards through Allied Government Personnel. The SecWar, geographic combatant commanders, and all delegated officials may use their authorities to offer and make rewards, acting through government personnel of allied forces. However, they may not pay rewards through allied government officials after the payment date authorized by 10 U.S.C. § 127b. Refer to the Volume 12 Supplemental for information on payment requests; appointments of paying agents; and limitations.

16.5 Information Dissemination

Refer to the Volume 12 Supplemental.

16.6 Reports and Notifications

16.6.1. Annual Report. According to 10 U.S.C. § 127b, by February 1 each year, the SecWar must report to the Senate and House Armed Services Committees on the administration of the RP for the previous fiscal year. Refer to the Volume 12 Supplemental.

16.6.2. Report on Designation of Countries for which Rewards may be Paid. Within 15 days of designating a country for operations or activities eligible for rewards under this section, the SecWar must report to the Senate and House Armed Services Committees. Refer to the Volume 12 Supplemental.

16.7 Waivers

16.7.1. Requests for Waivers or Exceptions to Law. A DoW Component must submit requests for waivers or exceptions to any provision of law that would otherwise prohibit, restrict, limit, or constrain the execution of the reward program through ASW SO/LIC, the USW(C)/CFO, and DoW General Counsel to the SecWar for approval.

16.7.2. Requests for Waivers or Exceptions to Guidance. A DoW Component must submit requests for waivers or exceptions to this guidance through ASW SO/LIC to the USW(C)/CFO for approval.

17.0 FOOD SERVICE PROGRAM RESPONSIBILITIES

In accordance with 37 U.S.C. § 1011, the SecWar must establish meal rates for all personnel authorized to dine at military messes, including uniformed members, civilian

employees, retirees, and their dependents. The OUSW(C) is responsible for the financial management policy herein and must establish these rates annually. The primary purpose of these rates is to ensure full reimbursement to the concerned appropriations for both food costs and operating expenses. However, the Secretary may reduce a meal rate by the amount attributable to operating expenses when the Secretary determines it is in the best interest of the United States. The policies in this section govern the specific meal charges for all classes of diners, and all DoW Components must implement them. DFAS is responsible for developing the necessary implementation procedures. DoW Components may not issue policies that supplement this guidance without prior written approval from the OUSW(C). The OUSW(C) publishes official rates on its reimbursable rates website.

17.1 Reimbursable Meals and Meal Service (Operating) Charges

The provisions of this section must be used to determine use of the DoW discount meal rate (the cost of the food only) or the DoW standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses). Refer to the Volume 12 Supplemental for available meal services.

17.2 Meal Charges

Reimbursement charges for persons authorized to eat in an appropriated fund dining facility vary depending on the status of each person. Refer to the Volume 12 Supplemental for more information on the five major categories of personnel: officers; enlisted personnel; military dependents; Federal civilian employees; and others.

17.3 General Provisions

17.3.1. Personnel, Other Than Enlisted Personnel. Personnel, other than enlisted personnel, may receive a meal from an appropriated fund dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 17.2.

17.3.2. Commanding Officer Responsibility. The commanding officer of the DoW installation, at which an appropriated fund dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated fund dining facilities.

17.3.3. Temporary Duty Orders. Temporary duty orders must indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

17.3.4. Service Academies. Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges contained within the DoW Reimbursable Rates, “Food Service Charges at Appropriated Fund Dining Facilities.”

17.3.5. Civilian and Military Personnel of a Foreign Government. Civilian and military personnel of a foreign government must furnish meals in accordance with specific arrangements

made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses must be made on the same basis as they would be for U.S. Government personnel of equal rank.

17.4 Disposition of Funds

Each Military Service is responsible for the program, budget, and accounting for obligations, expenditures, revenues, and food service operating expenses and all meals in accordance with this section. Refer to the Volume 12 Supplemental for Recording; Collections; and Discounted and Standard Meal Rate Distribution.

17.5 Accounting for Food Allowances

17.5.1. Information Requirements. Information requirements have been established to ensure that data are maintained, and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated fund dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by DoDM 1338.10.

17.5.1.1. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volumes 2 and 3.

17.5.1.2. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member's parent Military Service.

17.5.2. Counting the Number of Persons' Furnished Meals. Except for mass feeding situations as set forth in the Volume 12 Supplemental, all personnel authorized to eat in appropriated fund dining facilities must identify themselves with a meal card, DoW Common Access card, or travel orders issued by a DoW Component before receiving a meal from the dining facility. Enlisted personnel on Basic Allowance Subsistence or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, must be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem). They must reimburse DoW at the appropriate meal rate before receiving a meal from an appropriated fund dining facility. Refer to the Volume 12 Supplemental for more information.

17.6 Food Service Operating Expense Reporting Requirements

The OUSW(C) P/B Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. The Military Services are required, in coordination with OUSW(C), to report the cost of food served to service members and food service operating expenses.

18.0 MILITARY ACADEMY DINING HALL OPERATIONS

18.1 Policy

This section promulgates the policy that implements 37 U.S.C. § 422 which authorizes funding for the operation of cadet and midshipmen dining halls at the military academies and prescribes associated reporting requirements.

18.1.1. Authorization Determination: Each Military Department operates an academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its academy.

18.1.1.1. The superintendent of each academy is authorized to determine who may be authorized to eat in the academy dining hall and the regulations incident thereto within guidelines issued by the secretary of the cognizant Military Department.

18.1.1.2. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of War (Comptroller) (USW(C)) and the reimbursable rate for "Food Service" issued annually.

18.1.1.3. All collections for food costs must be deposited into the nonappropriated fund described in subparagraph 8.1.2.2. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Section 17.

18.1.2. Subsistence Allowance Amount

18.1.2.1. The SecWar prescribes the amount of the subsistence allowance for cadets and midshipmen.

18.1.2.2. The amount prescribed is allocated by the Military Departments from the current military personnel appropriation to a nonappropriated fund at each academy based on the number of cadets and midshipmen present for training.

18.1.2.2.1. Each nonappropriated fund is used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen.

18.1.2.2.2. Nonappropriated funds must be established as a NAFI and administered as a Program Group V – Supplemental Mission Fund in accordance with DoWI 1015.15.

18.1.2.2.3. The nonappropriated fund must be audited in accordance with DoWI 7600.06 if the annual revenues in the fund exceed the threshold established therein.

18.1.2.2.4. The nonappropriated fund must not be used for any purpose other than subsistence procurement. All other charges associated with dining service must be charged against appropriated funds.

18.1.3. Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the academy, and not subsisted at Government expense, will be credited to the cadet/midshipman's pay account.

18.1.4. Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

18.2 Responsibilities and Reporting Requirements

18.2.1. Internal Control and Procurement Requirements. Under overall policy supervision by the secretary of the cognizant Military Department, the superintendent of each academy is responsible for:

18.2.1.1. Assuring the efficient and effective management of the academy dining hall and its NAF for the purchase of subsistence items. In connection with this responsibility, the superintendent must install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

18.2.1.2. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.

18.2.2. Reporting Requirements. An annual report on meal operating expenses in the military academy dining halls should be submitted in accordance with the guidance contained in Volume 11.

18.3 Annual Reimbursable Rates

The annual reimbursable rates for military academy dining halls are located on the USW(C) public website, listed by Fiscal Year (FY) under the following headings: Financial Management, Reports, DoW Reimbursable Rates.

19.0 FINANCIAL MANAGEMENT FOR DEFENSE HEALTH PROGRAM RESOURCES

19.1 General

19.1.1. The Defense Health Program (DHP) appropriation (Treasury Federal Account Symbols and Titles (FAST) 0970130) funds medical operations of the Defense Health Agency

(DHA) and the Uniformed Services University of the Health Sciences (USUHS); and consists of Operation and Maintenance (O&M), RDT&E, and Procurement funds.

19.1.2. The DHP does not fund military medical personnel costs or operational healthcare for field/numbered medical units, hospital ships, and shipboard medical operations. Funding for operational healthcare remains the responsibility of the Military Departments.

19.1.3. Military Construction (MILCON) is a separate appropriation, however, the Assistant Secretary of War for Health Affairs (ASW(HA)) executes and reports on MILCON for medical facilities as part of DHP's financial statements.

19.2 Responsibilities

19.2.1. The ASW(HA) is the DHP funds holder. ASW(HA) allots budget authority, issues execution policy, develops the Unified Medical Program, and enters into reimbursable agreements with other federal agencies. The ASW(HA) exercises authority, direction, and control over the DHA and USUHS, and any other subordinate officials that may be assigned.

19.2.2. The Deputy Assistant Secretary of War, Health Resources Management and Policy, serves as the DHP Senior Accountable Official, overseeing financial reporting, internal controls, and execution policy in accordance with all applicable laws and regulations.

19.2.3. Military Departments and Combatant Commands (CCMD) are responsible for engaging with ASW(HA) for the advance planning and coordination of mission expansions or force restructurings that result in increased demand on DHP resources. Changes that were not programmed for within the DHP may result in requirements being under-resourced. Military Departments and CCMDs will generally be responsible for transferring sufficient funds to the DHP to support increased demands on DHP healthcare resources, documented in a corresponding Memorandum of Agreement, and properly integrated by the DHP during normal programming cycles.

19.3 Expenses Chargeable to the DHP

See Volume 12 Supplemental Procedures for additional items.

19.3.1. Civilian Payroll. Civilian payroll for personnel assigned to DHA and USUHS.

19.3.2. Communications and Utilities. Charge DHP for telephone services and other communication services that support the medical mission. Charge DHP for utilities obtained from commercial sources and all base-produced utilities. Utilities include fuel for heating and cooling.

19.3.3. Immunizations Funded with DHP:

19.3.3.1. Routine Vaccines: These are vaccines required to maintain warfighters (including expeditionary civilians) in a "Fully Medically Ready" status, in accordance with DoDI 6025.19, ASW(HA) policy, and DHA immunizations guidance. All warfighters are required to have these vaccines regardless of deployment status.

19.3.3.2. Directed (Pre-Deployment): These are vaccines directed by CCMDs and approved by ASW(HA) for an imminent deployment.

19.3.3.3. Immunizations for PCS: Vaccines required and approved by ASW(HA) for entry into a specific geographic Area of Responsibility (AOR) will be provided to warfighters and their eligible dependents.

19.3.3.4. Immunizations for Leisure Travel: Provided at no cost to Service members/ dependents. Provided on a reimbursable basis to civilian employees.

19.3.3.5. Immunizations for the Activated and Inactivated Reserve Component (RC): Effective FY 2027, RC Service members may obtain those vaccines required to maintain their "Fully Medically Ready" status, in accordance with DoDI 6025.19, ASW(HA) policy, and DHA immunizations guidance. MTFs must provide the vaccines on a non-reimbursable basis.

19.3.4. Autopsies and Forensic Pathology Investigations. The Armed Forces Medical Examiner, funded through the DHP appropriation, conducts autopsies and forensic pathology investigations under the authority of 10 U.S.C. § 1471 and in accordance with DoDI 5154.30.

19.3.5. TRICARE Contracts. 10 U.S.C. § 1079 authorizes TRICARE contracts for spouses' and children's medical care; 10 U.S.C. § 1086 authorizes health benefits for certain members, former members, and their dependents; 10 U.S.C. § 1097 authorizes medical care for retirees, dependents, and survivors (alternative delivery of healthcare). 10 U.S.C. § 1092 authorizes studies and demonstration projects relating to the delivery of health and medical care.

19.3.6. Sustainment, Restoration, and Modernization (SRM). SRM of DHA MTFs and USUHS.

19.3.7. Healthcare Services Contracts. Personal and non-personal healthcare service contracts supporting the DHA, MTFs, or USUHS. Healthcare provider personal service contracts follow the terms and restrictions in Defense Federal Acquisition Regulation Supplement (DFARS) 237.104 (b)(ii), and DoDI 6025.5, "Personal Services Contracts (PCSs) for Health Care Providers (HCPs)."

19.3.8. Hyperbaric and Hypobaric Chambers. Chambers used for clinical treatment. DHP does not fund chambers used for aircrew physiological training.

19.4 Expenses Not Chargeable to the DHP

Refer to the Volume 12 Supplemental for additional items.

19.4.1. Transportation of Human Remains.

19.4.2. Non-prescription Items. DHP does not fund non-prescription items such as sunscreen, hand sanitizer, lip balm, and tissue for distribution to non-DHP-funded organizations.

These are personal expense items. DHP can only fund these items (e.g., hand sanitizer, masks) for staff and patients within DHP-funded organizations.

19.4.3. Veterinary Services Provided to Privately-Owned Pets. Installation Veterinary Services' primary purpose is to provide healthcare to DoW working animals. DoW veterinary clinics may provide some services to pets but must ensure that costs for DoW working animals are segregated from those provided to pets. Typically, Non-Appropriated Fund Instrumentalities (NAFI) must cover the expenses related to pets and proportionately share in the costs of custodial services and utilities, consistent with DoDI 1015.15.

19.4.4. Clothing, Supplies, or Equipment for Contingency or Other Military Operations. Military Departments or other appropriations that fund the contingency must fund these expenses.

19.4.5. Contingency Support Medical Activities. Military Department or other contingency appropriations must fund:

19.4.5.1. Deployed medical facilities and biological/chemical warfare medical supplies deployed with personnel.

19.4.5.2. Pre-deployment, employment, and redeployment of medical combat support personnel, equipment, and supplies.

19.4.5.3. Immunizations carried by personnel for potential use during the deployment.

19.4.6. Medical Care at Deployed Locations for Exercises and Contingencies. Charge costs to Joint Chiefs of Staff (JCS)/CCMD exercise or contingency funds. Include medical care provided to members at local indigenous medical facilities, medical supplies (e.g., pharmaceuticals, orthopedic braces), and urgent/emergency care at the deployed location.

19.4.7. Medical Participation in JCS/CCMD Exercises. Charge JCS/CCMD Exercise funds for the deployment of medical personnel, the cost of supplies used during the exercise, shipping, and the resupply cost of supplies upon return.

19.4.8. Aeromedical Evacuation (AE) Airlift in Support of Peacetime and Contingency Operations. AE airlift is not a DHP expense. Per the FY 2021 President's Budget, these funds are managed by the Air Force for both peacetime (including Special Assignment Airlift Missions and contingency operations. During contingency operations, the appropriation funding the contingency will be charged for the AE contingency airlift (from contingency area to first overseas MTF). Air Force O&M funds pay only those AE contingency airlift costs billed by the Transportation Working Capital Fund (WCF) from the first overseas fixed MTF to CONUS. After the contingency designation is formally withdrawn, Air Force O&M funds then become responsible for all future AE airlift costs from that former contingency area.

19.4.9. Automated External Defibrillators and Naloxone. AEDs and Naloxone for installation use outside of the MTF (e.g., for fire and security personnel) are funded by the

requesting organization. Funds provided to the local MTF Medical Logistics office by the requesting organization enable the MTF to procure the item on behalf of the requesting organization on a reimbursable basis.

19.4.10. Humanitarian Assistance and Civic Assistance. Per 10 U.S.C. § 401 and DoDI 2205.02, in specific instances, humanitarian civic assistance activities may be provided in conjunction with authorized military operations of the Armed Forces. Commanders ensure that expenses providing humanitarian civic assistance to a foreign country are paid for out of funds specifically appropriated for such purpose.

19.4.11. Military Spiritual Resiliency Programs. The DHP does not fund Military Department chaplain resiliency programs and initiatives. Funding is the responsibility of the Military Departments.

19.4.12. Health and Wellness Centers, Fitness Staff, and Athletic Trainers. Military Department appropriations fund wellness center exercise equipment, appliances for healthy cooking demonstrations, supplies, facilities, maintenance, and support staff. Military Department also funds fitness staff, athletic trainers, health and wellness educators, health promotions staff, etc., assigned to units, installation gymnasiums, or health and wellness centers.

19.4.13. Miscellaneous Non-clinical Programs. The DHP does not fund Military Department non-clinical programs designed to enhance general readiness and performance. This includes activities like physical fitness, unit teambuilding, mindfulness training, and other resilience efforts that occur outside of a medical setting and are not part of a formal treatment plan for a health condition.

19.4.14. Tactical Combat Casualty Care. Military Department fully fund and support trauma training and skills sustainment platforms (hospital and pre-hospital) to include installation, workforce, equipment, and information technology. See DoDI 1322.24, "Medical Readiness Training."

19.5 Other Healthcare Accounting Matters

Refer to Volume 12 Supplemental for the full list.

19.5.1. Sexual Assault Prevention and Response (SAPR). The Director, DoW Human Resource Activity (DHRA) manages the Defense-wide O&M appropriation that funds the SAPR program. The Military Departments, OSW, JCS, DSCA, U.S. Special Operations Command, DHA, and DHRA are allocated funds supporting SAPR activities. Multiple Program Elements (PE) execute funds.

19.5.2. Integrated Primary Prevention. The Military Departments and DHA receive Defense-wide O&M to prevent self-directed harm and prohibited abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. These efforts include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training.

19.5.3. Suicide Prevention. The Defense-wide O&M appropriation funds suicide prevention efforts. Military Departments and DHA receive funds. Multiple PEs fund these efforts.

19.5.4. Drug Demand Reduction Program/Urinalysis Program. The Defense-wide Counternarcotic appropriation funds routine drug testing of military personnel and civilian employees. The Deputy Assistant SecWar for Counternarcotics and Stabilization Policy within the OUSW for Policy manages the program. Multiple PEs execute funding.

19.5.5. Family Advocacy Program. The Defense-wide O&M appropriation funds the Family Advocacy Program (FAP). The FAP addresses domestic abuse, child abuse and neglect, and harmful behaviors between children and youth.

19.6 Uniform Billing Office Operations

19.6.1. The DHP has statutory authority to bill and collect for healthcare services. Collections stem primarily from three distinct reimbursement programs:

19.6.1.1. Third-Party Collections (TPC) Program. 10 U.S.C. § 1095 established the TPC program. For beneficiaries with health insurance other than TRICARE, MTFs and TRICARE submit claims to health insurance companies for care provided to DoW beneficiaries. Collections must be deposited in the current O&M appropriations of the MTF that provided the care.

19.6.1.2. Medical Services Account (MSA) Program. The MSA program involves billing and collection for medical and dental services provided to a wide range of patients, including other government agencies, DoW civilian employees and contractors, employees of NAFs or DoW schools, Secretarial designees, authorized foreign military members, and civilian emergency patients. The MSA is governed by multiple authorities, including 10 U.S.C. § 1074a, 10 U.S.C. § 1079b, 10 U.S.C. § 1085, 14 U.S.C. § 506, and 38 U.S.C. § 8111.

19.6.1.2.1. Collections from the U.S. Coast Guard. In lieu of the reimbursement required under 10 U.S.C. § 1085, the Secretary of Homeland Security, as per 14 U.S.C. § 506, makes prospective payment for the actuarial valuation of treatment that MTFs provide to current and former members of the Coast Guard, and their dependents.

19.6.1.2.2. Collections from the Department of Veterans Affairs. DoW and the VA established agreements under the authority of 38 U.S.C. § 8111 permitting the VA to reimburse DoW for healthcare services provided to VA beneficiaries. Collections must be deposited in the current O&M appropriations of the MTF that provided the care.

19.6.1.3. Medical Affirmative Claims (MAC) Program. 42 U.S.C. § 2651 – 2653 and 10 U.S.C. § 1095 govern the MAC program and authorizes DoW to recover expenses from liable third parties for medical care costs incurred on behalf of covered beneficiaries.

19.6.2. MHS Modified Payment and Waiver Program (MPWP). Pursuant to 10 U.S.C. § 1079b, the MPWP provides financial relief for medical bills incurred by civilian non-beneficiaries treated in MTF on or after June 21, 2023. The program features an income-based sliding fee scale, a catastrophic fee waiver to prevent severe financial harm, and a discretionary waiver based on the readiness value of the care provided. All patient applications for financial relief under this authority are centrally processed and adjudicated by the DHA's Debt Adjudication Office. Discretionary waivers of $600 or more require reporting to the Internal Revenue Service and issuance of a Form 1099-C (prepared by DHA).

19.7 DHP Budget Activity Groups (BAGS) and Program Elements (PE) Structure

Refer to the Volume 12 Supplemental.

20.0 CONTINGENCY OPERATIONS

20.1 General Guidance

20.1.1. This chapter promulgates financial policy for small, medium, and large-scale campaign level military contingency operations related to the Department of War (DoW). These might include, but are not limited to, support for peacekeeping operations, foreign disaster relief (FDR) efforts, and noncombatant evacuation operations (NEO). Note that the term "contingency operation," as used in this chapter, is more encompassing than the specific definition contained in 10 U.S.C. § 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the United States, the guidance for which is included in DoDD 3025.18, "Defense Support of Civil Authorities (DSCA)." Also excluded from this chapter are steady-state DoW humanitarian assistance activities.

20.1.2. Budgeting for Contingency Operations. DoW Components normally do not budget for contingency operations as discussed in this section. Therefore, DoW Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The SecWar issues the authority for DoW Components to expend available funds. Since the FY 2010 President's Budget, estimates for the Global War on Terror and Overseas Contingency Operations are included with the submission of the President's Budget.

20.1.3. An Execute Order from the SecWar. An execute order from the SecWar is both the authority for the commander of a Combatant Command (CCMD) to initiate military operations and the authority for DoW Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, of the Joint Chiefs of Staff (CJCS) constitute authority for a commander of a CCMD to expend funds available to that commander of a CCMD and authority to direct a military component to expend funds available to that component for forces assigned to the commander of a CCMD. Refer to Joint Publication 5-0, Joint Operation Planning, for information on joint operation order types.

20.1.4. DoW Policy Requirements. DoW policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs

incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.

20.1.5. Emergency Supplemental Funding

Refer to the Volume 12 Supplemental.

20.1.6. Elimination of Potential Duplicative Efforts. DoW officials having responsibility for reviewing and approving purchases for which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) must, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

20.1.7. Allowable Contingency Operations Cost. The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component's baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component's appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

20.1.8. Fiduciary Responsibility. It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g., OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components' approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders' statements and for verifying that all transactions were necessary government purchases made in accordance with the FAR and all other government policies and procedures. See Volume 10 for more information.

20.2 Supplemental

Refer to the Volume 12 Supplemental for additional information on references, responsibilities, types of estimates, reporting, contingency-specific definitions, justification, and the COST estimate tool. Cost reporting requirements for submission, inclusions, and consolidation of cost reports are in the Supplemental. Guidelines to assist the DoW Components in determining baseline and incremental costs for contingency operations and the process for reimbursement and

distribution are provided in the manual. Details on base-funded overseas contingency operations and foreign disaster relief are also in the Supplemental.

20.3 General Funding Responsibilities

20.3.1. Service Component. Each service Component command must collect all applicable costs related to specific contingency operations and report these costs to the respective MILDEP Senior Financial Manager, who will then submit them to the DFAS for consolidation. If a contingency operation lacks financing, the Department will pursue all available options to obtain the additional funding required to ensure that participation in the operation does not reduce the readiness of U.S. Forces.

20.3.2. U.S. Transportation Command and the Defense Logistics Agency. Except as provided in paragraph 20.6 below, all requests for transportation or other services to a Working Capital Fund (WCF) Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, must include a funding source. If a WCF activity receives a valid order (e.g., an execute or deployment order or a commander of a CCMD operations order) that directs action without a funding source, the parent MILDEP of the subordinate command receiving the services must provide funding to finance the request.

20.4 Special Funding Mechanisms

20.4.1. General. Congress revised 10 U.S.C. § 127a to include special funding mechanisms for operations that lack advance funding. The statute requires the SecWar to designate and identify such operations to Congress. When the SecWar designates an operation, DoW Components must immediately notify their subordinate organizations and establish procedures and controls for these special funding mechanisms.

20.4.2. Special Funding Mechanisms Participating Units. Under certain conditions, WCF organizations may not require units participating in such designated operations to reimburse (provide funded customer orders for) goods and services at the time the units order them. These procedures apply only to units participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

20.4.3. General Restrictions. The legal restrictions of the Anti-Deficiency Act (ADA) still apply to the Department, and WCF cash must remain positive under these restrictions. Therefore, the following general rules apply. Before a WCF activity accepts an unfunded customer order, its commander must determine that the activity can fill the order without violating the ADA. If filling the order without funded customer payment would violate the Act, the WCF activity must notify the requesting DoW Component to either issue a funded order or arrange to transfer sufficient cash to the supporting activity to cover the requested service or supplies.

20.4.4. WCF Activities. When a participating unit of the U.S. Armed Forces orders goods or services from a WCF activity and those goods or services meet the criteria addressed in subparagraphs 20.4.2 and 20.4.3, the unit providing the unfunded customer order to the performing

WCF activity must, in each such request, notify the performing WCF activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

20.4.5. WCF Activity Unfunded Customer Orders. The WCF activity filling the unfunded customer order must separately account for all such filled orders and report those costs monthly to the DoW Component Senior Financial Manager of the requesting activity. The DoW Component's Senior Financial Manager must, in turn, separately report the cumulative amounts of these unfunded orders to DFAS in accordance with this section's provisions. Pursuant to 10 U.S.C. § 127a, DFAS must account for these amounts separately, which the DoW will then use to determine the funds required for transfer to the WCF activities to restore their balances to previous levels.

20.4.6. WCF Priorities. To ensure the WCF activity uses its cash reserves for the highest priority requirements, the commander of the activity must notify the Principal Deputy USW(C), in writing, and wait 5 workdays before filling the unfunded customer order.

20.4.7. Guidance on Reporting. As needed, the OUSW(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. § 127a.

20.5 Cost Collection

20.5.1. Special Program Codes. Upon being alerted of an impending contingency operation, each participating DoW Component must establish a unique special program code to capture costs. The OUSW(C) Operations Directorate must issue a Standard Financial Information Structure (SFIS) code for contingency operations. The SFIS Values Library Service webpage maintains a list of contingency codes. Additionally, the Joint Staff must issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

20.5.2. Accounting System(s). Each organization that supports a contingency operation must capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

20.5.3. Costs Related to Contingency Operations. Organizations may incur costs related to a contingency operation both in the area of responsibility and in other locations. The organization that incurs costs in support of the operation, whether directly or indirectly, must transmit information on all such costs to the appropriate DoW Component Senior Financial Manager.

20.5.4. Cost Accounting Systems. DoW Components must not establish cost accounting systems solely for the purpose of determining costs for contingency operations; instead, they must use the data from existing systems as applicable.

20.5.5. Incremental and Billable Costs. DoW Component Senior Financial Managers must determine incremental and billable costs.

20.6 Billing

DoW Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoW Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoW Component headquarters are responsible for transmitting to DFAS, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UN Letters of Assist or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization. Refer to the Volume 12 Supplemental for billing requirements and procedures for DoW and Non-DoW Transportation Rates for the Contingency Operations and United Nations Process.

20.6.1. DFAS administers centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS must consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS must prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. In accordance with the provisions of Sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and the requirements of the billed organization, DFAS must submit only billable costs to the applicable agencies or international organizations.

20.6.2. The DoW Components must transmit billing information with sufficient supporting documentation to satisfy the payee of the validity of the charges. They must also include detailed lists of transactions supporting the billed amount with each bill rendered.

20.6.3. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements it receives within 180 days after the end of the fiscal year in which the costs were incurred. The Department cannot use payments received after this 180-day period to defray costs it has already incurred providing the requested assistance.

20.6.4. The responsible DoW Component must credit payments received for assistance under the UN Participation Act, and unsolicited payments from the UN for UN-Determined Costs for Participating Troops, to the account or accounts that incurred the costs or to the accounts currently available for such purposes.

20.6.5. Given the legal restrictions on using reimbursed expenses, each DoW Component must identify and report all reimbursable billable expenses to DFAS on a timely basis, including sufficient supporting documentation as required by the billed organization, to ensure the Department recoups its costs.

20.7 Noncombatant Evacuation Operations (NEO)

20.7.1. Protection of U.S. Citizens and Nationals

20.7.1.1. The DoW conducts Noncombatant Evacuation Operations (NEOs) to assist the Department of State (DoS) in evacuating U.S. citizens, DoW civilian personnel, and

designated host-nation (HN) and third-country nationals (TCNs) whose lives are in danger, moving them from a foreign nation to an appropriate safe haven. The United States Government (USG) will consider evacuating TCNs and host country nationals on a case-by-case, space-available, and reimbursable basis. Although the USG normally considers evacuations in connection with hostile action, it may also conduct them in anticipation of, or in response to, any natural or man-made disaster.

20.7.1.2. Upon receipt of a request from the President, or the DoS, the Department will protect U.S. citizens and nationals and designated other persons and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation from threatened areas overseas. The DoS has the lead responsibility for such evacuations.

20.7.2. Memorandum of Agreement (MOA). The MOA between the DOS and Defense, "DOS/DoW Cost Responsibility Matrix and Definitions," dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included in the Volume 12 Supplemental and must be used to determine all NEO cost responsibilities. In general, DoW will fund protection-related costs, and DOS will fund evacuation-related costs. The DoW Component supporting the protection operation must fund the costs of its deployment, unless otherwise specified.

20.7.3. Cost to Transport DoW Noncombatants. Pursuant to 31 U.S.C. § 1535 (the Economy Act), all costs that the DoW incurred to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoW noncombatants to safe havens. If, however, the DoS incurs costs for transporting DoW noncombatants to safe havens, the applicable DoW Component must reimburse the DoS for those costs.

20.7.4. Contingency Operations Cost Report. After the evacuation is completed, the finance and accounting office of the supporting DoW Component must collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. The DoW Component must work with the DoS and DFAS to submit the bills for reimbursement from the DoS, Attn: Bureau of Finance and Management Policy, Washington, DC 20520-7427.

20.8 Follow-Up

If billed organizations require additional information relating to submitted bill(s), DFAS must assist the billed organization to ensure that the necessary information is provided by the appropriate Component.

20.9 Large Scale Contingencies

20.9.1. Preparing Budget Estimations Guidance. DoW may be involved in a range of operations from very large to small-scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost

reporting and billing associated with large-scale, campaign level, contingency operations. Refer to the Volume 12 Supplemental.

20.9.2. Spending Constraints. Each DoW Component must ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoW Components are responsible for employing a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

21.0 BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

21.1 Responsibilities

This chapter addresses burden-sharing, host nation, and mutually beneficial contributions provided under various statutory authorities. Pursuant to 10 U.S.C. §§ 2350j and 2350k, and NDAA FY 2016 § 2804, this section prescribes policy and responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation contributions by foreign allies in the DoW.

21.1.1. Under Secretary of War for (Policy)

The USW(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USW(P) will work with the DFAS – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-ESS/Trust Funds) on burden-sharing program requirements that impact DFAS responsibilities, as appropriate.

21.1.2. Under Secretary of War (Comptroller)

21.1.2.1. The USW(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing, overseas relocation, and Kuwait mutually beneficial contributions.

21.1.2.2. The USW(C) is responsible for coordination and approval of military construction projects that are subject to 10 U.S.C. §§ 2350j and 2350k, and NDAA FY 2016 § 2804, as amended. In addition, the USW(C) is responsible for reviewing and submitting to the Congress those reports required by 10 U.S.C. §§ 2350j and 2350k, NDAA FY 2016 § 2804, as amended, and any reports required from annual authorization and appropriation acts.

21.1.3. Under Secretary of War for Acquisition and Sustainment (USW(A&S))

USW(A&S) has policy and oversight responsibility for Host Nation Funded Construction (HNFC) provided by burdensharing agreements or arrangements under 10 U.S.C §§ 2350j and 2350k, and NDAA FY 2016 § 2804, as amended. USW (A&S) is responsible for authority reviews

in locations with multiple HNFC agreements and technical reviews of HNFC Congressional notification packages, including project lists and project documentation.

21.1.4. Director of Defense Finance and Accounting Service (DFAS)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing, relocation, and mutually beneficial contributions, and for the distribution of receipts, as prescribed by the USW(C), in support of burdensharing, overseas relocation, and mutually beneficial programs.

21.1.5. Commanders of the Geographic Combatant Commands (CCDRs)

The cognizant CCDR with area of responsibility for the contributing country is responsible for financial management oversight and may delegate to another CCDR or subordinate commanders. This applies to burdensharing contributions for projects other than military construction, and military construction projects that are funded with burdensharing contributions. Refer to the Volume 12 Supplemental.

21.1.6. Assistant Secretaries for Financial Management and Comptroller (FM&C)

The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. For funds supporting overseas geographic CCDR equities, the FM&C will ensure full distribution to the cognizant CCDR with area of responsibility for the contributing country or designated service component in that region. These responsibilities may be delegated below the Assistant Secretary level. Refer to the Volume 12 Supplemental.

21.2 Notifications of Monetary Contributions

The DoW Components must notify the DFAS-EASS/Trust Funds of all potential monetary contributions prior to acceptance of such contributions. All notifications must indicate the applicable statute (i.e., § 2350j for burdensharing contributions or 10 U.S.C. § 2350k for overseas relocation and FY 2016 NDAA § 2804, as amended, for mutually beneficial contributions). Refer to the Volume 12 Supplemental.

21.3 Accounting

21.3.1. Burdensharing Credits

Burdensharing contributions must be credited to one or more of the special fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the SecWar or designee under 10 U.S.C. §. 2350j . Refer to the Volume 12 Supplemental for a listing of the accounts.

21.3.2. Overseas Relocation

21.3.2.1. Relocation contributions must be credited to one or more of the trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the SecWar or designee under 10 U.S.C. §. 2350k. Refer to the Volume 12 Supplemental for a listing of the accounts.

21.3.2.2. The DFAS disbursing office or Financial Services Office must transmit copies of deposit tickets for these investments to the DFAS-Indianapolis (DFAS-IN)/EASS Trust Funds. DFAS-EASS Trust Funds manage and track the investments and earnings.

21.3.3. Mutually Beneficial

Mutually Beneficial contributions must be credited to the special fund account, which has been established in the U.S. Treasury for monetary contributions accepted by the SecWar or designee under the authority of FY 2016 NDAA § 2804, as amended. Refer to the Volume 12 Supplemental for a listing of the account.

21.4 Availability of Contributions

Contributions are available for the payment of costs specified in 10 U.S.C. § 2350j or § 2350k, or FY 2016 NDAA § 2804, as amended. Refer to the Volume 12 Supplemental for additional information regarding the availability of burdensharing and relocation contributions.

21.5 Reporting Requirements

As needed, the USW(C) will provide guidance to ensure necessary information is collected to comply with any congressional reporting requirements.

22.0 DISPOSITION OF NON-DOW PERSONAL PROPERTY

22.1 Disposition of Unclaimed Property General Policy

22.1.1. The Secretary of any Military Department, and the Secretary of Homeland Security, under such regulations as they may respectively prescribe, may each by public or private sale or otherwise, dispose of all lost, abandoned, or unclaimed personal property that comes into the custody or control of the Secretary's department, other than property subject to 10 U.S.C. §§ 7712, 8392, or 9712. Property subject to paragraph 22.3 is exempted from the requirements. Requirements for the disposition of personal property of deceased members of the Army and Air Force are in the Volume 12 Supplemental. Requirements for the disposition of personal property of deceased members of the Navy and Marine Corps are in the Volume 12 Supplemental.

22.1.2. Property may not be disposed of until a diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find the owner (or the heirs, next of kin, or legal representative of the owner) must begin, to the maximum extent practicable, not later than 7 days after the date on which the property comes into the custody

or control of the Secretary having immediate jurisdiction. The period for which that effort is continued must not exceed 45 days.

22.1.3. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

22.1.4. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage designated by the Secretary.

22.2 Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation must be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transportation, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses must be utilized to support Morale, Welfare and Recreation (MWR) activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 22.1 must be deposited into the Treasury as miscellaneous receipts.

22.3 Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by the Secretary of a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

22.4 Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the SecWar for an amount equal to the proceeds less costs referred to in paragraph 22.2. Amounts to pay the claim must be drawn from the MWR account for the installation that received the proceeds. The owner (or heirs, next of kin, or legal representative of the owner) may file a claim with the SecWar for proceeds deposited at Treasury as well. Unless a claim is filed under this section within 5 years after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the SecWar or a court. The responsibility of the SecWar to consider such claims has been delegated to the USW for Personnel and Readiness.

22.5 Army and Air Force Disposition of Personal Property of Deceased Members

22.5.1. General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer must permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer must direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court's possession). Receipts for payments made from the estate of the deceased must be filed with the court's final report to the Department of the Army or Air Force.

22.5.2. Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial must, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, whom the court finds:

22.5.2.1. The surviving spouse or legal representative.

22.5.2.2. A child of the deceased.

22.5.2.3. A parent of the deceased.

22.5.2.4. A brother or sister of the deceased.

22.5.2.5. The closest next of kin of the deceased.

22.5.2.6. The beneficiary named in the will of the deceased.

22.5.3. Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 22.5.1 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 22.5.2 may not be sold.

22.5.4. Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial must relinquish custody of all cash and all receipts relating to cash transactions to

the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also must be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force must be delivered to the Armed Forces Retirement Home.

22.6. NAVY AND MARINE CORPS DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

22.6.1. General Policy

The Secretary of the Navy must retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the death of the member must be sold, and the proceeds, together with any other monetary assets of the member held in custody, must be deposited into the Treasury as miscellaneous receipts.

22.6.2. Recoupment

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented and supported by competent proof must be certified to Congress for consideration. After the 5 years, claims may not be accepted, and the requestor must be notified that the time limit for submitting a claim has expired.

23.0 ADMINISTERING, USING AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

Refer to the Volume 12 Supplemental.

24.0 OPERATION AND USE OF GENERAL GIFT FUNDS

The SecWar and Secretaries of the Military Departments have the authority to accept, hold, administer, and spend gifts made for the benefit or in connection with various institutions and individuals under their jurisdiction. These gifts include money, real property, personal property, or services for the establishment, operation, or maintenance of schools, hospitals, libraries, museums, cemeteries, and other institutions, as well as for the benefit of wounded or injured members of the armed forces (including members performing full-time National Guard duty), civilian employees, dependents, and survivors of members or employees who are killed.

24.1 DESIGNATIONS

The SecWar and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of War (OSW) designations are as follows:

24.1.1. USW(C)

All authority and responsibility granted to the SecWar associated with the acceptance and use of gifts has been delegated to the USW(C).

24.1.2. USW(C) Designations

The USW(C) prescribes additional designations of gift Acceptance Authority to OSW Components. On behalf of the SecWar, the USW for Acquisition and Sustainment (A&S), USW Personnel and Readiness (P&R), Administration and Organization Policy, DoW Defense Agencies, Joint Staff, Commanders of Combatant Commands, and Washington Headquarters Services (WHS) have the authority and responsibilities associated with acceptance and use of such gifts of real property or personal property and may authorize the development of additional procedures for implementing policy in this chapter. The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals at facilities under his or her authority. All gifts over $500,000 must be accepted by the USW(C).

24.2 Responsibilities

Refer to the Volume 12 Supplemental.

24.3 Acceptance

24.3.1. Acceptance of Gifts for Military Musical Units; Accounting for Missing Persons; Museum Programs; U.S. Service Academies; and the USUHS can be found in the Volume 12 Supplemental.

24.3.2. Circumstances to Decline Acceptance. Acceptance Authorities must decline gifts under the circumstances identified in the Volume 12 Supplemental.

24.3.3. DoW Personnel. DoW personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities must not accept gifts offered contrary to this policy. Notwithstanding this general prohibition, the SecWar may solicit from a bona fide collector a gift for the use and benefit of a military museum program.

24.3.4. Related Expenses. Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

24.3.5. Offers from Prohibited Sources. Acceptance Authorities must use increased sensitivity and scrutiny when gifts are offered from prohibited sources. Acceptance of gifts from prohibited sources may cause embarrassment to the DoW or the appearance of influencing official decisions or actions of the Department. Acceptance Authorities must consult with their appropriate Ethics Official before accepting such a gift valued more than $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other matters involving the Department that must be considered prior to gift acceptance.

24.3.6. Acknowledgment of Future Gifts. Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after the actual presentation of the gifts only when they determine that such acceptance will likely occur.

24.3.7. Acceptance through Intermediaries. Acceptance Authorities must not accept gifts offered indirectly through an intermediary if they cannot accept such gifts if offered directly from the source.

24.3.8. Accepting Gifts to Benefit Certain Members, Dependents, and Civilian Employees. - Refer to the Volume 12 Supplemental.

24.3.9. Acceptance of Property Gifts with Naming Rights.

24.3.9.1. The Secretary concerned may delegate the authority to accept gifts with the condition of naming rights only to a civilian Presidential appointee in a position requiring Senate confirmation. This authority may not be further re-delegated.

24.3.9.2. The Secretary concerned must issue uniform regulations governing the circumstances under which gifts conditioned on naming rights may be accepted, appropriate naming conventions, and suitable display standards. The naming conventions and suitable display standards must be in accordance with Unified Facilities Criteria (UFC) 3-120-01 and other implementing guidance issued under the purview of the USW(A&S).

24.4 Receipt

24.4.1. Monetary Gifts. All monetary gifts must be forwarded to the DFAS office servicing the Acceptance Authority via mail or an EFT. DoW officials must contact DFAS for EFT deposit information.

24.4.2. Gift Fund Accounts. - Refer to the Volume 12 Supplemental.

24.4.3. Accounting Transactions. Accounting entries for monetary, non-monetary, and service-type gifts are specified within the U.S. Standard General Library.

24.5 Records and Reports

24.5.1. Records. Acceptance Authorities must keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain the required documentation and information for all gifts received, including the date non-monetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in paragraph 24.7). For audit purposes, the supporting documentation for monetary and non-monetary gifts must be retained in accordance with the policy in Volume 1. Refer to the Volume 12 Supplemental.

24.5.2. Reports

24.5.2.1. DFAS Standards and Compliance (Corporate Reporting) must develop and require a standardized report for Acceptance Authorities or designees to report the following information to DFAS on a quarterly basis. Refer to the Volume 12 Supplemental.

24.5.2.2. Acceptance Authorities must report the information in the reports for all monetary gifts and real property gifts along with personal property gifts and services with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts must be reported separately.

24.6 Investments

Refer to the Volume 12 Supplemental for DFAS responsibilities for investments.

24.7 Property Accountability

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures must be consistent with policy prescribed in DoDI 4165.14, DoDI 4165.70, DoDI 4165.71, DoDI 4165.72, and DoDI 5000.64.

25.0 DOW BRANDING AND TRADEMARK LICENSING PROGRAM

25.1 Responsibilities

Refer to the Volume 12 Supplemental.

25.2 Accounting and Reporting

25.2.1. Accounting

25.2.1.1. Fees received in a fiscal year must remain available for obligation in such fiscal year and the following two fiscal years.

25.2.1.2. The excess of licensing fees collected over annual costs may be expended to support MWR activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the following two fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoW Component's MWR activities.

25.2.1.3. Funds not obligated or made available to MWR activities before September 30 of the second fiscal year following the year collected must be reallocated (transferred) to TAS R3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

25.2.1.4. Additional TASs may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

25.2.1.5. Each DoW Component must ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed, and any questions resolved. Copies of royalty reports must be retained in accordance with Volume 1.

25.2.2. Reporting. Each DoW Component operating a trademark licensing program must provide the Manager, DoW Branding and Trademark Licensing Program (BTLP), with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided. For information on quarterly and annual reports, refer to the Volume 12 Supplemental.

26.0 COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

26.1 Policy

Federal Laws and Regulations. Although 10 U.S.C. § 2262 authorizes the retention of conference fees, all other applicable Federal laws and regulations must be followed regarding conferences and conference planning. These Federal authorities include the Joint Travel Regulations, the FAR, the DFARS, and the JER. This authority does not increase or affect any other currently existing conference authority. Guidelines related to determining conference fees are available on the DoW Cost Guidance Portal that resides on the DoW Costs Assessment and Program Evaluation web page. Access to the web page requires a DoW Common Access Card (CAC). Refer to the Volume 12 Supplemental for use of contracts, reimbursement, and ethics and fiscal guidance.

A "conference" is defined in the ***Joint Travel Regulations*** as a meeting, retreat, seminar, symposium, or event that involves attendee travel. The term conference also applies to training activities in accordance with 5 CFR § 410.404. Conferences subject to this authority are also often referred to as conventions, expositions, workshops, or exhibitions that typically involve topical matters of interest to, and the participation of, multiple agencies and/or non-governmental participants. The ***DoD Conference Guidance 4.0*** identifies exemptions to the defined list of conferences.

26.2 Responsibilities

Refer to the Volume 12 Supplemental for OUSW(C), DFAS, and DoW Component responsibilities.

26.3 Accounting and Reporting

26.3.1. Accounting

26.3.1.1. Accounting for collections into appropriations is covered in the DoW United States Standard General Ledger Transaction Library, on the Office of the DCFO SFIS web page.

26.3.1.2. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected in accordance with 10 U.S.C. § 2262 with respect to a conference must be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as an appropriation reimbursement.

26.3.1.3. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year, but the conference is conducted in the next, the fees collected must remain in the year the conference expenses were obligated and must be available for the same purpose and time period of the appropriation.

26.3.1.4. Components, agencies, and activities that collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected that exceed actual conference costs must be deposited into the Treasury as Miscellaneous Receipts (i.e., Receipt Account 3210).

26.3.2. Reporting

26.3.2.1. In accordance with DoW's Conference Policies and Controls, all DoW-sponsored conferences are required to be reported through a central DoW Conference Tool. This data is used to generate the annual reports that are posted publicly and support the Department's ongoing oversight of conference activities. Conference fees are not reported as a separate entity; they are reported within conference expenses as a net of any fees or revenue received through the conference, not to include costs.

26.3.2.2. In accordance with OMB Memorandum M-17-08, "Promoting Efficient Spending to Support Agency Operations," agencies must report conference expenses on a dedicated space on their official website. Conference expenses are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference, but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the Federal Travel Regulations.

26.3.2.2.1. By January 31 of each year, the agency must describe all agency-sponsored conferences from the previous fiscal year where the net expenses for the agency associated with the conference were in excess of $100,000. This description must include:

26.3.2.2.1.1. Total conference expenses incurred by the agency for the conference.

26.3.2.2.1.2. The location of the conference.

26.3.2.2.1.3. The date of the conference.

26.3.2.2.1.4. A brief explanation of how the conference advanced the mission of the agency.

26.3.2.2.1.5. The total number of individuals whose travel expenses or other conference expenses were paid by the agency.

26.3.2.2.2. In addition, for any instances where the net expenses for an agency-sponsored conference exceeded $500,000, the website must include the agency-designated official's rationale and approval. The website must also include information in the appropriate format (e.g., narrative) about the total net conference expenses for the fiscal year incurred by that agency, as well as a general report about conference activities throughout the year.

26.3.2.2.3. In reporting this data, agencies must exclude any information that is considered to be sensitive, that is prohibited from public disclosure by statute or regulation, or that may jeopardize national security or the health, safety, or security of conference attendees, organizers, or other individuals.

27.0 FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES ON DOW INSTALLATIONS

27.1 Responsibilities

Refer to the Volume 12 Supplemental.

27.2 General Policy Provisions

27.2.1. Financial Institutions (FI) on DoW Installations

27.2.1.1. No more than one bank and one credit union are permitted to operate on a DoW installation except where they already existed as of May 1, 2000, or the installation was affected by BRAC. Refer to the Volume 12 Supplemental for information that pertains to installations affected by BRAC.

27.2.1.2. Upon the request of an installation commander and with the approval of the Secretary of the Military Department concerned (or designee), duly chartered FI may be authorized to provide financial services on DoW installations to enhance the morale and welfare of DoW personnel and facilitate the administration of public and quasi-public funds. Arrangements for the provision of such services must be in accordance with this section.

27.2.1.3. FIs may be established on DoW installations only after approval by the Secretary of the Military Department concerned (or designee), the appropriate regulatory agency as required, and in accordance with 32 CFR § 230.

27.2.1.4. Except in limited situations overseas, only banks insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, may operate on DoW installations. These FIs may either be State or federally chartered; however, U.S. credit unions operated overseas must be federally insured.

27.2.1.5. Military Banking Facilities (MBF) may be established on DoW installations when a demonstrated and justified need cannot be met through other means, pending the availability of FIs willing to perform these functions. Normally, MBFs are only authorized at overseas locations. MBFs may be considered for use at domestic DoW installations only when the cognizant DoW Component cannot obtain financial services from a state or federally chartered FI authorized to operate in the installation state. MBFs may be designated during mobilization as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Treasury.

27.2.1.6. The installation commander must approve the expansion of financial services (to include in-store banking) requiring the out grant of additional space or logistical support. Any DoW activity considering expanding the availability of financial services must coordinate requests with the installation Banking Liaison Officer (BLO) prior to the commander's consideration.

27.2.1.7. No DoW Component must perform retail banking operations. Solicitations for such services must be issued, and proposals accepted, according to the policies identified in this section.

27.2.1.8. If an FI or MBF operates on a DoW installation, installation commanders must not seek financial services from any entity other than the on-base FI or MBF.

27.2.1.9. Military disbursing offices, NAFIs (including MWR activities and the Military Exchange Services), and other DoW Component activities requiring financial services must use on-base FIs and MBFs to the maximum extent feasible.

27.2.1.10. NAFIs (including MWR activities and the Military Exchange Services) that desire and are authorized to provide currency accommodation exchange services to individuals must acquire all foreign currency for this purpose from the servicing MBF at the MBF accommodation rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

27.2.2. Security

27.2.2.1. The installation commander (or designee), officials of the on-base FIs, and installation security authorities must establish an understanding of each entity's responsibilities on all matters of asset protection.

27.2.2.2. Establish a written agreement outlining the security procedures that the FI follows and the role that installation security authorities play regarding alarms, movement of cash, and criminal activity response procedures to be followed (e.g., vandalism or robbery).

27.2.2.3. Cash and other assets in on-base FIs are the property of those FIs. Except for MBFs operated under contract, maintenance of alarms and the guarding and/or escorting of cash is the sole responsibility of the on-base FI. The installation commander may decide that providing for the guarding or escorting of cash is desirable or necessary.

27.2.2.4. The use of armored vehicles for transportation of cash is the sole responsibility of the on-base FI and MBF, and use must be coordinated with the installation commander to permit access to DoW installations and facilities.

27.2.3. Central Locator Services. Military locator services will be provided per the Privacy Act guidelines contained within the Volume 12 Supplemental (Figure 33-1) and associated fees, if any, are to be paid by the FI in accordance with Volume 11. See the Locate Military Members website to obtain information on how to locate a military member, retiree, or facility. Refer to the Volume 12 Supplemental for information and guidance on Advertising and Personal Solicitation; Automatic Teller Machine (ATM) Service; Staffing; Departure Clearance; Operating Agreements; Installation Financial Services; In-Store Banking; and Domestic MBF.

27.2.4. Advertising and Personal Solicitation. Refer to the Volume 12 Supplemental.

27.2.5. ATM Service. Refer to the Volume 12 Supplemental.

27.2.6. Domestic and International Treasury General Accounts. In cases where authorization is required for the on-base FI or MBF to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the FI must satisfy the risk management standards established by the Secretary of the Treasury. On-base FIs and MBFs must accept deposits for credit to the TGA (or ITGA) when authorized.

27.2.7. Staffing. Refer to the Volume 12 Supplemental.

27.2.8. Departure Clearance. Refer to the Volume 12 Supplemental.

27.2.9. Operating Agreements. Refer to the Volume 12 Supplemental.

27.2.10. Installation Financial Services. Refer to the Volume 12 Supplemental.

27.2.11. Banking Liaison Officer. Each installation commander having an on-base FI or MBF must appoint a BLO. The BLO's name and duty telephone number must be displayed prominently at each FI and MBF location on the installation. The responsibilities of BLOs must be assigned to comptroller or resource management personnel. Employees, officials, or directors of a FI or MBF may not serve as BLOs. Refer to the Volume 12 Supplemental for BLO responsibilities.

27.2.12. In-Store Banking. Refer to the Volume 12 Supplemental.

27.2.13. Domestic MBF. Refer to the Volume 12 Supplemental.

27.3 Banks Operating on Domestic DoW Installations

27.3.1. General Policy. U.S. banks may operate on DoW installations, in accordance with this section, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations. Refer to the Volume 12 Supplemental for Establishment and Terminations.

27.3.2. Solicitations. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), must conduct solicitations, to include pre-proposal conferences, for on-base banking. Subject to the criteria for selection outlined in the Volume 12 Supplemental, the preferred sources of on-base financial services at domestic installations are federally insured, state-chartered or federally insured, federally chartered banks operating in the local area. The Volume 12 Supplemental addresses distribution of the solicitation only and does not preclude any federally insured, state-chartered or federally insured, federally chartered bank from responding at any stage (from local distribution in the Volume 12 Supplemental to publication in SAM.gov and FI trade journals as outlined in the Volume 12 Supplemental) of the solicitation process. Do not commit to any bank regarding its proposal until the appropriate regulatory agency makes a designation if a designation is required. Refer to the Volume 12 Supplemental for more information on solicitations.

27.3.3. Termination. Refer to the Volume 12 Supplemental for more information.

27.3.4. Use of Space, Logistical Support, and Military Real Property for Banks Operating on Domestic DoW Installations.

27.3.4.1. Lease Terms. The consideration for a lease must be determined by an appraisal of fair market rental value in accordance with 10 U.S.C. § 2667. Periodic reappraisals must be based upon the fair market rental value exclusive of the bank improvements made. Coordinate with USW(A&S) or designee. Refer to the Volume 12 Supplemental.

27.3.4.2. Logistical Support

27.3.4.2.1. The bank must be housed in a building accessible to DoW personnel on the installation and in a location permitting reasonable security.

27.3.4.2.2. Banks must perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

27.3.4.2.3. Banks must pay for all utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services including garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the bank.

27.3.5. Land Leases. A lease for the construction of a bank must be at the appraised fair market rental value. Charges must apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value. Refer to the Volume 12 Supplemental.

27.3.6. Construction. Banks may construct buildings subject to provisions found in the Volume 12 Supplemental.

27.4 FIs and MBFs Operating on Overseas DoW Installations

General Provisions of Financial Services Overseas. The Department acquires financial services overseas for use by authorized persons and organizations from the following sources.

27.4.1. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

27.4.2. Domestic and foreign banks located on overseas DoW installations. Each such institution must be:

27.4.2.1. Chartered to provide financial services in that country.

27.4.2.2. A party to a formal operating agreement with the installation commander to provide such services.

27.4.2.3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law. Refer to the Volume 12 Supplemental for more information on Establishment, Terminations, Logistical Support, Operations, and other Overseas Banking Offices.

27.5 Credit Unions Operating on Domestic DoW Installations

U.S. credit unions may operate on DoW installations, in accordance with this section, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations. Refer to the Volume 12 Supplemental for more information on Establishment; Termination; Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions; Land Leases; Construction; and ATM service.

27.6 Overseas Credit Unions

27.6.1. Credit union services to authorized persons and organizations, as permitted by Status of Forces agreements, other intergovernmental agreements, or host-country law, may be provided by domestic on-base credit unions operating under a geographic franchise.

27.6.2. The extension of credit union service overseas must be in accordance with this section as it relates to domestic credit unions and aligned with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

27.6.3. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state-chartered credit unions may operate on overseas DoW installations. The ultimate decision to provide services overseas rests with the credit union itself. Refer to the Volume 12 Supplemental for more information on Establishment; Logistical Support Services; Travel; and Operations.

28.0 DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF WAR EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

28.1 Gift to Covered Employees

Pursuant to the authority in 10 U.S.C. § 2601(a), covered members of the armed forces in the DoW and covered employees of DoW, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoW when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the SecWar; (3) that results in enrollment in a Warriors in Transition program, as defined in section 738(e) of the NDAA for Fiscal Year 2013 (Public Law 112-239, 10 U.S.C. § 1071); or (4) under other circumstances determined by the Secretary concerned to warrant treatment like members covered by the first criterion of this section.

28.2 Impermissible Gifts

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including 18 U.S.C. § 201, 18 U.S.C § 209, 5 CFR § 2635 and 5 CFR § 3601; or (4) will reflect adversely on the DoW.

28.3 Criteria for Gift Acceptance

Refer to the Volume 12 Supplemental.



DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS, AND PROGRAMS"

UNDER SECRETARY OF WAR (COMPTROLLER)

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VOLUME 12

SPECIAL ACCOUNTS, FUNDS, AND PROGRAMS

1.0 GENERAL

1.1 Purpose

Volume 12 is the Department of War's (DoW) authoritative volume for specialized financial matters that are not part of routine operations. It establishes the official policies for managing a variety of fund types, including General, Special, Trust, and Revolving Funds.

This volume provides the authoritative guidance for the financial administration of special-purpose accounts and programs, covering transactions like contributions and loans. It details the rules for specific initiatives such as contingency operations, base closures, international agreements, and personnel entitlements like the GI Bill and the Military Retirement Fund (MRF). The core purpose of this guidance is to ensure all specialized financial activities are conducted with legality, consistency, transparency, and accountability across the DoW.

1.2 Authoritative Guidance

Refer to the Volume 12 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary on the FMR webpage.

1.4 Procedures

Refer to the Volume 12 Supplemental on the FMR webpage for sections listed throughout this volume.

2.0 FUNDS

2.1 Reference

Refer to the Volume 12 Supplemental for more information on Fund Groups and Symbols.

2.2 General Funds

2.2.1. Unless specific statutory authority authorizes a reimbursement to an appropriation account or fund (including special funds), DoW Components must credit all collections to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of, a general fund receipt account collection or receivable must be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

2.2.2. DoW Components must record accounts receivable for the general fund receipt accounts whenever an event determines that money is owed to the United States (U.S.) Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

2.2.2.1. A receivable must be recorded for general fund receipt account 2651, "Sale of Scrap and Salvage Materials, Defense," based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

2.2.2.2. A receivable must be recorded for general fund receipt account 3019, "Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force," based upon the receipt of an approved DoW DD Form 200, "Financial Liability Investigation of Property Loss."

2.2.2.3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4.

2.3 Clearing, Default, and Custodial Accounts (3500-3885)

Temporary Account Requirement. Since accounts F36XX, F3875, and F3885 are temporary in nature, DoW Components must expeditiously transfer all monies to the proper account to minimize the balance. Use of these suspense accounts are valid if approved by the U.S. Department of the Treasury (Treasury) provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

2.4 Management Fund Accounts (3900-3999)

2.4.1. A management fund must be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoW Component. Projects may encompass participation by organizational units of one DoW Component or of two or more DoW Components.

2.4.2. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

2.4.3. A management fund may not be used to finance a new operation or project, although eligible under paragraph 2.3, if other effective and efficient financing techniques are available. In general, appropriation reimbursements must be used. However, industrial funds must be used to finance industrial or commercial-type activities, and stock funds must be used to finance the acquisition of consumable (expense-type) materiel for stock.

2.4.4. Management fund accounts are subject to periodic internal audits.

2.4.5. Responsibilities

2.4.5.1. The Office of Under Secretary of War (Comptroller) (OUSW(C)) and Deputy Chief Financial Officer (DCFO) must:

2.4.5.1.1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSW(C) DCFO will receive, review, evaluate and approve proposed management fund account charters. Refer to Figures 1-1 and 1-2 within the Volume 12 Supplemental.

2.4.5.1.2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of War (Comptroller) (USW(C)) the establishment or continuance of a management fund account.

2.4.5.2. The Heads of DoW Components must:

2.4.5.2.1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this section.

2.4.5.2.2. Oversee compliance with this section regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

2.5 Revolving Funds (4000-4999)

2.5.1. Revolving funds subject to apportionment are apportioned on an obligation basis. The DoW Component must submit an SF 132, 'Apportionment and Reapportionment Schedule,' to the Office of Management and Budget (OMB) for approval of the budgetary authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year. For more information regarding Revolving Funds, refer to Volume 12 Supplemental section 2.5.

2.5.2. Claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

2.5.3. Incurring obligations or authorizing the incurrence of obligations more than apportioned budgetary resources must be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

2.5.4. Each revolving fund is required to submit a separate set of reports to the Treasury as described in Volume 6. Therefore, the data required for each revolving fund to prepare these reports must be identified within the DoW Component's accounting system.

2.6 Special Funds (5000-999)

Special Fund Expenditure Accounts. The accounting for special fund expenditure accounts must be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund considering any special provisions in the enabling legislation.

2.7 Deposit Funds (6000-6999)

Deposit fund accounts are established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. Deposit fund transactions are excluded from the budget totals because the amounts are not owned by the government, and therefore are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. This section identifies various types of deposit funds.

2.7.1. Unidentified Remittances. Unidentified remittances must be credited as suspense items outside the budget unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts must be credited to the receipt clearing fund accounts. An example of a DoW deposit fund account is the Army’s Group Life Insurance Fund, fund account symbol 021X6434.

2.7.2. Unclaimed Collections. On a quarterly basis, DoW Components must initiate action to clear unclaimed collections held in their trust, revolving, and deposit fund accounts for more than one year. Unclaimed collections are money held by the government for individuals whose whereabouts are unknown. Unclaimed collections of $25 or more are transferred to “Payment of Unclaimed Moneys” with the accounting citation 020X6133, if held for more than one year. This account represents money that, when claimed, is properly refundable to the legal owner of the funds. Unclaimed collections of less than $25 or amounts of $25 or more that have been held for

more than one year for which the rightful owner can be neither identified nor located are transferred to R1060 unclaimed amounts.

2.8 Trust Funds (8000-8999)

2.8.1. Trust Fund Receipt Accounts. The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund considering any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign Military Sales (FMS) related to the Executive trust fund, special accounting requirements have been established in Volume 15.

2.8.2. Trust Fund Expenditure Accounts. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

2.8.3. Trust Revolving Funds (8400-8499). Accounting for trust fund expenditure accounts and trust revolving funds must be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund considering any special provisions in the trust agreement or the enabling legislation.

2.9 Available Receipts

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an "X" is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until Fiscal Service prepares a warrant to move the funds to a current fiscal year expenditure account.

2.10 Unavailable Receipts

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts are sometimes invested. In these circumstances, Treasury designates the fund as "available only for investment."

2.11 Transfer Appropriation Accounts

Fiscal Service establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular office or bureau within the receiving department. For example, 017-097 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (097) and was transferred to the Department of the Navy (017) for execution purposes.

2.12 Patent Royalty Activities

2.12.1. Each fiscal year, Treasury will create a new three-year Treasury Account Symbol (TAS) to record collections and payments of expenses related to patent royalties. DoW Components should obligate and disburse directly from the three-year TAS for the purposes specifically authorized in Title 15, U.S. Code Section 3710c (15 U.S.C. § 3710c), which states that collections are only available for three years.

2.12.2. DoW Components must record the collections in the United States Standard General Ledger (USSGL) 426600 – Other Actual Business-Type Collections from Non-Federal Sources. USSGL 426600 provides direct budget authority on line 1800 of the Standard Form (SF) 132 and SF 133.

3.0 CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

3.1 Defense Cooperation Account

A special account is established in the Treasury for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of War (SecWar), or designee under 10 U.S.C. § 2608.

3.2 Authority

3.2.1 SecWar. 10 U.S.C. § 2608 provides authority for the SecWar to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property. It may accept from any foreign government or international organization any contribution of services.

3.2.2. Under Secretary of War (Comptroller) (USW(C)). Authority to accept such contributions has been delegated to the USW(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration, and distribution of contributions of funds from foreign countries for defense programs.

3.2.3. Military Departments (MILDEPs) and Defense Agencies. The Secretaries of the MILDEPs and the Directors of the Defense Agencies have authority to accept from any business

(person) or international organization any contribution of real or personal property for use by their organizations.

3.2.4. Washington Headquarters Services (WHS). Given WHS responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability, the Director of the WHS has authority to accept contributions of personal property offered to the Office of the Secretary of War (OSW) for use at the Pentagon.

3.2.5. Delegation of Authority. The USW(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case-by-case basis.

3.3 Policy on Contributions

3.3.1. Nonmonetary Contributions. These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment), or services that would benefit the DoW, if accepted. Once the DoW accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoW organization should recognize the contribution in its financial statements. See Volumes 4 and 6 for accounting and reporting guidance.

3.3.1.1. The receiving DoW organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made, thus making DoW the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see subparagraph 3.5.1).

3.3.1.2. The receiving organization must document and retain on file the details of each non-monetary contribution received. For audit purposes, the receiving organization must retain the supporting documentation in accordance with the National Archives and Records Administration – General Records Schedules.

3.3.2. Monetary Contributions. The USW(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

3.3.2.1. Contributions in Cash

3.3.2.1.1. Cash contributions, including proceeds from the sale of any contributed property, must be deposited into the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

3.3.2.1.2. Consistent with sound cash management practices, any cash accepted, under USW(C) authority, must be either converted into a check and forwarded to the DFAS using overnight delivery service or deposited into a Treasury General Account with funds

transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3.3.2.1.3. Any funds forwarded by electronic funds transfer (EFT) must be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division must be notified prior to forwarding any funds electronically.

3.3.2.1.4. Documentation associated with cash contributions, including copies of deposit tickets and the original correspondence from contributors, must be forwarded within 24 hours of the deposit using overnight delivery service to the DFAS Trust Fund Accounting Division.

3.3.2.2. Contributions by Check

3.3.2.2.1. Checks received by DoW officials must be made payable to the "United States Treasury." The reference line on the check should indicate the "Defense Cooperation Account."

3.3.2.2.2. Checks received by DoW officials must be forwarded to the DFAS Trust Fund Accounting Division. The DFAS must deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3.3.2.2.3. Documentation associated with check contributions, including the original of any correspondence from contributors must be forwarded with the check.

3.3.2.3. Contributions by Wire Transfer

3.3.2.3.1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

3.3.2.3.2. After approval by the USW(C), donors may make contributions to the DCA via EFT from commercial banks to "Account Number 1" in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York must credit the Department accordingly, using the format in the Volume 12 Supplemental.

3.3.2.3.3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors must be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

3.3.2.4. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency, the cognizant DoW official must:

3.3.2.4.1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

3.3.2.4.2. Advise the USW(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the donor makes the currency transfer.

3.3.2.4.3. Upon approval by the USW(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York "Account Number 1" via the donor's central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoW official should seek guidance from the DFAS Trust Fund Accounting Division for appropriate alternative arrangements.

3.3.2.4.4. Foreign checks received by DoW officials must be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

3.3.2.4.5. Cash and checks received by DoW officials in countries not served by a DoW disbursing officer must, upon approval by the USW(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

3.3.3. Policy on Acceptance of Contributions

3.3.3.1. Authorities that may accept contributions must use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, must consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition or reflect unfavorably on the Department. "Prohibited source" and "Ethics Counselor" must have the meanings set forth in DoD Directive (DoDD) 5500.07, "Ethics and Standards of Conduct."

3.3.3.2. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

3.3.3.3. Department personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

3.3.4. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

3.4 Reporting on Contributions

3.4.1. Reporting Requirements. Not later than 10 days after the end of each quarter, each DoW official that has accepted and received a nonmonetary contribution must submit a report to the DFAS Trust Fund Accounting Division that identifies elements cited within the Volume 12 Supplemental.

3.4.2. DFAS Reporting Requirement. Not later than 15 days after the end of each quarter, the DFAS must prepare and forward to the USW(C) a report to be submitted to Congress that provides information cited within the Volume 12 Supplemental.

3.5 Investing Contributions

3.5.1. General. Consistent with good cash management practices, funds in the DCA must be invested in securities of the United States or in securities guaranteed as to principal and interest by the United States.

3.5.2. Purchasing Government Securities. Refer to the Volume 12 Supplemental document for the DFAS requirements for purchasing Government securities.

3.5.3. Selling Securities. Refer to the Volume 12 Supplemental document for the DFAS requirements for selling Government securities.

3.5.4. Maturing Securities. The DFAS must maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

3.5.5. Payments or Transfers. The Congress must authorize payments or transfers from the DCA. The USW(C) will provide withdrawal notification to the DFAS, which must ensure appropriate action is taken.

3.5.6. Annual Reviews. The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoW and the Treasury policies and procedures, and adequacy of internal controls.

4.0 DIRECT LOANS AND LOAN GUARANTEES

This section establishes the DoW policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the ***Federal Credit Reform Act of 1990*** (FCRA) as amended. The major purposes of the FCRA are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the most appropriate form to meet the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

4.1 Accounting Standards

4.1.1. Netting Subsidy Re-estimate Amounts (within Cohorts). To calculate subsidy costs, components begin by estimating the expected cash flows and inflows over the life of the loans for each cohort year. Expected cash flows are then discounted to the point of the loan disbursement to determine the net present value. The subsidy cost represents the net present value cost of making or guaranteeing new loans.

4.1.1.1. The data used for budgetary subsidy cost estimates are updated, or re-estimated, annually after the end of the fiscal year to reflect actual loan performance and to incorporate any changes in assumptions about future loan performance. Re-estimates must be made immediately after the end of each fiscal year, if any loans in the cohort are outstanding.

4.1.1.2. OMB Circular No. A-11, Part 5, Section 185.6 (f), "Reestimate Increases/Decreases," states that in cases where agencies execute a risk category on a loan-by-loan basis, increases or decreases in subsidy cost for different loans within the same cohort and risk category will be netted against each other. Loans that require increased subsidies should draw on the excess from any risk categories within the cohort where the re-estimate shows a subsidy decrease. A negative or downward subsidy re-estimate should be recognized as a direct reduction in expense, not as a revenue, gain, or other financing source.

4.1.1.2.1. If the netting within the cohort indicates a net increase in the subsidy cost of the cohort since the last estimate or re-estimate, an obligation in the amount of the net increase (plus interest) must be recorded against permanent indefinite budget authority available to the program account for this purpose.

4.1.1.2.2. If the netting within the cohort results in a net downward re-estimate, there is no overall increase in subsidy cost for the cohort, and hence no additional appropriated subsidy for the program account. To keep the correct balances in the financing account, an obligation and a financing disbursement in the amount of the net decrease (plus interest on the re-estimate) must be recorded in the financing account.

4.1.1.2.3. Within the financing account, any amounts borrowed for downward re-estimates for individual loans not needed for/transferred to loans with upward re-estimates are transferred to a miscellaneous receipt account.

4.1.1.3. The DFAS maintains separate accounting records for each loan and loan guarantee with all accounting transactions. All projects having a downward re-estimate, whether they are in a cohort with an upward re-estimate project, borrow the gross amount of their respective downward re-estimates from the Treasury's Bureau of the Fiscal Service. The borrowed funds received by a downward re-estimate project is transferred to the amount needed to fund an upward re-estimate project in the same cohort, with any net remaining funds paid to the Treasury.

4.1.1.3.1. The downward re-estimate project records such intracohort transfers as a credit to USSGL account 427100 "Actual Program Fund Subsidy Collected" with an offsetting debit to USSGL 427100 recorded by the upward re-estimate project. Consequently, the total re-estimate amount included in Line 4120 "Federal Sources" on the SF 133 "Report on Budget Execution and Budgetary Resources" is the sum of the net cohort balances.

4.1.1.3.2. The Treasury, primarily through the Fiscal Service, provides detailed accounting and reporting guidance for Federal credit programs through the Guide for Basic Accounting and Reporting for Direct Loan Programs without Collateral in Federal Credit Program and the Guide for Basic Accounting and Reporting for Loan Guarantee Programs without Collateral in Federal Credit Program.

4.2 Credit Reform Fund Controls

4.2.1. Fund Control. Leaders of DoW agencies must prescribe, by regulation, a system of administrative control of funds. For credit programs and resources, systems for administrative control of funds must ensure that internal controls include objectives specific to compliance with the Antideficiency Act (ADA). Additional detailed guidance can be found in OMB Circular No. A-11, Part 4, Section 150.

4.2.2. Antideficiency Act Violations. ADA violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, to the Comptroller General, and to Congress. For additional information, refer to Volume 14. For examples of ADA violations refer to the Volume 12 Supplemental.

4.3 Credit Apportionment and Reapportionment

All Treasury Appropriation Fund Symbols (TAFS) and all program, financing, and liquidating accounts are required to be apportioned, except in the case of a TAFS that is exempt from apportionment per OMB Circular No. A-11, Part 4. Refer to Volume 3.

4.4 Report on Budget Execution and Budgetary Resources (SF 133)

4.4.1. Coverage. Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources must be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in OMB Circular No. A-11, Part 4.

4.4.2. Timing of Reports. The SF 133 must be submitted electronically through the Treasury's Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance System at the end of November, July, August, and each quarter or such other time period specified by the OMB for each open TAFS. Optionally, the SF 133 is submitted through the GTAS for the additional monthly reporting in November, July, and August for expiring TAFSs. This facilitates analysis and ensures consistent presentation of budget execution information so that Government-wide totals are meaningful. A copy of the SF 133 for each calendar quarter must be submitted to the Committee on Appropriations, House of Representatives.

4.5 Direct Loans

The DoW Component must record an obligation of subsidy in the program account when it signs a binding contract, in accordance with the provisions of OMB Circular No. A-11, Part 5, 'Federal Credit.' Subsidy funds must be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant

to section 504(f) of the Federal Credit Reform Act (FCRA) of 1990. If the subsidy amount decreases, a payment must be made to a receipt account.

4.6 Guaranteed Loans

The DoW Component must record the obligation of subsidy in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular No. A-11, Part 5, "Federal Credit." The DoW Component must pay subsidy funds from the program account to the financing account when the third-party lender disburses the guaranteed loan to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, the DoW Component makes any change in the estimated subsidy caused by an interest rate change or a change in estimates for other components of subsidy cost at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the FCRA of 1990. If the subsidy amount decreases, the DoW Component must make a payment to a receipt account.

4.7 Computation of Interest Expense and Interest Income

Refer to the Volume 12 Supplemental for: Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs; Frequency of Interest Computations; Weighted Average Interest Rate; and Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts.

4.8 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the FCRA of 1990 (as amended) and are intended to account for direct loans and loan guarantees. DoW entities must follow the Standard Financial Information Structure (SFIS), which is based on the Treasury USSGL. For more complete information, visit the SFIS website.

5.0 GRANTS AND COOPERATIVE AGREEMENTS

5.1 DoW Statutory Authorities for Use of Grants

A DoW Component may use grants when the SecWar delegates the statutory authority, or when a statute grants the authority directly to the Head of the DoW Component. Title 32, Code of Federal Regulations (CFR) § 21.420 lists the types of statutory authority the DoW may use to award assistance instruments.

5.2 Grants Financial Management

5.2.1. Financial Management Information System

5.2.1.1. The DoW Component must ensure the availability of a financial management information system capable of recording and monitoring grant transactions and providing, by transaction, a delineation of the federal and grantee breakout of program costs.

5.2.1.2. The system must enable the DoW Component to quickly identify the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

5.2.2. Record Retention. The DoW Component must maintain grant-supporting financial management documentation in accordance with the requirements in its DoW Component records retention requirements.

5.2.3. Recording and Reviewing Commitments and Obligations. Accounting for funds under a grant must start with the commitment of funds prior to their obligation by an awarding official. The awarding official must be a DoW grants or agreements officer with a statement of appointment that meets the requirement in 32 CFR §§ 21.435-21.465. After funds commitment, budgetary obligations must be recorded upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the performance obligations of the parties to the award, and other terms. A legal obligation to disburse grant funds, in accordance with the terms of the agreement, occurs upon execution of an agreement or other obligating document. Refer to Volume 3 for more information.

5.2.4. Volume 10 provides detailed payment provisions for grants and other instruments of assistance.

5.2.4.1. Timing and Frequency

5.2.4.1.1. 32 CFR § 22.810 prescribes the timing and frequency of grant payments. In general, it is Governmentwide policy to minimize the time elapsing between any payment of funds to a grantee and the grantee's disbursement of the funds for program purposes. For States, payments are governed by Treasury-State Cash Management Improvement Act agreements and default procedures codified in 31 CFR § 205 and I Treasury Financial Manual (TFM) 4A - 2000 Overall Disbursing Rules for All Federal Agencies.

5.2.4.1.2. The assisting DoW Component must account for payments made to grantees to cover part or all their anticipated expenses or advance payments as advances. This accounting treatment continues until the grantee performs under the award, meaning the grantee meets the requirements to use the funds in accordance with the grant agreement. Refer to Volume 4 for more information.

5.2.4.1.3. The DoW Component should require payments as reimbursements when the grantee cannot meet the requirements in subparagraphs 5.2.4.1.1 and 5.2.4.1.2, when the DoW Component sets a specific grant condition per 2 CFR § 200.207, or when the grantee requests this payment method. The DoW Component may also use reimbursement for

any construction grant, or if private market financing or Federal loans fund the major portion of the construction project, and the Federal award constitutes a minor portion of the project.

5.2.4.2. Method. It is a government-wide requirement to use EFT in the payment of any grant to the maximum extent practicable under 32 CFR § 22.810.

5.2.4.3. Process. Disbursing offices must follow the policies and procedures in Volume 10 for payment provisions for grants.

5.2.4.4. Withholding Payments. The DoW Component may withhold payments for allowable costs when:

5.2.4.4.1. The grantee failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award. If the grant is not otherwise suspended, the DoW Component must release the payment to the grantee upon the grantee's compliance. If the grant is suspended, the DoW Component will make payment adjustments according to 2 CFR § 200.342;

5.2.4.4.2. The grantee is delinquent in a debt to the United States as defined in OMB Circular No. A-129. In this situation, the DoW Component must provide reasonable notice to the grantee that payments will not be made for obligations incurred after a specified date until the indebtedness to the Federal Government is paid; or

5.2.4.4.3. The grantee has a sustained audit finding which resulted in amounts due to DoW. The DoW Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the grantee was notified of the debt and continues to accrue while an appeal is underway.

5.2.4.5. Interest from Advanced Payments. A DoW Component may allow grantees to retain interest earned up to $500 per year for their administrative expenses. Grantees must remit any additional interest earned on DoW advance payments, required to be deposited in interest-bearing accounts, annually to DoW using either an Automated Clearing House network or a Fedwire Funds Service payment.

5.2.5. Recording of Expense

5.2.5.1. When the grantee that received the advance has performed under the grant, the DoW Component must record an expense in an amount equal to the cost of the services performed or cost incurred and reduce the advance account by that amount. The grantee must provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the grant.

5.2.5.2. The DoW Component must account for payments to grantees for reimbursement of work performed or costs incurred as expenditures and expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

5.2.6. Accruals. The DoW Component must recognize and report balances due or advanced to grantees at the end of the reporting period and apply cost-benefit considerations to the process of estimating and validating accruals.

5.2.6.1. Accrual estimates must be treated as follows:

5.2.6.1.1. Amounts issued as advances must be adjusted, even if grantees have not yet reported expenses incurred; and

5.2.6.1.2. Where there is no advance or no remaining advance, the DoW Component must estimate amounts payable to grantees.

5.2.6.2. The DoW Component must document and maintain support for the data and assumptions used to develop grant accrual estimates and follow internal control guidance in Federal Accounting Standards Advisory Board Technical Release 12.

5.2.7. Accounts Receivable

5.2.7.1. At the termination or closeout of a grant, the DoW Component must establish an accounts receivable for any disallowed expenses, improperly applied funds, unused funds, and any other amount due to the DoW according to the grant's terms and conditions.

5.2.7.2. When a grantee has a sustained audit finding that resulted in amounts due to DoW, the DoW Component must promptly record the amount due from the grantee upon entitlement as an accounts receivable, even if the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the DoW Component notifies the grantee of the debt and continues to accrue while an appeal is underway.

5.2.8. Debt Collection. A DoW Component establishes a debt when it determines it has overpaid a grantee under the terms and conditions of the grant. Volume 10 and Volume 16 describe the treatment of debt collection.

5.3 Real Property and Equipment

5.3.1. Grantee Purchased Real Property or Equipment. A DoW Component must provide prior approval to grantees to purchase real property or equipment with federal funds. Generally, title to real property or equipment vests with the grantee upon the grantee’s acquisition and DoW does not account for its reversionary interest in real property and equipment (32 CFR § 34.21(a) and (b)). The title must be conditional, subject to the following:

5.3.1.1. The grantee must use the real property or equipment for the authorized purposes of the grant until funding ceases, or until the property or equipment is no longer needed for the grant. Use in other projects must be limited to those under federally sponsored projects (i.e., awards) or programs that have purposes consistent with those authorized for support by the DoW Component;

5.3.1.2. The grantee cannot encumber the property without approval of the DoW Component; and

5.3.1.3. The grantee must use the real property or equipment following the terms of the grant and dispose of the property or equipment following disposition instructions from the DoW Component, consistent with 32 CFR § 34.21(d) and (e).

5.3.1.4. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for any outstanding proceeds from the disposition of real property or equipment.

5.3.2. Federally-owned Property. Title to Federally-owned property remains vested in the DoW (32 CFR § 34.22) and:

5.3.2.1. The DoW Component must establish appropriate general ledger accounting controls and property records and include the assets in its financial statements. The asset must be recorded at acquisition cost to the grantee and depreciated in accordance with guidance in Volume 4.

5.3.2.2. If DoW has no further need for the property, it must declare the property excess and report it for disposal following the instructions in Volume 4 for Excess Items Disposition, unless the DoW Component has statutory authority to dispose of the property by alternative methods.

5.3.3. Exempt Federally-owned Property. Exempt Federally owned property means property acquired under a grant when the DoW has chosen to vest title to the property to the grantee without further obligation to the Federal government, based on explicit terms and conditions of the grant. A DoW Component may exercise this option only when statutory authority exists.

5.4 Supplies

Title to supplies will vest in the grantee upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the grantee must retain the supplies for use on other activities or sell them. In either case, the grantee must compensate DoW, following the requirements in 32 CFR § 34.24. The grantee may deduct and retain $500 or ten percent of the proceeds, whichever is less, for selling and handling expenses. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for compensation received from grantee residual inventory.

5.5 Intangible Property

Intangible property applies to a patent, patent application, copyright, or other intangible property acquired, but not developed or produced, under the grant. When the grantee no longer needs the intangible property for the originally authorized grant purpose, the DoW Component must arrange for the disposition of the intangible property, following the requirements in

32 CFR § 34.25. At grant close-out, the DoW Component must follow subparagraph 5.2.7 to account for the remaining proceeds from disposition of intangible property.

5.6 Other Required Reporting

5.6.1. Improper Payment. An improper payment is any payment that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

5.6.1.1. Questioned costs, including those identified in audits, are not an improper payment until reviewed and confirmed to be improper as defined in OMB Circular No. A-123 Appendix C.

5.6.1.2. Grant programs are subject to the payment integrity requirements in Volume 4.

5.6.2. Public-Private Partnership Reporting. Grants which meet the definition of public-private partnerships (P3), risk-sharing arrangements or transactions with expected lives greater than 5 years between public and private sector entities, may be subject to disclosure under SFFAS 49. Volume 6 and SFFAS 49 provide detailed information about P3 reporting.

5.6.3. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. 1 TFM 2 - 4500 requires electronic submission of several reports pertaining to foreign obligors to the Treasury. Refer to Volume 6 and Volume 16 for more details.

6.0 FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY, LOST, DAMAGED, DESTROYED, OR STOLEN

6.1 Applicability

The requirements within this section apply to all government property regardless of whether the government property is recorded in an Accountable Property System of Record. This section does not apply to loss, damage, destruction, or theft of Government Furnished Property, Contractor Acquired Property, and property acquired by a contractor because of partial, advance, progress, or performance-based payments in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property must be processed in accordance with the terms and conditions of the accountable contract or third-party agreement to which the lost, damaged, destroyed, or stolen property was accountable.

6.2 General Requirements

6.2.1. Initiation of General Inquiries and Investigations

6.2.1.1. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military,

immediate superior within the chain of command, must conduct a general inquiry to determine if the situation warrants a formal investigation. A DD Form 200 is not required for general inquiries. Loss, damage, destruction, or theft of supply system materiel must be processed in accordance with paragraph 6.5.

6.2.1.2. An investigation must be conducted for all loss, damage, destruction, or theft of government-owned equipment with initial unit acquisition cost (value) of $5,000 or greater; all sensitive, classified, or leased (Refer to Volume 4) property regardless of initial acquisition cost; and any real property (see Department of Defense Instruction (DoDI) 5000.64 for more information). Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction, or theft of small amounts of property occurs frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

6.2.2. DD Form 200. The DD Form 200 is the required documentation for investigations and must be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation must complete blocks 1 through 11 of the DD Form 200. Refer to the Volume 12 Supplemental.

6.2.3. Review. Upon completion of the investigation, the DD Form 200 must be forwarded to the appointing authority for review. The appointing authority must determine if a financial liability officer or a financial liability board is needed to investigate. The general criteria for appointing a financial liability officer or board and the responsibilities of a financial liability officer or board regarding inventory losses are contained within the Volume 12 Supplemental. General Counsel and/or the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (10 U.S.C. §§ 801-806).

6.2.4. Evidence of Theft. Cases involving stolen government-owned property must be referred to local security and/or law enforcement officials, in accordance with agency procedures.

6.2.5. Notification and Examination. When financial liability is recommended, the individual must be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also must be given the opportunity to request a waiver of the financial liability in accordance with 10 U.S.C. § 2775.

6.3 Approving and Appointing Authority

Due Process. The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of individuals involved to respond to recommendations of financial liability is not a sufficient reason for the appointing and approving authorities to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in the Volume 12 Supplemental.

6.4 Government Housing Liability

Military Personnel Liability for Government Housing Determination of Proximate Cause. A member of a Military Service must be held liable to the U.S. for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

6.5 Supply System Material

This section applies to personal property defined as "supply system materiel" and contains procedures to be followed when inventory losses are discovered. The provisions of this section are applicable to all activities accountable for supply system material, including stock fund and other inventories (e.g., appropriated fund).

6.5.1. Inventory. Physical inventories must be performed in accordance with the provisions contained herein and in Department of Defense Manual (DoDM) 4140.01, Volume 5.

6.5.2. Causative Research. Causative research must be conducted for all inventory discrepancies that meet any of the criteria specified in Defense Logistics Manual (DLM) 4000.25, Volume 2. For inventory discrepancies that do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability must be provided by means of an inventory adjustment document.

6.5.3. Resolved Inventory Losses

6.5.3.1. Accountability. The data developed by post count validation, pre-adjustment research, and causative research must be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments must be processed in accordance with this Regulation and DLM 4000.25, Volume 2.

6.5.3.2. Statistics. The type of inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25, Volume 2.

6.5.4. Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

6.5.4.1. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand must be provided by means of an inventory adjustment document. The detailed data requirements and procedures for preparing and processing the inventory adjustment document must be as prescribed in the appropriate DoW Component implementing documents.

6.5.4.2. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph must be cited as authority for relieving the accountable officer of accountability.

6.5.4.3. Statistics. The type of inventory losses must be categorized and accumulated by category to identify trends or problem areas in accounting or supply system procedures in accordance with DLM 4000.25, Volume 2.

6.5.5. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

6.5.5.1. Accountability. See subparagraph 6.4.4.1.

6.5.5.2. Statistics. See subparagraph 6.4.4.3.

6.5.6. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A financial liability investigation must be used to support the adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

6.5.7. Criteria for an Investigation. A financial liability investigation must be initiated on all unresolved inventory discrepancies for each stock number that meets any of the criteria identified in the Volume 12 Supplemental.

7.0 FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

7.1 Authoritative Guidance

7.1.1. The National Defense Authorization Act (NDAA) for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the DoW. The NDAA for Fiscal Year 1995 extended this authorization to include foreign nationals employed by a foreign government, for the benefit of DoW, under any of the following agreements that provide for separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. 10 U.S.C. § 1581, "Foreign National Employees Separation Pay Account," provides for the establishment and operation of this account. The use of the term "foreign national employees" in this section is meant to apply to both foreign national direct and indirect hire employees. 10 U.S.C. § 1592 establishes that funds in the "Foreign National Employees Separation Pay Account, Defense" account may not be used to pay severance pay to a foreign national employed by DoW that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

7.1.2. This guidance applies to all DoW appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (DWCF). DWCF activities must continue to make necessary foreign national employee severance payments under established DWCF procedures. This guidance also does not apply to the FMS Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees

from the FMS Trust Fund. Use of nonappropriated funds (NAF) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded (APF) entities is prohibited.

7.2 Policy

7.2.1. Calculations. Foreign national employees' separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disburse these amounts from the Treasury "Foreign National Employees Separation Pay Account, Defense," 097X8165. The applicable Treasury receipt account is 097X8165.001, "Employing Agency Contributions, Defense." Find additional guidance on obligations for separation allowances for foreign national employees in Volume 3.

7.2.2. The Director, DFAS, must administer the account as well as perform related accounting functions.

7.2.3. Transfers into the "Foreign National Employees Separation Pay Account, Defense" must be made following procedures in the procedures/guidance document.

7.2.4. Deobligations. Each DoW Component must notify its supporting DFAS site of all deobligation transactions, adjustments, and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

7.3 Subsequent Disbursements

7.3.1. Validation of Funds Availability. Local disbursing offices and the Department of State (DoS) may continue to make disbursements for foreign national employee separation payments, when approved by DFAS, using DoW cross-disbursement procedures. Each DoW Component and non-DoW office (e.g., DoS) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement. A positive balance in the account is necessary prior to payment; therefore, both DoW and non-DoW activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

7.3.2. Cross-Disbursements. When cross-disbursement procedures are used, the appropriate DFAS site must be advised prior to each actual disbursement. Find additional guidance on cross-disbursement transactions in Volume 3.

7.4 Responsibilities

Refer to the Volume 12 Supplemental.

8.0 INTERNATIONAL AGREEMENTS

8.1 General

This section establishes the financial procedures that must be followed when DoW Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto. It does not cover Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements associated with security assistance programs. Such transactions are implemented under provisions identified in Section 15.

8.1.1. International Agreement Document. This term includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization.

8.1.2. International Agreement Design for Coordination. Each international agreement submitted for coordination must contain a fiscal, legal and policy memorandum in accordance with DoDI 5530.03, "International Agreements," paragraphs 5.2.b., or a Summary Statement of Intent (SSOI) in accordance with paragraph 5.2.b.(5). Refer to Volume 12 Supplemental for detail regarding these memoranda.

8.2 Legal Considerations

Legal authority information is critical to the preparation of an international agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. Any agreement that involves the obligation of U.S. appropriated funds must have an underlying legal authority for the use of such funds; the agreement itself cannot create such an authority. Refer to the Volume 12 Supplemental for detailed information regarding these legal considerations.

8.3 Fiscal Considerations

8.3.1. Availability of Financing Sources. There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section must identify any other applicable prohibitions. It is implicit in the identification of the financing sources set forth in the Volume 12 Supplemental that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

8.3.1.1. No funds designated by the Congress for North Atlantic Treaty Organization (NATO) or major non-NATO cooperative research and development under 10 U.S.C. § 2350a may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

8.3.1.2. U.S. Government military assistance funds (i.e., Foreign Military Financing, FMS loans, and FMS credits) are not available to finance a foreign participant's share

of the cost of a cooperative project authorized by section 27 of the Arms Export Control Act or a cooperative development project with a major non-NATO ally under 10 U.S.C. § 2350a.

8.3.2. Financial and Nonfinancial Contributions. A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. If the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section must summarize the results of such an analysis. The price analysis must be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally must be valued at the exchange rate current at the time that the agreement is prepared. There must be no subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI must display the value of the currency in terms of U.S. dollars.

8.3.3. Valuation of Nonfinancial Contributions. The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI must describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions must also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions can be found in the Volume 12 Supplemental.

8.3.4. Reasonable and Necessary Expense. Any obligation of DoW appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoW missions, unless the use of DoW funds for other than a DoW mission specifically is authorized by statute.

8.4 Proposed Agreement

8.4.1. Financial Policies and Appropriate Cross References. An international agreement must contain language that implements the requirements established by U.S. law and regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

8.4.2. Fund Availability Qualification. Because agreements may involve future years for which Congress has not yet appropriated funds, all agreements that require that DoW provide financial contributions must contain a funds availability clause to prevent a premature recording of an obligation against a future year's appropriation.

8.4.3. Reconciliation of Agreement Dollar Value to Financing Sources. An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal

information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

8.4.4. Adherence to Prescribed Pricing Rules

8.4.4.1. If an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Subparagraphs 8.3.2 and 8.3.3 discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoW technical data and computer software, or the use of equipment or facilities.

8.4.4.2. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

8.4.5. Determination of Program Equitableness

8.4.5.1. 2350a and 22 U.S.C. § 2767, and in accordance with DoDI 5530.03, international agreements involving cost sharing should be equitable. The United States and the other participants to an international agreement must contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project and must receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant's cost share must be proportionately equal to the benefits it receives. In many cases, "equitable" will mean equal, but the sharing need not be exactly equal to meet the equitable standard; minor deviations are permissible so long as the cost sharing is fair based on the totality of the circumstances involved, and not in contravention of other law or regulation. Any such deviation will be cited clearly in the SSOI and approved by the relevant DoW officials during their routine coordination of international agreements. Further details of meeting the requirements for equitability are provided in the Volume 12 Supplemental.

8.4.5.2. The SSOI or fiscal memorandum to a proposed international agreement, must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoW officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

8.4.5.3. Calculation of Expected Contribution. In support of an equitability determination by DoW approving officials, the expected contribution must be calculated and presented in the SSOI or supporting documentation using one of the methods identified in the Volume 12 Supplemental:

8.4.6. Sales and Transfers of Technical Data Developed Under an Agreement – Refer to the Volume 12 Supplemental.

8.4.7. Taxes, Duties, and Similar Charges – Refer to the Volume 12 Supplemental.

8.4.8. Advance of DoW Funds

8.4.8.1. An advance constitutes a disbursement of DoW funds before an authorized DoW official has certified that materials have been delivered or ordered services performed. An agreement must not provide for DoW advance payments, unless the conditions for such advances, as set forth in Volume 4, are met. An advance to a foreign country is authorized only when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

8.4.8.2. When possible, advances must be made for no more than the amount necessary to fulfill the DoW share of project expenses for one month. Advances and prepayments must not exceed the amount necessary to fulfill the DoW share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires: Payment of interest at competitive rates; Timely identification of interest earned by each party; and Interest disposition in accordance with the participants' instructions.

8.4.8.3. The DoW share of funding required to support an international project must be obtained in full by appropriation, and no part of such funding must be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest must not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

8.4.8.4. Advances of DoW funds in excess of 90 days or $5 million require consultation with the Treasury. Contact with the Treasury must be through the OUSW(C).

8.4.9. Billing Requirements. When payments are to be made, the agreement or subsequent financial arrangements must include information identified in the Procedures document.

8.4.10. Special Types of Agreements

8.4.10.1. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoW services or materials provided are priced in accordance with Volume 11.

8.4.10.2. Cooperative Research, Development, Test and Evaluation (RDT&E), Technical Data Exchange, Co-production, Licensed Production, and Related Standardization

Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

8.4.10.2.1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

8.4.10.2.2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

9.0 FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

9.1 Overall Funding Policy

9.1.1. For this policy, the term "civilian separation incentives" means resignation and retirement incentives and outplacement subsidies that may be used to encourage designated civilian employees to separate voluntarily from DoW.

9.1.2. Available separation incentives include Voluntary Separation Incentive Pay (VSIP), VSIP Phase II, Voluntary Early Retirement Authority (VERA), and Voluntary Reduction in Force (VRIF). The DoW activities may pay up to $25,000 (before taxes and deductions) from appropriations, funds, or accounts available for such purposes for the voluntary resignation, early retirement, or optional retirement of a designated civilian employee.

9.1.3. Outplacement subsidies are used as an incentive for other Federal agencies to hire employees displaced by reduction in force (RIF) or transfer of function. DoW activities may pay up to $20,000 from appropriations, funds, or accounts available for such purposes. The payment is for Permanent Change of Station (PCS) costs incurred by another Federal agency when that agency hires any DoW employee in a surplus skill category who is subject to RIF. See the DoW FMR.

9.1.4. Audit Readiness/Internal Procedures. Each DoW Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

9.1.5. Recording Funding Obligations. Funds for separation incentives and outplacement subsidies must be obligated when an employee accepts the offer of an incentive payment. The obligation must be recorded in DoW Standard General Ledger account 640000, "Benefits Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the Office of the DCFO SFIS for additional information on account descriptions, and OMB Circulars, Circular No. A-11, Section 83 for additional information on object class codes.

9.2 Specific Funding Policies for Different Types of Employees

9.2.1. Civilian Separation. A DoW Component that offers civilian separation incentives to an employee, to induce the voluntary separation of that employee to create a vacancy for another employee of the same DoW Component, must fund the resulting separation payments from the applicable appropriation, fund, or account that otherwise is available to pay for salaries and expenses of that DoW Component. The source of Voluntary Separation Incentive Payments funds may include a DWCF for employees of a DWCF-funded activity. DoW central account funding is not provided.

9.2.2. Foreign Military Sales Trust Fund – Refer to Volume 12 Supplemental.

9.2.3. Placements Outside the Department. DoW activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoW employee with another Federal Agency as authorized under 5 U.S.C. § 5724 and DoDI 1400.25, Volume 1702. When the gaining Federal agency accepts a DoW Component-offered outplacement subsidy, the DoW activity must notify the gaining agency that DoW funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification must include the DoW fund citation to be billed and the address of the fiscal station paying the subsidy. Payment must be made by the applicable DoW activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

9.3 Controls over Available Funds

Controls must be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. ADA provisions apply to the DoW Component appropriations, funds, and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies, appropriate action must be taken. In this regard, the DoW Components either must cancel or withdraw incentive offers prior to employee acceptance or obtain additional funds.

10.0 PRIVATIZATION OF WAR UTILITY SYSTEMS

10.1 DoW Utility Systems

As permitted under the authority of 10 U.S.C § 2925, the Secretary of a Military Department is allowed to transfer utility systems. This authority does not extend to utility projects operated by the Army Corps of Engineers under its civil works authority. The policy is driven by DoDI 4170.11, "Installation Energy Management," which establishes utilities privatization as the preferred strategy for modernizing and recapitalizing these critical systems. Consequently, the Military Services are mandated to attempt privatization of such utility systems at all Active and Reserve Component installations, both within and outside the United States. However, there are specific exceptions to this mandate: privatization is not required for installations scheduled for closure, for systems that the Secretary of the Military Department certifies as exempt for security

reasons, or in cases where privatization would be uneconomical. The USW for Acquisition and Sustainment (A&S) is assigned primary responsibility for overseeing this instruction.

10.2 Conveyance of Utility Systems

10.2.1. Consideration and Determination. Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount equal to the fair market value (as determined by the Secretary) of the right, title, or interest of the United States conveyed. Such consideration may take the form of a reduction in charges for utility services provided or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system without any consideration or cause to be inapplicable to authorities that govern disposal of DoW real property and personal property. The Secretary concerned may authorize a contract for utility services to have a term more than 10 years, but not to exceed 50 years. The determination of cost effectiveness must be made using a business case analysis that includes an independent estimate of the level of investment that should be required to maintain adequate operation of the utility system over the proposed term of the contract or contract renewal. The business case analysis must also demonstrate how a privatized system will operate in a manner consistent with energy resilience and cybersecurity requirements and associated metrics provided to the conveyee to ensure that the reliability of the utility system meets mission requirements.

10.2.2. Reduction in Charges. A reduction in charges for utility services provided is acceptable consideration when the services are provided by the utility or entity obtaining the utility, and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services provided is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an "Other Asset" (Account 199000), and the recorded asset is reduced by charges to "Operating Expenses/Program Costs" (Account 610000) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in Volume 4.

10.2.3. Lump Sum Payment – Refer to the Volume 12 Supplemental.

10.3 Conveyance Authorization and Agenda

10.3.1. Same Utility Service Procurements. Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to Assistant Secretaries of the Military Departments' Financial Management and Comptroller (FM&C) for approval. The FM&C must notify the supporting DFAS site of approved funds distributions.

10.3.2. Savings and Conservation Projects and Improvements. Refer to the Volume 12 Supplemental.

11.0 ENERGY AND WATER SAVINGS AND REVENUE MANAGEMENT

11.1 Financial Management Policy, Incentives, and Revenues

The Congress has enacted a series of measures aimed at strengthening energy and water security, resilience, and sustainability within the DoW. This section establishes the financial management policy for identifying, retaining, and utilizing energy and water cost savings, as well as financial incentives and revenues derived from the sale of electricity. It provides comprehensive guidance on the receipt and use of utility incentives and water cost savings for conservation efforts; the availability and application of energy cost savings; the implementation of energy savings contracts and related activities; the sale of electricity generated from alternative energy and cogeneration facilities; and DoW participation in programs designed to manage energy demand or reduce energy consumption during peak periods. Refer to the Volume 12 Supplemental for more detailed steps and procedures.

11.2 Energy Savings and Incentives Received from Utilities

11.2.1. Extended Availability from Energy Savings. Energy savings amounts with extended availability must be transferred to extended availability accounts for execution.

11.2.1.1. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is established.

11.2.1.2. Transfers to extended availability accounts must be made by a SF 1151, "Nonexpenditure Transfer Authorization," or other authorized Service-specific method that incorporates all SF 1151 requirements (refer to Volume 14). Reprogramming actions will not be required in the case of such transfers.

11.2.1.3. The level that uses the accounts, such as the command, installation, Military Department, Defense Agency, and/or OSW level Accounting, must establish appropriate controls, and oversight for amounts in extended availability accounts to optimize funds executability.

11.2.2. Financial Incentives - Refer to the Volume 12 Supplemental.

11.3 Revenues from the Sale of Electricity

Refer to the Volume 12 Supplemental for Sale of Electricity; Use of Proceeds from the Sale of Electricity; and Congressional Notification.

11.4 Budgeting and Energy Savings on Utility Payments

Each military department must include the portion of the guaranteed savings due to the contractor for payment under an Energy Savings Performance Contract (ESPC) or to the utility for payment under an Utility Energy Service Contract (UESC) in its utility requirements submitted in budget requests for the length of the ESPC or UESC entered by that military department. The total utility requirements submitted as part of budget requests must include the entire amount of guaranteed savings provided in an ESPC or performance assurance savings provided in an UESC, including amounts for contract payments and amounts to be retained by installations. The total of the amounts requested must not exceed those that would have been requested in the absence of the

ESPC. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs or UESCs for that military department are in existence. In accordance with the OMB Circular No. A-11, Appendix B, "Budgetary Treatment of Lease-Purchases and Leases of Capital Assets," the costs of ESPCs may be scored on an annual basis, consistent with the guidance provided in OMB Memorandum M-98-13, "Federal Use of Energy Savings Performance Contracting," and OMB Memorandum M-12-21, "Addendum to OMB Memorandum M-98-13 on Federal Use of Energy Savings Performance Contracts and Utility Energy Service Contracts."

11.5 Use of Balances Available Resulting from Energy Cost Savings

Refer to the Volume 12 Supplemental.

11.6 Accounting for Energy Cost Savings

11.6.1. 10 U.S.C. § 2912. The energy cost savings amounts realized in accordance with 10 U.S.C. § 2912 remain as unobligated balances available for obligation at the end of the fiscal year and the succeeding fiscal year.

11.6.2. Unobligated Balance Transfers. Unobligated balances covered by subparagraph 11.6.1 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see subparagraph 11.1.1). The authority and policy to be cited for the transfer is 10 U.S.C. § 2912(e).

11.6.2.1. The SecWar may transfer amounts that remain available for obligation to other funding accounts of the DoW if the purpose for which such amounts will be used is specified in the Volume 12 Supplemental.

11.6.2.2. Amounts transferred to a funding account of the Department under subparagraph 11.5.2.1 will be available for obligation for the same period as amounts in that account.

11.6.2.3. At the end of each fiscal year, the SecWar must submit to Congress a report detailing any funds transferred pursuant to subparagraph 11.5.2.1 during that fiscal year, including a detailed description of the purpose for which such amounts have been used.

12.0 FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

12.1 Policy

DoW Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2, and must administer the allocations of base closure funds. DoW Components are to deposit the proceeds in the appropriate account authorized by law. If transfer funds were deposited into the wrong account, a suspense account, or other interim account, an SF 1080, "Voucher for Transfers Between Appropriations and/or Funds," must be used to transfer funds to the proper account. Refer to the Procedures document for: DoW Base Closure Account 1990 and DoW Base Closure

Account 2005; DoW Overseas Military Facility Investment Recovery Account; and Reserve Account.

12.2 Budget and Accounting Responsibilities

12.2.1. Requests for Funds

12.2.1.1. DoW Components DoW Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the USW for A&S or designee, the Director, OSW Base Realignment and Closure (BRAC) Office, must submit a financial plan to the Director, Military Personnel and Construction, OUSW(C), Program/Budget (P/B), supported by a "DoW Base Closure Account Financial Plan," (Format 460-BC), to request allocations of base closure funds. Refer to the Volume 12 Supplemental for more information. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities must identify specific base closure program requirements to their host DoD Component.

12.2.1.2. Director, Military Personnel and Construction. This office must initiate the SF 132, "Apportionment and Reapportionment Schedule," for the appropriate base closure account for submission to the OMB for its approval.

12.2.2. Funds Distribution

12.2.2.1. Director, Military Personnel and Construction. Upon OMB approval of the SF 132 for the base closure account, this office must provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

12.2.2.2. Director, Defense Finance and Accounting Service. The Director of DFAS must obtain and record, in the departmental-level accounting records, a Financial Management Service 6200, "Appropriation Warrant," for the base closure accounts. Refer to the Exhibit in the Volume 12 Supplemental.

12.2.3. Plan Execution - Refer to the Volume 12 Supplemental.

12.3 Reporting Responsibilities

12.3.1. DoW Components. The DoW Components must prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports must offer detail for each subaccount specified in a Fund Authorization document provided by OSW (refer to the Volume 12 Supplemental). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.

12.3.2. Defense Finance and Accounting Service. DFAS must establish base closure accounts with the Treasury and manage associated transactions, such as posting SF 1151 "Nonexpenditure Transfer Authorizations." This function also requires the preparation of various

departmental-level reports, including appropriation and fund status reports as mandated by Volume 6, and Chief Financial Officer (CFO) reports for all base closure accounts. Additionally, it involves offering the consolidation of financial reports to produce Treasury Index 97 financial reports on a pass-through basis. This guidance can be supplemented with additional procedures as necessary, subject to the approval of OUSW(C).

12.4 Administration of Base Closure Funds

12.4.1. Appropriated Fund Activities. Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoW base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoW Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. Refer to the Volume 12 Supplemental for general guidance on Expenses that Ordinarily Result in a Cash Outlay and Losses that Do Not Ordinarily Result in a Cash Outlay.

12.4.2. Disposition of DoW Base Closure Assets - Refer to the Volume 12 Supplemental.

13.0 TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

This section provides financial policy for the disposal, transfer, and leasing of real property, as well as the transfer and lease of personal property. Financial policy for the disposal of personal property is addressed in Volume 11.

13.1 Policy

Leases: Non-excess Property and Personal Property. The Secretary of a Military Department may lease non-excess real and personal property under its control that is not needed for a public use for the time that it is leased in accordance with 10 U.S.C. § 2667. 10 U.S.C. § 2667 provides the same authority to the SecWar with respect to property under the control of a Defense Agency. Throughout this section and the corresponding section in the Supplemental, the term "Secretary concerned" will mean the Secretary of a Military Department, with respect to matters concerning that Military Department; and the SecWar, with respect to matters concerning the OSW Components of Defense Field Activities. Refer to the Volume 12 Supplemental.

13.2 Reporting Requirements to Congress

Refer to the Volume 12 Supplemental

14.0 EDUCATIONAL ASSISTANCE PROGRAMS

14.1 Overview of Educational Assistance Programs

The DoW provides several Educational Assistance Programs that establish a legally binding entitlement for eligible individuals, including active-duty service members, reservists, survivors, and their dependents. These programs serve the dual purpose of aiding in military recruitment and retention while also facilitating the readjustment of service members to civilian life and providing educational support for their families. While the authorization of these entitlements constitutes a binding contract with the Federal Government, it may require a separate, subsequent appropriation of funds. This section provides specific guidance on the financial operations, transaction recording, and accounting standards for managing these programs, and additional details can be found on the U.S. Department of Veterans Affairs (DVA) website.

14.1.1. Veterans' Education Assistance Program (Post-Vietnam). The Veterans' Education Assistance Program (VEAP) (38 U.S.C. § 3201) is an educational benefit for service members who entered service between January 1977 and June 1985. This program was terminated on April 1, 1987. However, the Services may be required to budget and submit payment for unfunded liabilities as determined by the DoW Board of Actuaries on a year-by-year basis.

14.1.2. Montgomery GI Bill – Active Duty. The Montgomery GI Bill – Active Duty (MGIB-AD) (38 U.S.C. Chapter 30), also known as "Chapter 30," provides education benefits to veterans and service members who have met the minimum requirements of their obligated period of active duty. Refer to the Volume 12 Supplemental for Eligibility Requirements; Benefits; and Budget Submission Guidance.

14.1.3. Montgomery GI Bill – Selected Reserve. The Montgomery GI Bill Selected Reserve (MGIB-SR) 10 U.S.C. Chapter 1606 program offers up to 36 months of education and training benefits. Refer to 10 U.S.C. § 16132(a). Refer to the Volume 12 Supplemental for Eligibility Requirements; Period of Entitlement; Benefits; and Budget Submission Guidance.

14.1.4. Post-9/11 GI Bill. The Post-9/11 GI Bill (38 U.S.C. Chapter 33) provides education and job training to qualifying Veterans or members of the Armed Forces who served on active duty after September 10, 2001, and have met the minimum requirements of their obligated period of active duty. The DVA funds the Post-9/11 GI Bill. Such members are also entitled to transfer the Kicker of this benefit to a spouse or dependent children if conditions to transfer the basic benefit are met. Refer to the Volume 12 Supplemental for Eligibility; Benefits; and Budget Submission Guidance.

14.2 Funding for Educational Assistance Programs

The Veterans Educational Assistance Act of 1984 established a trust fund to finance DoW education liabilities on an actuarially sound basis. The DoW Education Benefits Fund (EBF) is a trust fund used to accumulate funds for transfer to the DVA to cover the DoW share of benefits. The DoW funds the MGIB-AD benefits, the MGIB-SR basic and Kicker benefits, and the VEAP benefits. The DoW Office of the Actuary performs actuarial valuations and provides actuarial

support and expertise for the EBF. Refer to the Education Benefits Valuation Report, which is updated annually. Refer to the Volume 12 Supplemental for more information and guidance on the fund; payments; transfers; deposits; and Table 14-1 for Active-Duty Critical Skill "Kicker" benefits.

14.3 Fund Transfers of Military Personnel Appropriations

Refer to the Volume 12 Supplemental.

14.4 Payroll Deductions

Refer to the Volume 12 Supplemental.

14.5 Refunds or Erroneous Deductions from Active-Duty Members

Refer to the Volume 12 Supplemental.

14.6 Collection of Educational Debts Owed to the Government by Selected Reserve

Refer to the Volume 12 Supplemental.

15.0 MILITARY PERSONNEL ENTITLEMENT PROGRAMS

Entitlement Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may be necessary. This section prescribes the accounting policy for three entitlement programs established for DoW military personnel. The entitlement programs are the MRF, the Medicare-Eligible Retiree Health Care Fund (MERHCF), and the Voluntary Separation Incentive Fund.

15.1 General Accounting Policy for Entitlement Programs

15.1.1. Payment of Benefits. Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

15.1.1.1. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

15.1.1.2. Compliance with Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no

specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

15.1.1.3. Reimbursable Events. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

15.1.2. Identifiable Refunds. When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

15.1.3. Suspension of Payments. When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the DFAS must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

15.2 Military Retirement Fund

15.2.1. Overview of the Military Retirement Fund

The Military Retirement Fund (MRF) is a statutory trust fund established under 10 U.S.C. §§ 1461–1467 to finance, on an actuarially reasonable basis, the Department of Defense (DoD) and the Coast Guard liabilities for military retired pay and survivor benefit programs. The MRF constitutes an entitlement authority under 2 U.S.C. § 622(9). Authorization of these entitlements represents a binding obligation of the Federal Government and may require subsequent appropriations. This section prescribes the accounting policy applicable to the MRF. Additional statutory and programmatic details are available from the DoD Office of the Actuary (OACT) and the DoD Agency Financial Report.

15.2.2. Military Retirement Fund Structure.

The MRF finances retired pay and survivor benefit liabilities through normal cost contributions, Treasury contributions for unfunded liabilities, and interest earnings on its investments in Treasury securities. The DoD Board of Actuaries approves the actuarial methods and assumptions used to determine the required contributions.

15.2.3. Funding for the Military Retirement Fund

The MRF is financed through normal cost contributions—a combination of accrual payments from DoD's Military Personnel, Reserve Personnel, and National Guard Personnel appropriations, combined with payments from Treasury to finance concurrent receipt—along with Treasury contributions for unfunded liabilities and interest earnings on investments in Treasury securities. The DoD Office of the Actuary, under the direction and oversight of the DoD Board of Actuaries, performs actuarial valuations and determines contribution requirements to ensure the fund balance remains actuarially reasonable.

15.2.4. Normal Cost Contributions

Funds the present value of future pension benefits accrued during the year. Amounts payable to the MRF must be determined using actuarial methods and assumptions approved by the DoD Board of Actuaries. These contributions consist of accruing cost payments from DoD and contributions from Treasury to finance concurrent receipt. DoD Components must include sufficient funds in MILPERS budgets to meet their required contributions.

15.2.5. Unfunded Liability Contributions

Treasury contributions for unfunded liabilities must be determined using actuarial methods approved by the DoD Board of Actuaries and deposited to the MRF in accordance with statutory requirements.

15.2.6. Investment of Fund Balances

MRF balances not needed for current payments must be invested in Treasury securities, consistent with 10 U.S.C. § 1467.

15.2.7. Accounting Requirements

Liabilities must be recorded consistent with federal accounting standards, including SFFAS 5 and SFFAS 33. DFAS must prepare trust fund financial statements in accordance with Volume 6A.

15.2.8. Administrative and Operational Requirements

Additional guidance on accrual calculations, obligations, transfers, investment workflows, and reporting requirements is contained in the Volume 12 Supplemental

15.3 Medicare-Eligible Retiree Health Care Fund

15.3.1. MERHCF Purpose

Overview of the Medicare-Eligible Retiree Health Care Fund

The Medicare-Eligible Retiree Health Care Fund (MERHCF) is a statutory trust fund established under 10 U.S.C. §§ 1111–1117 to finance, on an actuarially reasonable basis, uniformed services retiree health care liabilities for Medicare-eligible beneficiaries, including

dependents and survivors. MERHCF constitutes an entitlement authority under 2 U.S.C. § 622(9). Authorization of these entitlements represents a binding obligation of the Federal Government and may require subsequent appropriations. This section prescribes the accounting policy applicable to MERHCF. Additional statutory and programmatic details are available from the DoD Office of the Actuary (OACT) and the DoD Agency Financial Report.

15.3.2. MERHCF Structure - MERHCF finances Medicare-eligible retiree health care liabilities through normal cost contributions, Treasury contributions for unfunded liabilities, and interest earnings on investments in Treasury securities. The DoD Medicare-Eligible Retiree Health Care (MERHC) Board of Actuaries approves the actuarial methods and assumptions used to determine required contributions.

15.3.3. Funding for the Medicare-Eligible Retiree Health Care Fund

MERHCF is financed through normal cost contributions from Military Personnel, Reserve Personnel, and National Guard Personnel appropriations; Treasury contributions for unfunded liabilities; and interest earnings on investments in Treasury securities. The DoD Office of the Actuary, under the direction an oversight of the DoD MERHC Board of Actuaries, performs actuarial valuations and determines contribution requirements to ensure the fund remains actuarially reasonable.

15.3.3.1. Normal Cost Contributions - Normal cost contributions must be based on per-capita rates developed by the DoD Office of the Actuary and approved by the DoD MERHC Board of Actuaries. DoD Components must include sufficient funds in MILPERS budgets to meet required contribution levels.

15.3.3.2. Unfunded Liability Contributions - Treasury contributions for unfunded liabilities must be determined using actuarial methods approved by the DoD MERHC Board of Actuaries and deposited to MERHCF in accordance with statutory requirements.

15.3.3.3. Investment of Fund Balances - MERHCF balances not needed for current payments must be invested in Treasury securities, consistent with 10 U.S.C. § 1113.

15.3.3.4. Accounting Requirements - Liabilities must be recorded consistent with federal accounting standards, including SFFAS 5 and SFFAS 33. DFAS must prepare trust fund financial statements in accordance with Volume 6A.

15.3.4. Administrative and Operational Requirements

Additional guidance on accrual calculations, obligations, transfers, reimbursements, investment workflows, and reporting requirements is contained in the Volume 12 Supplemental.

15.3.5. Responsibilities

15.3.5.1. Assistant Secretary of War for Health Affairs (ASW(HA)). Approves and issues procedures for the management and operation of MERHCF and provides guidance and operational direction to the Defense Health Agency (DHA).

15.3.5.2. Director, DHA. Implements DoW policy for MERHCF, directs reviews of legislative changes for potential impacts, and oversees execution reviews.

15.3.5.3. Department of War Medicare-Eligible Retiree Health Care Board of Actuaries. Provides advice on actuarial matters, reviews actuarial valuations of MERHCF, and reports annually on its actuarial status to the Secretary of War, and not less than once every four years (quadrennial report), to the President and Congress.

15.3.5.4. Chief Actuary, DoW Office of the Actuary. The DoW Office of the Actuary (OATC), Chief Actuary, reports on the actuarial status of MERHCF, provides cost estimates to OMB and participating Services, and reviews legislative changes for actuarial impact.

15.3.5.5. USW(C). The USW(C) prepares the total unfunded liability amortization payment plus the total normal cost contribution for certification by the Secretary of War to the Secretary of the Treasury.

15.3.5.6. Director, DFAS. Manages MERHCF's investments, establishes the necessary accounts, develops financial management processes, performs accounting, reports financial activities for required financial statements, and supports financial audits.

15.3.5.7. Secretaries of the Military Departments. Provide personnel data as requested and conduct all fund transfers, accounting, reconciliation, and other administration relating to the operation of MERHCF.

15.3.5.8. Administering Secretaries for the Participating Uniformed Services. The Administering Secretaries for the participating Uniformed Services include the Secretary of Homeland Security (for USCG) and the Secretary of Health and Human Services for PHS and NOAA. The Administering Secretaries for the participating Uniformed Services calculate and transfer their normal cost contributions to MERHCF and provide personnel data as requested.

15.3.6. MERHCF Accounts

The DoW MERHCF (097X5472, "Department of War, Medicare-Eligible Retiree Health Care Fund") is classified as a Special Fund and uses specific receipt, expenditure, and investment accounts. Amounts deposited are immediately available for investment, payment of benefits, and administrative costs. DFAS is responsible for making amounts available from the fund to cover all qualifying expenses.

15.3.7. MERHCF Assets

15.3.7.1. Contributions. Payment from DoW appropriations and other uniformed services (USCG, NOAA, and PHS), and the Treasury to fund future benefits.

15.3.7.2. Unfunded Actuarial Liability Payment. Payments from a permanent indefinite general fund appropriation, 097X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability), and to cover actuarial gains and losses.

15.3.7.3. Investment Income. Income earned on the invested portion of the fund.

15.3.7.4. Return of Prospective Payment Transfers. Amounts returned to the fund that were previously transferred but found to be in excess of what was needed.

15.3.8. Accounting for MERHCF Revenues

DFAS records investment earnings. All contributions from DoW, other uniformed services, and the Treasury must be based on determinations by the DoW OACT under methods approved by the DoW MERHCF Board. Prior to each fiscal year, the Secretary of War shall certify the amortization payment and normal cost contributions due to the fund.

15.3.9. Reimbursements of Medicare-Eligible Retiree Health Care

The Fiscal Year 2005 National Defense Authorization Act provides permanent, indefinite appropriations from the Treasury to finance the cost of Medicare-Eligible Retiree Health Care (MERHC) accruals beginning in fiscal year 2006, rather than from MILPERS annual appropriations. Therefore, the per capita normal cost for MERHC accruals is not billable to other DoW Agencies or Federal Agencies. However, under 22 U.S.C. § 2761(a)(1)(C) of the Arms Export Control Act, these costs must be included in the rate billed to foreign countries or international organizations for the sale of defense services. These reimbursements must be deposited into the Treasury Miscellaneous Receipts account 304100.

15.3.10. Investment of MERHCF Cash Balances

DFAS is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury. The income on such investments must be credited to receipt account 097X5472.002, "Earnings on Investments, DoW Medicare-Eligible Retiree Health Care Fund," and form a part of MERHCF.

15.3.11. Accounting for MERHCF Outlays

15.3.11.1. DFAS must make amounts available from the fund for payment of qualifying expenses. These expenses fall into two categories:

15.3.11.1.1. Purchased Care. Healthcare purchased from non-DoW providers.

15.3.11.1.2. Direct Care. Healthcare services provided to Medicare-eligible beneficiaries directly in DHA MTFs.

15.3.11.2. DHA determines the annual prospective payment amounts required from the fund for these categories. These amounts are based on the estimated costs of providing services to Medicare-eligible beneficiaries. Throughout the year of execution, an execution review is conducted to compare prospective payments against the earnings from the actual care provided. An established 10% variance threshold governs this reconciliation. Variances falling within this +/- 10% threshold are mutually waived. For variances that exceed the threshold, only the amount of the variance in excess of the 10% band is reconciled through adjustments to future prospective payment calculations. The results of this review are used to inform future fund requirements, and funds determined to be in excess of requirements may be returned to the MERHCF in accordance with 10 U.S.C. § 1113.

15.3.12. MERHCF Financial Reporting Requirements

DFAS is responsible for preparing all required financial reports for MERHCF, including the SF 133 (Report on Budget Execution and Budgetary Resources), the Status of Funds report, and all Federal financial statements as required by OMB Circular No. A-136 to support the DoW Agency-wide financial statements. The financial statements must recognize a liability for the present value of future MERHC benefits for eligible participants.

15.4 Voluntary Separation Incentive Fund

15.4.1. Overview of the Voluntary Separation Incentive Fund

15.4.1.1. The Voluntary Separation Incentive (VSI) Fund was established under Section 662 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190) to finance VSI payments on an actuarially reasonable basis. VSI provides annual payments to eligible active-duty Service members with more than six but fewer than 20 years of service who voluntarily separate during authorized force-shaping periods. Authorization of these benefits constitutes a binding obligation of the Federal Government and may require subsequent appropriations. This section prescribes the accounting policy applicable to the VSI Fund. Additional statutory and programmatic details are available from the Department of Defense Office of the Actuary (OACT).

15.4.1.2 VSI Benefit Structure - VSI payments are annual installments paid for twice the number of years of active service. The DoD Board of Actuaries determines actuarial assumptions and required amortization payments to ensure the VSI Fund remains actuarially reasonable using OACT as the operational organization performing the calculations.

15.4.2. Funding for the VSI Fund

The VSI Fund finances VSI liabilities through amortization payments and interest earnings on Treasury securities. The DoD Office of the Actuary performs an annual actuarial valuation and determines the required amortization amount to ensure the fund remains actuarially reasonable.

15.4.2.1 Amortization Payments - DoD Components must include sufficient funds in Military Personnel appropriations to make required amortization payments to the VSI Fund. Amortization amounts must be determined using actuarial methods and assumptions set by the DoD Board of Actuaries and must be obligated and transferred consistent with statutory requirements.

15.4.2.2 Investment of Fund Balances - VSI Fund balances not needed for current payments must be invested in Treasury securities, consistent with statutory requirements governing DoD trust funds. Interest earnings must be credited to the VSI Fund and used to finance future benefit liabilities.

15.4.2.3 Accounting Requirements - Liabilities must be recorded consistent with federal accounting standards, including SFFAS 5 and SFFAS 33. DFAS must prepare trust fund financial statements for the VSI Fund in accordance with Volume 6A.

15.4.3. Administrative and Operational Requirements

Additional guidance on amortization payments, investment workflows, and reporting requirements is contained in the Volume 7 Military Pay Policy.

16.0 DOW REWARDS PROGRAM

16.1 Responsibilities

Refer to the Volume 12 Supplemental.

16.2 Implementing the Program in the Field

16.2.1. Rewardable Information. Eligible persons may receive a reward for providing information or non-lethal assistance that benefits (1) an operational activity of U.S. or allied forces in combined operations against international terrorism outside the U.S. or (2) force protection of U.S. or allied forces in combined operations.

16.2.2. Payment Approval Amounts. Tactical Rewards Officers can authorize rewards up to $10,000. A Combatant Commander (CCDR) is permitted to approve rewards up to $1,000,000. For rewards greater than $1,000,000 and up to $2,000,000, approval from the USW Policy (USW(P)) is necessary. Rewards exceeding $2,000,000 but not surpassing $5,000,000 require the authorization of the SecWar or the Deputy SecWar, or, through a separate written delegation, the USW(P). Statutorily, if any proposed reward (whether pre-approved or otherwise) exceeds $2,000,000, consultation with the Secretary of State is mandated for the SecWar. Table 1 in DoDI O-3000.13 outlines these approval limits. Refer to the Volume 12 Supplemental for further

guidance on approving officials; approval level; rewards lists; payments; coordination; and requests for additional funds.

16.3 Policy

16.3.1. Allocation of Funds. The USW(C)/CFO will ensure DoW funds for the Rewards Program (RP) are correctly allocated to WHS for control and execution. Geographic combatant commanders will inform the Director, Joint Staff of any necessary inter-theater fund allocations.

16.3.2. Improper Usage of Funds. U.S. citizens, officers or employees of the U.S. federal, state, or local government, or employees of a U.S. Government contractor are not eligible for rewards under the DoW RP. CCDRs should be cautious about rewarding foreign security force members due to potential risks such as extortion, corruption, negative perceptions, or undermining U.S. law or DoW human rights policies related to training and equipping foreign security forces. The USW(P) can grant exceptions to this rule for specific countries and will review these waivers annually. Requests for such approvals should be directed to the Assistant Secretary of War for Special Operations/Low-Intensity Conflict (ASW SO/LIC). Previously approved waivers remained valid under this guidance.

16.3.3. Delivery, Transporting and Safeguarding of Funds. Any funds made available for the DoW RP will be delivered, transported, and safeguarded consistent with Volume 5.

16.3.4. Appointment of Paying Agents. The Disbursing Officer will appoint Paying Agents responsible for delivering funds under the DoW RP in accordance with Volume 5. Allied forces members will receive the same training as U.S. paying agents and sign a statement of understanding. Since the DoW cannot hold foreign nationals and other non-U.S. citizens pecuniarily liable for fund losses, the appointing authority must carefully consider the necessity and risk when appointing them as paying agents. The responsible agent must record all funds given to and returned by allied forces paying agents on DD Form 1081, "Statement of Agent's Officer's Account," as specified in Volume 5. Upon completing authorized payments, the paying agent must return the paid vouchers, negotiable instruments, and any remaining funds to the disbursing officer along with a properly filled out DD Form 1081.

16.3.5. Documentation of Payments. DoW RP payments will be executed and recorded in accordance with Volume 5 and Volume 10.

16.3.6. Circumventing Limits. The DoW prohibits circumventing monetary limits and approval requirements by dividing a single reward into multiple smaller rewards or by other methods. However, the DoW allows splitting payments of approved expenses for administrative purposes (for instance, paying a vendor 50 percent at the start of a project and the remaining 50 percent upon completion).

16.3.7. Clearance of Accounts. The DoW Component must clear accounts maintained under the RP consistent with Volume 5.

16.3.8. Certification of Payments. Payments made under the DoW RP will be certified in a manner consistent with Volume 5.

16.3.9. Audits and Program Reviews. The DoW RP will undergo periodic audits by internal bodies like the DoW Inspector General and other audit agencies, as well as external groups such as the Government Accountability Office and congressional oversight committees. Officials managing the RP must cooperate fully with these reviews, audits, or investigations.

16.4 Payments and Rewards through Government Personnel of Allied Forces

Execution of Rewards through Allied Government Personnel. The SecWar, geographic combatant commanders, and all delegated officials may use their authorities to offer and make rewards, acting through government personnel of allied forces. However, they may not pay rewards through allied government officials after the payment date authorized by 10 U.S.C. § 127b. Refer to the Volume 12 Supplemental for information on payment requests; appointments of paying agents; and limitations.

16.5 Information Dissemination

Refer to the Volume 12 Supplemental.

16.6 Reports and Notifications

16.6.1. Annual Report. According to 10 U.S.C. § 127b, by February 1 each year, the SecWar must report to the Senate and House Armed Services Committees on the administration of the RP for the previous fiscal year. Refer to the Volume 12 Supplemental.

16.6.2. Report on Designation of Countries for which Rewards may be Paid. Within 15 days of designating a country for operations or activities eligible for rewards under this section, the SecWar must report to the Senate and House Armed Services Committees. Refer to the Volume 12 Supplemental.

16.7 Waivers

16.7.1. Requests for Waivers or Exceptions to Law. A DoW Component must submit requests for waivers or exceptions to any provision of law that would otherwise prohibit, restrict, limit, or constrain the execution of the reward program through ASW SO/LIC, the USW(C)/CFO, and DoW General Counsel to the SecWar for approval.

16.7.2. Requests for Waivers or Exceptions to Guidance. A DoW Component must submit requests for waivers or exceptions to this guidance through ASW SO/LIC to the USW(C)/CFO for approval.

17.0 FOOD SERVICE PROGRAM RESPONSIBILITIES

In accordance with 37 U.S.C. § 1011, the SecWar must establish meal rates for all personnel authorized to dine at military messes, including uniformed members, civilian employees, retirees, and their dependents. The OUSW(C) is responsible for the financial management policy herein and must establish these rates annually. The primary purpose of these rates is to ensure full reimbursement to the concerned appropriations for both food costs and operating expenses. However, the Secretary may reduce a meal rate by the amount attributable to operating expenses when the Secretary determines it is in the best interest of the United States. The policies in this section govern the specific meal charges for all classes of diners, and all DoW Components must implement them. DFAS is responsible for developing the necessary implementation procedures. DoW Components may not issue policies that supplement this guidance without prior written approval from the OUSW(C). The OUSW(C) publishes official rates on its reimbursable rates website.

17.1 Reimbursable Meals and Meal Service (Operating) Charges

The provisions of this section must be used to determine use of the DoW discount meal rate (the cost of the food only) or the DoW standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses). Refer to the Volume 12 Supplemental for available meal services.

17.2 Meal Charges

Reimbursement charges for persons authorized to eat in an appropriated fund dining facility vary depending on the status of each person. Refer to the Volume 12 Supplemental for more information on the five major categories of personnel: officers; enlisted personnel; military dependents; Federal civilian employees; and others.

17.3 General Provisions

17.3.1. Personnel, Other Than Enlisted Personnel. Personnel, other than enlisted personnel, may receive a meal from an appropriated fund dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 17.2.

17.3.2. Commanding Officer Responsibility. The commanding officer of the DoW installation, at which an appropriated fund dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated fund dining facilities.

17.3.3. Temporary Duty Orders. Temporary duty orders must indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

17.3.4. Service Academies. Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges contained within the DoW Reimbursable Rates, “Food Service Charges at Appropriated Fund Dining Facilities.

17.3.5. Civilian and Military Personnel of a Foreign Government. Civilian and military personnel of a foreign government must furnish meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses must be made on the same basis as they would be for U.S. Government personnel of equal rank.

17.4 Disposition of Funds

Each Military Service is responsible for the program, budget, and accounting for obligations, expenditures, revenues, and food service operating expenses and all meals in accordance with this section. Refer to the Volume 12 Supplemental for Recording; Collections; and Discounted and Standard Meal Rate Distribution.

17.5 Accounting for Food Allowances

17.5.1. Information Requirements. Information requirements have been established to ensure that data are maintained, and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated fund dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by DoDM 1338.10.

17.5.1.1. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volumes 2 and 3.

17.5.1.2. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member's parent Military Service.

17.5.2. Counting the Number of Persons' Furnished Meals. Except for mass feeding situations as set forth in the Volume 12 Supplemental, all personnel authorized to eat in appropriated fund dining facilities must identify themselves with a meal card, DoW Common Access card, or travel orders issued by a DoW Component before receiving a meal from the dining facility. Enlisted personnel on Basic Allowance Subsistence or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, must be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem). They must reimburse DoW at the appropriate meal rate before receiving a meal from an appropriated fund dining facility. Refer to the Volume 12 Supplemental for more information.

17.6 Food Service Operating Expense Reporting Requirements

The OUSW(C) P/B Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. The Military Services are required, in coordination with OUSW(C), to report the cost of food served to service members and food service operating expenses.

18.0 MILITARY ACADEMY DINING HALL OPERATIONS

18.1 Policy

This section promulgates the policy that implements 37 U.S.C. § 422 which authorizes funding for the operation of cadet and midshipmen dining halls at the military academies and prescribes associated reporting requirements.

18.1.1. Authorization Determination: Each Military Department operates an academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its academy.

18.1.1.1. The superintendent of each academy is authorized to determine who may be authorized to eat in the academy dining hall and the regulations incident thereto within guidelines issued by the secretary of the cognizant Military Department.

18.1.1.2. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of War (Comptroller) (USW(C)) and the reimbursable rate for "Food Service" issued annually.

18.1.1.3. All collections for food costs must be deposited into the nonappropriated fund described in subparagraph 8.1.2.2. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Section 17.

18.1.2. Subsistence Allowance Amount

18.1.2.1. The SecWar prescribes the amount of the subsistence allowance for cadets and midshipmen.

18.1.2.2. The amount prescribed is allocated by the Military Departments from the current military personnel appropriation to a nonappropriated fund at each academy based on the number of cadets and midshipmen present for training.

18.1.2.2.1. Each nonappropriated fund is used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen.

18.1.2.2.2. Nonappropriated funds must be established as a NAFI and administered as a Program Group V – Supplemental Mission Fund in accordance with DoWI 1015.15.

18.1.2.2.3. The nonappropriated fund must be audited in accordance with DoWI 7600.06 if the annual revenues in the fund exceed the threshold established therein.

18.1.2.2.4. The nonappropriated fund must not be used for any purpose other than subsistence procurement. All other charges associated with dining service must be charged against appropriated funds.

18.1.3. Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the academy, and not subsisted at Government expense, will be credited to the cadet/midshipman's pay account.

18.1.4. Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

18.2 Responsibilities and Reporting Requirements

18.2.1. Internal Control and Procurement Requirements. Under overall policy supervision by the secretary of the cognizant Military Department, the superintendent of each academy is responsible for:

18.2.1.1. Assuring the efficient and effective management of the academy dining hall and its NAF for the purchase of subsistence items. In connection with this responsibility, the superintendent must install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

18.2.1.2. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.

18.2.2. Reporting Requirements. An annual report on meal operating expenses in the military academy dining halls should be submitted in accordance with the guidance contained in Volume 11.

18.3 Annual Reimbursable Rates

The annual reimbursable rates for military academy dining halls are located on the USW(C) public website, listed by Fiscal Year (FY) under the following headings: Financial Management, Reports, DoW Reimbursable Rates.

19.0 FINANCIAL MANAGEMENT FOR DEFENSE HEALTH PROGRAM RESOURCES

19.1 General

19.1.1. The Defense Health Program (DHP) appropriation (Treasury Federal Account Symbols and Titles (FAST) 0970130) funds medical operations of the Defense Health Agency (DHA) and the Uniformed Services University of the Health Sciences (USUHS); and consists of Operation and Maintenance (O&M), RDT&E, and Procurement funds.

19.1.2. The DHP does not fund military medical personnel costs or operational healthcare for field/numbered medical units, hospital ships, and shipboard medical operations. Funding for operational healthcare remains the responsibility of the Military Departments.

19.1.3. Military Construction (MILCON) is a separate appropriation, however, the Assistant Secretary of War for Health Affairs (ASW(HA)) executes and reports on MILCON for medical facilities as part of DHP's financial statements.

19.2 Responsibilities

19.2.1. The ASW(HA) is the DHP funds holder. ASW(HA) allots budget authority, issues execution policy, develops the Unified Medical Program, and enters into reimbursable agreements with other federal agencies. The ASW(HA) exercises authority, direction, and control over the DHA and USUHS, and any other subordinate officials that may be assigned.

19.2.2. The Deputy Assistant Secretary of War, Health Resources Management and Policy, serves as the DHP Senior Accountable Official, overseeing financial reporting, internal controls, and execution policy in accordance with all applicable laws and regulations.

19.2.3. Military Departments and Combatant Commands (CCMD) are responsible for engaging with ASW(HA) for the advance planning and coordination of mission expansions or force restructurings that result in increased demand on DHP resources. Changes that were not programmed for within the DHP may result in requirements being under-resourced. Military Departments and CCMDs will generally be responsible for transferring sufficient funds to the DHP to support increased demands on DHP healthcare resources, documented in a corresponding Memorandum of Agreement, and properly integrated by the DHP during normal programming cycles.

19.3 Expenses Chargeable to the DHP

See Volume 12 Supplemental Procedures for additional items.

19.3.1. Civilian Payroll. Civilian payroll for personnel assigned to DHA and USUHS.

19.3.2. Communications and Utilities. Charge DHP for telephone services and other communication services that support the medical mission. Charge DHP for utilities obtained from commercial sources and all base-produced utilities. Utilities include fuel for heating and cooling.

19.3.3. Immunizations Funded with DHP:

19.3.3.1. Routine Vaccines: These are vaccines required to maintain warfighters (including expeditionary civilians) in a "Fully Medically Ready" status, in accordance with DoDI 6025.19, ASW(HA) policy, and DHA immunizations guidance. All warfighters are required to have these vaccines regardless of deployment status.

19.3.3.2. Directed (Pre-Deployment): These are vaccines directed by CCMDs and approved by ASW(HA) for an imminent deployment.

19.3.3.3. Immunizations for PCS: Vaccines required and approved by ASW(HA) for entry into a specific geographic Area of Responsibility (AOR) will be provided to warfighters and their eligible dependents.

19.3.3.4. Immunizations for Leisure Travel: Provided at no cost to Service members/ dependents. Provided on a reimbursable basis to civilian employees.

19.3.3.5. Immunizations for the Activated and Inactivated Reserve Component (RC): Effective FY 2027, RC Service members may obtain those vaccines required to maintain their “Fully Medically Ready” status, in accordance with DoDI 6025.19, ASW(HA) policy, and DHA immunizations guidance. MTFs must provide the vaccines on a non-reimbursable basis.

19.3.4. Autopsies and Forensic Pathology Investigations. The Armed Forces Medical Examiner, funded through the DHP appropriation, conducts autopsies and forensic pathology investigations under the authority of 10 U.S.C. § 1471 and in accordance with DoDI 5154.30.

19.3.5. TRICARE Contracts. 10 U.S.C. § 1079 authorizes TRICARE contracts for spouses’ and children’s medical care; 10 U.S.C. § 1086 authorizes health benefits for certain members, former members, and their dependents; 10 U.S.C. § 1097 authorizes medical care for retirees, dependents, and survivors (alternative delivery of healthcare). 10 U.S.C. § 1092 authorizes studies and demonstration projects relating to the delivery of health and medical care.

19.3.6. Sustainment, Restoration, and Modernization (SRM). SRM of DHA MTFs and USUHS.

19.3.7. Healthcare Services Contracts. Personal and non-personal healthcare service contracts supporting the DHA, MTFs, or USUHS. Healthcare provider personal service contracts follow the terms and restrictions in Defense Federal Acquisition Regulation Supplement (DFARS) 237.104 (b)(ii), and DoDI 6025.5, “Personal Services Contracts (PCSs) for Health Care Providers (HCPs).”

19.3.8. Hyperbaric and Hypobaric Chambers. Chambers used for clinical treatment. DHP does not fund chambers used for aircrew physiological training.

19.4 Expenses Not Chargeable to the DHP

Refer to the Volume 12 Supplemental for additional items.

19.4.1. Transportation of Human Remains.

19.4.2. Non-prescription Items. DHP does not fund non-prescription items such as sunscreen, hand sanitizer, lip balm, and tissue for distribution to non-DHP-funded organizations. These are personal expense items. DHP can only fund these items (e.g., hand sanitizer, masks) for staff and patients within DHP-funded organizations.

19.4.3. Veterinary Services Provided to Privately-Owned Pets. Installation Veterinary Services' primary purpose is to provide healthcare to DoW working animals. DoW veterinary clinics may provide some services to pets but must ensure that costs for DoW working animals are segregated from those provided to pets. Typically, Non-Appropriated Fund Instrumentalities (NAFI) must cover the expenses related to pets and proportionately share in the costs of custodial services and utilities, consistent with DoDI 1015.15.

19.4.4. Clothing, Supplies, or Equipment for Contingency or Other Military Operations. Military Departments or other appropriations that fund the contingency must fund these expenses.

19.4.5. Contingency Support Medical Activities. Military Department or other contingency appropriations must fund:

19.4.5.1. Deployed medical facilities and biological/chemical warfare medical supplies deployed with personnel.

19.4.5.2. Pre-deployment, employment, and redeployment of medical combat support personnel, equipment, and supplies.

19.4.5.3. Immunizations carried by personnel for potential use during the deployment.

19.4.6. Medical Care at Deployed Locations for Exercises and Contingencies. Charge costs to Joint Chiefs of Staff (JCS)/CCMD exercise or contingency funds. Include medical care provided to members at local indigenous medical facilities, medical supplies (e.g., pharmaceuticals, orthopedic braces), and urgent/emergency care at the deployed location.

19.4.7. Medical Participation in JCS/CCMD Exercises. Charge JCS/CCMD Exercise funds for the deployment of medical personnel, the cost of supplies used during the exercise, shipping, and the resupply cost of supplies upon return.

19.4.8. Aeromedical Evacuation (AE) Airlift in Support of Peacetime and Contingency Operations. AE airlift is not a DHP expense. Per the FY 2021 President's Budget, these funds are managed by the Air Force for both peacetime (including Special Assignment Airlift Missions and contingency operations. During contingency operations, the appropriation funding the contingency will be charged for the AE contingency airlift (from contingency area to first overseas MTF). Air Force O&M funds pay only those AE contingency airlift costs billed by the Transportation Working Capital Fund (WCF) from the first overseas fixed MTF to CONUS. After

the contingency designation is formally withdrawn, Air Force O&M funds then become responsible for all future AE airlift costs from that former contingency area.

19.4.9. Automated External Defibrillators and Naloxone. AEDs and Naloxone for installation use outside of the MTF (e.g., for fire and security personnel) are funded by the requesting organization. Funds provided to the local MTF Medical Logistics office by the requesting organization enable the MTF to procure the item on behalf of the requesting organization on a reimbursable basis.

19.4.10. Humanitarian Assistance and Civic Assistance. Per 10 U.S.C. § 401 and DoDI 2205.02, in specific instances, humanitarian civic assistance activities may be provided in conjunction with authorized military operations of the Armed Forces. Commanders ensure that expenses providing humanitarian civic assistance to a foreign country are paid for out of funds specifically appropriated for such purpose.

19.4.11. Military Spiritual Resiliency Programs. The DHP does not fund Military Department chaplain resiliency programs and initiatives. Funding is the responsibility of the Military Departments.

19.4.12. Health and Wellness Centers, Fitness Staff, and Athletic Trainers. Military Department appropriations fund wellness center exercise equipment, appliances for healthy cooking demonstrations, supplies, facilities, maintenance, and support staff. Military Department also funds fitness staff, athletic trainers, health and wellness educators, health promotions staff, etc., assigned to units, installation gymnasiums, or health and wellness centers.

19.4.13. Miscellaneous Non-clinical Programs. The DHP does not fund Military Department non-clinical programs designed to enhance general readiness and performance. This includes activities like physical fitness, unit teambuilding, mindfulness training, and other resilience efforts that occur outside of a medical setting and are not part of a formal treatment plan for a health condition.

19.4.14. Tactical Combat Casualty Care. Military Department fully fund and support trauma training and skills sustainment platforms (hospital and pre-hospital) to include installation, workforce, equipment, and information technology. See DoDI 1322.24, "Medical Readiness Training."

19.5 Other Healthcare Accounting Matters

Refer to Volume 12 Supplemental for the full list.

19.5.1. Sexual Assault Prevention and Response (SAPR). The Director, DoW Human Resource Activity (DHRA) manages the Defense-wide O&M appropriation that funds the SAPR program. The Military Departments, OSW, JCS, DSCA, U.S. Special Operations Command, DHA, and DHRA are allocated funds supporting SAPR activities. Multiple Program Elements (PE) execute funds.

19.5.2. Integrated Primary Prevention. The Military Departments and DHA receive Defense-wide O&M to prevent self-directed harm and prohibited abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. These efforts include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training.

19.5.3. Suicide Prevention. The Defense-wide O&M appropriation funds suicide prevention efforts. Military Departments and DHA receive funds. Multiple PEs fund these efforts.

19.5.4. Drug Demand Reduction Program/Urinalysis Program. The Defense-wide Counternarcotic appropriation funds routine drug testing of military personnel and civilian employees. The Deputy Assistant SecWar for Counternarcotics and Stabilization Policy within the OUSW for Policy manages the program. Multiple PEs execute funding.

19.5.5. Family Advocacy Program. The Defense-wide O&M appropriation funds the Family Advocacy Program (FAP). The FAP addresses domestic abuse, child abuse and neglect, and harmful behaviors between children and youth.

19.6 Uniform Billing Office Operations

19.6.1. The DHP has statutory authority to bill and collect for healthcare services. Collections stem primarily from three distinct reimbursement programs:

19.6.1.1. Third-Party Collections (TPC) Program. 10 U.S.C. § 1095 established the TPC program. For beneficiaries with health insurance other than TRICARE, MTFs and TRICARE submit claims to health insurance companies for care provided to DoW beneficiaries. Collections must be deposited in the current O&M appropriations of the MTF that provided the care.

19.6.1.2. Medical Services Account (MSA) Program. The MSA program involves billing and collection for medical and dental services provided to a wide range of patients, including other government agencies, DoW civilian employees and contractors, employees of NAFs or DoW schools, Secretarial designees, authorized foreign military members, and civilian emergency patients. The MSA is governed by multiple authorities, including 10 U.S.C. § 1074a, 10 U.S.C. § 1079b, 10 U.S.C. § 1085, 14 U.S.C. § 506, and 38 U.S.C. § 8111.

19.6.1.2.1. Collections from the U.S. Coast Guard. In lieu of the reimbursement required under 10 U.S.C. § 1085, the Secretary of Homeland Security, as per 14 U.S.C. § 506, makes prospective payment for the actuarial valuation of treatment that MTFs provide to current and former members of the Coast Guard, and their dependents.

19.6.1.2.2. Collections from the Department of Veterans Affairs. DoW and the VA established agreements under the authority of 38 U.S.C. § 8111 permitting the VA to reimburse DoW for healthcare services provided to VA beneficiaries. Collections must be deposited in the current O&M appropriations of the MTF that provided the care.

19.6.1.3. Medical Affirmative Claims (MAC) Program. 42 U.S.C. § 2651 – 2653 and 10 U.S.C. § 1095 govern the MAC program and authorizes DoW to recover expenses from liable third parties for medical care costs incurred on behalf of covered beneficiaries.

19.6.2. MHS Modified Payment and Waiver Program (MPWP). Pursuant to 10 U.S.C. § 1079b, the MPWP provides financial relief for medical bills incurred by civilian non-beneficiaries treated in MTF on or after June 21, 2023. The program features an income-based sliding fee scale, a catastrophic fee waiver to prevent severe financial harm, and a discretionary waiver based on the readiness value of the care provided. All patient applications for financial relief under this authority are centrally processed and adjudicated by the DHA's Debt Adjudication Office. Discretionary waivers of $600 or more require reporting to the Internal Revenue Service and issuance of a Form 1099-C (prepared by DHA).

19.7 DHP Budget Activity Groups (BAGS) and Program Elements (PE) Structure

Refer to the Volume 12 Supplemental.

20.0 CONTINGENCY OPERATIONS

20.1 General Guidance

20.1.1. This chapter promulgates financial policy for small, medium, and large-scale campaign level military contingency operations related to the Department of War (DoW). These might include, but are not limited to, support for peacekeeping operations, foreign disaster relief (FDR) efforts, and noncombatant evacuation operations (NEO). Note that the term "contingency operation," as used in this chapter, is more encompassing than the specific definition contained in 10 U.S.C. § 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the United States, the guidance for which is included in DoDD 3025.18, "Defense Support of Civil Authorities (DSCA)." Also excluded from this chapter are steady-state DoW humanitarian assistance activities.

20.1.2. Budgeting for Contingency Operations. DoW Components normally do not budget for contingency operations as discussed in this section. Therefore, DoW Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The SecWar issues the authority for DoW Components to expend available funds. Since the FY 2010 President's Budget, estimates for the Global War on Terror and Overseas Contingency Operations are included with the submission of the President's Budget.

20.1.3. An Execute Order from the SecWar. An execute order from the SecWar is both the authority for the commander of a Combatant Command (CCMD) to initiate military operations and the authority for DoW Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, of the Joint Chiefs of Staff (CJCS) constitute authority for a commander of a CCMD to expend funds available to that commander of a CCMD and authority to direct a military component to expend funds available to that component for forces

assigned to the commander of a CCMD. Refer to Joint Publication 5-0, Joint Operation Planning, for information on joint operation order types.

20.1.4. DoW Policy Requirements. DoW policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.

20.1.5. Emergency Supplemental Funding

Refer to the Volume 12 Supplemental.

20.1.6. Elimination of Potential Duplicative Efforts. DoW officials having responsibility for reviewing and approving purchases for which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) must, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

20.1.7. Allowable Contingency Operations Cost. The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component's baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component's appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

20.1.8. Fiduciary Responsibility. It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g., OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components' approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders' statements and for verifying that all transactions were necessary government purchases made in accordance with the FAR and all other government policies and procedures. See Volume 10 for more information.

20.2 Supplemental Information

Refer to the Volume 12 Supplemental for additional information on references, responsibilities, types of estimates, reporting, contingency-specific definitions, justification, and

the COST estimate tool. Cost reporting requirements for submission, inclusions, and consolidation of cost reports are in the Supplemental. Guidelines to assist the DoW Components in determining baseline and incremental costs for contingency operations and the process for reimbursement and distribution are provided in the manual. Details on base-funded overseas contingency operations and foreign disaster relief are also in the Supplemental.

20.3 General Funding Responsibilities

20.3.1. Service Component. Each service Component command must collect all applicable costs related to specific contingency operations and report these costs to the respective MILDEP Senior Financial Manager, who will then submit them to the DFAS for consolidation. If a contingency operation lacks financing, the Department will pursue all available options to obtain the additional funding required to ensure that participation in the operation does not reduce the readiness of U.S. Forces.

20.3.2. U.S. Transportation Command and the Defense Logistics Agency. Except as provided in paragraph 20.6 below, all requests for transportation or other services to a Working Capital Fund (WCF) Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, must include a funding source. If a WCF activity receives a valid order (e.g., an execute or deployment order or a commander of a CCMD operations order) that directs action without a funding source, the parent MILDEP of the subordinate command receiving the services must provide funding to finance the request.

20.4 Special Funding Mechanisms

20.4.1. General. Congress revised 10 U.S.C. § 127a to include special funding mechanisms for operations that lack advance funding. The statute requires the SecWar to designate and identify such operations to Congress. When the SecWar designates an operation, DoW Components must immediately notify their subordinate organizations and establish procedures and controls for these special funding mechanisms.

20.4.2. Special Funding Mechanisms Participating Units. Under certain conditions, WCF organizations may not require units participating in such designated operations to reimburse (provide funded customer orders for) goods and services at the time the units order them. These procedures apply only to units participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

20.4.3. General Restrictions. The legal restrictions of the Anti-Deficiency Act (ADA) still apply to the Department, and WCF cash must remain positive under these restrictions. Therefore, the following general rules apply. Before a WCF activity accepts an unfunded customer order, its commander must determine that the activity can fill the order without violating the ADA. If filling the order without funded customer payment would violate the Act, the WCF activity must notify the requesting DoW Component to either issue a funded order or arrange to transfer sufficient cash to the supporting activity to cover the requested service or supplies.

20.4.4. WCF Activities. When a participating unit of the U.S. Armed Forces orders goods or services from a WCF activity and those goods or services meet the criteria addressed in subparagraphs 20.4.2 and 20.4.3, the unit providing the unfunded customer order to the performing WCF activity must, in each such request, notify the performing WCF activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

20.4.5. WCF Activity Unfunded Customer Orders. The WCF activity filling the unfunded customer order must separately account for all such filled orders and report those costs monthly to the DoW Component Senior Financial Manager of the requesting activity. The DoW Component's Senior Financial Manager must, in turn, separately report the cumulative amounts of these unfunded orders to DFAS in accordance with this section's provisions. Pursuant to 10 U.S.C. § 127a, DFAS must account for these amounts separately, which the DoW will then use to determine the funds required for transfer to the WCF activities to restore their balances to previous levels.

20.4.6. WCF Priorities. To ensure the WCF activity uses its cash reserves for the highest priority requirements, the commander of the activity must notify the Principal Deputy USW(C), in writing, and wait 5 workdays before filling the unfunded customer order.

20.4.7. Guidance on Reporting. As needed, the OUSW(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. § 127a.

20.5 Cost Collection

20.5.1. Special Program Codes. Upon being alerted of an impending contingency operation, each participating DoW Component must establish a unique special program code to capture costs. The OUSW(C) Operations Directorate must issue a Standard Financial Information Structure (SFIS) code for contingency operations. The SFIS Values Library Service webpage maintains a list of contingency codes. Additionally, the Joint Staff must issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

20.5.2. Accounting System(s). Each organization that supports a contingency operation must capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

20.5.3. Costs Related to Contingency Operations. Organizations may incur costs related to a contingency operation both in the area of responsibility and in other locations. The organization that incurs costs in support of the operation, whether directly or indirectly, must transmit information on all such costs to the appropriate DoW Component Senior Financial Manager.

20.5.4. Cost Accounting Systems. DoW Components must not establish cost accounting systems solely for the purpose of determining costs for contingency operations; instead, they must use the data from existing systems as applicable.

20.5.5. Incremental and Billable Costs. DoW Component Senior Financial Managers must determine incremental and billable costs.

20.6 Billing

DoW Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoW Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoW Component headquarters are responsible for transmitting to DFAS, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UN Letters of Assist or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization. Refer to the Volume 12 Supplemental for billing requirements and procedures for DoW and Non-DoW Transportation Rates for the Contingency Operations and United Nations Process.

20.6.1. DFAS administers centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS must consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS must prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. In accordance with the provisions of Sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and the requirements of the billed organization, DFAS must submit only billable costs to the applicable agencies or international organizations.

20.6.2. The DoW Components must transmit billing information with sufficient supporting documentation to satisfy the payee of the validity of the charges. They must also include detailed lists of transactions supporting the billed amount with each bill rendered.

20.6.3. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements it receives within 180 days after the end of the fiscal year in which the costs were incurred. The Department cannot use payments received after this 180-day period to defray costs it has already incurred providing the requested assistance.

20.6.4. The responsible DoW Component must credit payments received for assistance under the UN Participation Act, and unsolicited payments from the UN for UN-Determined Costs for Participating Troops, to the account or accounts that incurred the costs or to the accounts currently available for such purposes.

20.6.5. Given the legal restrictions on using reimbursed expenses, each DoW Component must identify and report all reimbursable billable expenses to DFAS on a timely basis, including sufficient supporting documentation as required by the billed organization, to ensure the Department recoups its costs.

20.7 Noncombatant Evacuation Operations (NEO)

20.7.1. Protection of U.S. Citizens and Nationals

20.7.1.1. The DoW conducts Noncombatant Evacuation Operations (NEOs) to assist the Department of State (DoS) in evacuating U.S. citizens, DoW civilian personnel, and designated host-nation (HN) and third-country nationals (TCNs) whose lives are in danger, moving them from a foreign nation to an appropriate safe haven. The United States Government (USG) will consider evacuating TCNs and host country nationals on a case-by-case, space-available, and reimbursable basis. Although the USG normally considers evacuations in connection with hostile action, it may also conduct them in anticipation of, or in response to, any natural or man-made disaster.

20.7.1.2. Upon receipt of a request from the President, or the DoS, the Department will protect U.S. citizens and nationals and designated other persons and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation from threatened areas overseas. The DoS has the lead responsibility for such evacuations.

20.7.2. Memorandum of Agreement (MOA). The MOA between the DOS and Defense, "DOS/DoW Cost Responsibility Matrix and Definitions," dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included in the Volume 12 Supplemental and must be used to determine all NEO cost responsibilities. In general, DoW will fund protection-related costs, and DOS will fund evacuation-related costs. The DoW Component supporting the protection operation must fund the costs of its deployment, unless otherwise specified.

20.7.3. Cost to Transport DoW Noncombatants. Pursuant to 31 U.S.C. § 1535 (the Economy Act), all costs that the DoW incurred to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoW noncombatants to safe havens. If, however, the DoS incurs costs for transporting DoW noncombatants to safe havens, the applicable DoW Component must reimburse the DoS for those costs.

20.7.4. Contingency Operations Cost Report. After the evacuation is completed, the finance and accounting office of the supporting DoW Component must collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. The DoW Component must work with the DoS and DFAS to submit the bills for reimbursement from the DoS, Attn: Bureau of Finance and Management Policy, Washington, DC 20520-7427.

20.8 Follow-Up

If billed organizations require additional information relating to submitted bill(s), DFAS must assist the billed organization to ensure that the necessary information is provided by the appropriate Component.

20.9 Large Scale Contingencies

20.9.1. Preparing Budget Estimations Guidance. DoW may be involved in a range of operations from very large to small-scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost reporting and billing associated with large-scale, campaign level, contingency operations. Refer to the Volume 12 Supplemental.

20.9.2. Spending Constraints. Each DoW Component must ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoW Components are responsible for employing a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

21.0 BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

21.1 Responsibilities

This chapter addresses burden-sharing, host nation, and mutually beneficial contributions provided under various statutory authorities. Pursuant to 10 U.S.C. §§ 2350j and 2350k, and NDAA FY 2016 § 2804, this section prescribes policy and responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation contributions by foreign allies in the DoW.

21.1.1. Under Secretary of War for (Policy)

The USW(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USW(P) will work with the DFAS – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-ESS/Trust Funds) on burden-sharing program requirements that impact DFAS responsibilities, as appropriate.

21.1.2. Under Secretary of War (Comptroller)

21.1.2.1. The USW(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing, overseas relocation, and Kuwait mutually beneficial contributions.

21.1.2.2. The USW(C) is responsible for coordination and approval of military construction projects that are subject to 10 U.S.C. §§ 2350j and 2350k, and NDAA FY 2016 § 2804, as amended. In addition, the USW(C) is responsible for reviewing and submitting to the Congress those reports required by 10 U.S.C. §§ 2350j and 2350k, NDAA FY 2016 § 2804, as amended, and any reports required from annual authorization and appropriation acts.

21.1.3. Under Secretary of War for Acquisition and Sustainment (USW(A&S))

USW(A&S) has policy and oversight responsibility for Host Nation Funded Construction (HNFC) provided by burdensharing agreements or arrangements under 10 U.S.C §§ 2350j and 2350k, and NDAA FY 2016 § 2804, as amended. USW (A&S) is responsible for authority reviews in locations with multiple HNFC agreements and technical reviews of HNFC Congressional notification packages, including project lists and project documentation.

21.1.4. Director of Defense Finance and Accounting Service (DFAS)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing, relocation, and mutually beneficial contributions, and for the distribution of receipts, as prescribed by the USW(C), in support of burdensharing, overseas relocation, and mutually beneficial programs.

21.1.5. Commanders of the Geographic Combatant Commands (CCDRs)

The cognizant CCDR with area of responsibility for the contributing country is responsible for financial management oversight and may delegate to another CCDR or subordinate commanders. This applies to burdensharing contributions for projects other than military construction, and military construction projects that are funded with burdensharing contributions. Refer to the Volume 12 Supplemental.

21.1.6. Assistant Secretaries for Financial Management and Comptroller (FM&C)

The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. For funds supporting overseas geographic CCDR equities, the FM&C will ensure full distribution to the cognizant CCDR with area of responsibility for the contributing country or designated service component in that region. These responsibilities may be delegated below the Assistant Secretary level. Refer to the Volume 12 Supplemental.

21.2 Notifications of Monetary Contributions

The DoW Components must notify the DFAS-EASS/Trust Funds of all potential monetary contributions prior to acceptance of such contributions. All notifications must indicate the applicable statute (i.e., § 2350j for burdensharing contributions or 10 U.S.C. § 2350k for overseas relocation and FY 2016 NDAA § 2804, as amended, for mutually beneficial contributions). Refer to the Volume 12 Supplemental.

21.3 Accounting

21.3.1. Burdensharing Credits

Burdensharing contributions must be credited to one or more of the special fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the

SecWar or designee under 10 U.S.C. §. 2350j . Refer to the Volume 12 Supplemental for a listing of the accounts.

21.3.2. Overseas Relocation

21.3.2.1. Relocation contributions must be credited to one or more of the trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the SecWar or designee under 10 U.S.C. §. 2350k. Refer to the Volume 12 Supplemental for a listing of the accounts.

21.3.2.2. The DFAS disbursing office or Financial Services Office must transmit copies of deposit tickets for these investments to the DFAS-Indianapolis (DFAS-IN)/EASS Trust Funds. DFAS-EASS Trust Funds manage and track the investments and earnings.

21.3.3. Mutually Beneficial

Mutually Beneficial contributions must be credited to the special fund account, which has been established in the U.S. Treasury for monetary contributions accepted by the SecWar or designee under the authority of FY 2016 NDAA § 2804, as amended. Refer to the Volume 12 Supplemental for a listing of the account.

21.4 Availability of Contributions

Contributions are available for the payment of costs specified in 10 U.S.C. § 2350j or § 2350k, or FY 2016 NDAA § 2804, as amended. Refer to the Volume 12 Supplemental for additional information regarding the availability of burdensharing and relocation contributions.

21.5 Reporting Requirements

As needed, the USW(C) will provide guidance to ensure necessary information is collected to comply with any congressional reporting requirements.

22.0 DISPOSITION OF NON-DOW PERSONAL PROPERTY

22.1 Disposition of Unclaimed Property General Policy

22.1.1. The Secretary of any Military Department, and the Secretary of Homeland Security, under such regulations as they may respectively prescribe, may each by public or private sale or otherwise, dispose of all lost, abandoned, or unclaimed personal property that comes into the custody or control of the Secretary's department, other than property subject to 10 U.S.C. §§ 7712, 8392, or 9712. Property subject to paragraph 22.3 is exempted from the requirements. Requirements for the disposition of personal property of deceased members of the Army and Air Force are in the Volume 12 Supplemental. Requirements for the disposition of personal property of deceased members of the Navy and Marine Corps are in the Volume 12 Supplemental.

22.1.2. Property may not be disposed of until a diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find the owner (or the heirs, next of kin, or legal representative of the owner) must begin, to the maximum extent practicable, not later than 7 days after the date on which the property comes into the custody or control of the Secretary having immediate jurisdiction. The period for which that effort is continued must not exceed 45 days.

22.1.3. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

22.1.4. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage designated by the Secretary.

22.2 Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation must be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transportation, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses must be utilized to support Morale, Welfare and Recreation (MWR) activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 22.1 must be deposited into the Treasury as miscellaneous receipts.

22.3 Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by the Secretary of a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

22.4 Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the SecWar for an amount equal to the proceeds less costs referred to in paragraph 22.2. Amounts to pay the claim must be drawn from the MWR account for the installation that received the proceeds. The owner (or heirs, next of kin, or legal representative of the owner) may file a claim with the SecWar for proceeds deposited at Treasury as well. Unless a claim is filed under this section within 5 years

after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the SecWar or a court. The responsibility of the SecWar to consider such claims has been delegated to the USW for Personnel and Readiness.

22.5 Army and Air Force Disposition of Personal Property of Deceased Members

22.5.1. General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer must permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer must direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court's possession). Receipts for payments made from the estate of the deceased must be filed with the court's final report to the Department of the Army or Air Force.

22.5.2. Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial must, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, whom the court finds:

22.5.2.1. The surviving spouse or legal representative.

22.5.2.2. A child of the deceased.

22.5.2.3. A parent of the deceased.

22.5.2.4. A brother or sister of the deceased.

22.5.2.5. The closest next of kin of the deceased.

22.5.2.6. The beneficiary named in the will of the deceased.

22.5.3. Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 22.5.1 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 22.5.2 may not be sold.

22.5.4. Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial must relinquish custody of all cash and all receipts relating to cash transactions to the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also must be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force must be delivered to the Armed Forces Retirement Home.

22.6. NAVY AND MARINE CORPS DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

22.6.1. General Policy

The Secretary of the Navy must retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the death of the member must be sold, and the proceeds, together with any other monetary assets of the member held in custody, must be deposited into the Treasury as miscellaneous receipts.

22.6.2. Recoupment

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented and supported by competent proof must be certified to Congress for consideration. After the 5 years, claims may not be accepted, and the requestor must be notified that the time limit for submitting a claim has expired.

23.0 ADMINISTERING, USING AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

Refer to the Volume 12 Supplemental.

24.0 OPERATION AND USE OF GENERAL GIFT FUNDS

The SecWar and Secretaries of the Military Departments have the authority to accept, hold, administer, and spend gifts made for the benefit or in connection with various institutions and individuals under their jurisdiction. These gifts include money, real property, personal property, or services for the establishment, operation, or maintenance of schools, hospitals, libraries, museums, cemeteries, and other institutions, as well as for the benefit of wounded or injured members of the armed forces (including members performing full-time National Guard duty), civilian employees, dependents, and survivors of members or employees who are killed.

24.1 DESIGNATIONS

The SecWar and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of War (OSW) designations are as follows:

24.1.1. USW(C)

All authority and responsibility granted to the SecWar associated with the acceptance and use of gifts has been delegated to the USW(C).

24.1.2. USW(C) Designations

The USW(C) prescribes additional designations of gift Acceptance Authority to OSW Components. On behalf of the SecWar, the USW for Acquisition and Sustainment (A&S), USW Personnel and Readiness (P&R), Administration and Organization Policy, DoW Defense Agencies, Joint Staff, Commanders of Combatant Commands, and Washington Headquarters Services (WHS) have the authority and responsibilities associated with acceptance and use of such gifts of real property or personal property and may authorize the development of additional procedures for implementing policy in this chapter. The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals at facilities under his or her authority. All gifts over $500,000 must be accepted by the USW(C).

24.2 Responsibilities

Refer to the Volume 12 Supplemental.

24.3 Acceptance

24.3.1. Acceptance of Gifts for Military Musical Units; Accounting for Missing Persons; Museum Programs; U.S. Service Academies; and the USUHS can be found in the Volume 12 Supplemental.

24.3.2. Circumstances to Decline Acceptance. Acceptance Authorities must decline gifts under the circumstances identified in the Volume 12 Supplemental.

24.3.3. DoW Personnel. DoW personnel must not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities must not accept gifts offered contrary to this policy. Notwithstanding this general prohibition, the SecWar may solicit from a bona fide collector a gift for the use and benefit of a military museum program.

24.3.4. Related Expenses. Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

24.3.5. Offers from Prohibited Sources. Acceptance Authorities must use increased sensitivity and scrutiny when gifts are offered from prohibited sources. Acceptance of gifts from prohibited sources may cause embarrassment to the DoW or the appearance of influencing official decisions or actions of the Department. Acceptance Authorities must consult with their appropriate Ethics Official before accepting such a gift valued more than $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other matters involving the Department that must be considered prior to gift acceptance.

24.3.6. Acknowledgment of Future Gifts. Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after the actual presentation of the gifts only when they determine that such acceptance will likely occur.

24.3.7. Acceptance through Intermediaries. Acceptance Authorities must not accept gifts offered indirectly through an intermediary if they cannot accept such gifts if offered directly from the source.

24.3.8. Accepting Gifts to Benefit Certain Members, Dependents, and Civilian Employees. - Refer to the Volume 12 Supplemental.

24.3.9. Acceptance of Property Gifts with Naming Rights.

24.3.9.1. The Secretary concerned may delegate the authority to accept gifts with the condition of naming rights only to a civilian Presidential appointee in a position requiring Senate confirmation. This authority may not be further re-delegated.

24.3.9.2. The Secretary concerned must issue uniform regulations governing the circumstances under which gifts conditioned on naming rights may be accepted, appropriate naming conventions, and suitable display standards. The naming conventions and suitable display standards must be in accordance with Unified Facilities Criteria (UFC) 3-120-01 and other implementing guidance issued under the purview of the USW(A&S).

24.4 Receipt

24.4.1. Monetary Gifts. All monetary gifts must be forwarded to the DFAS office servicing the Acceptance Authority via mail or an EFT. DoW officials must contact DFAS for EFT deposit information.

24.4.2. Gift Fund Accounts. - Refer to the Volume 12 Supplemental.

24.4.3. Accounting Transactions. Accounting entries for monetary, non-monetary, and service-type gifts are specified within the U.S. Standard General Library.

24.5 Records and Reports

24.5.1. Records. Acceptance Authorities must keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain the required documentation and information for all gifts received, including the date non-monetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in paragraph 24.7). For audit purposes, the supporting documentation for monetary and non-monetary gifts must be retained in accordance with the policy in Volume 1. Refer to the Volume 12 Supplemental.

24.5.2. Reports

24.5.2.1. DFAS Standards and Compliance (Corporate Reporting) must develop and require a standardized report for Acceptance Authorities or designees to report the following information to DFAS on a quarterly basis. Refer to the Volume 12 Supplemental.

24.5.2.2. Acceptance Authorities must report the information in the reports for all monetary gifts and real property gifts along with personal property gifts and services with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts must be reported separately.

24.6 Investments

Refer to the Volume 12 Supplemental for DFAS responsibilities for investments.

24.7 Property Accountability

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures must be consistent with policy prescribed in DoDI 4165.14, DoDI 4165.70, DoDI 4165.71, DoDI 4165.72, and DoDI 5000.64.

25.0 DOW BRANDING AND TRADEMARK LICENSING PROGRAM

25.1 Responsibilities

Refer to the Volume 12 Supplemental.

25.2 Accounting and Reporting

25.2.1. Accounting

25.2.1.1. Fees received in a fiscal year must remain available for obligation in such fiscal year and the following two fiscal years.

25.2.1.2. The excess of licensing fees collected over annual costs may be expended to support MWR activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the following two fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoW Component's MWR activities.

25.2.1.3. Funds not obligated or made available to MWR activities before September 30 of the second fiscal year following the year collected must be reallocated (transferred) to TAS R3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

25.2.1.4. Additional TASs may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

25.2.1.5. Each DoW Component must ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed, and any questions resolved. Copies of royalty reports must be retained in accordance with Volume 1.

25.2.2. Reporting. Each DoW Component operating a trademark licensing program must provide the Manager, DoW Branding and Trademark Licensing Program (BTLP), with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided. For information on quarterly and annual reports, refer to the Volume 12 Supplemental.

26.0 COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

26.1 Policy

Federal Laws and Regulations. Although 10 U.S.C. § 2262 authorizes the retention of conference fees, all other applicable Federal laws and regulations must be followed regarding conferences and conference planning. These Federal authorities include the Joint Travel Regulations, the FAR, the DFARS, and the JER. This authority does not increase or affect any other currently existing conference authority. Guidelines related to determining conference fees are available on the DoW Cost Guidance Portal that resides on the DoW Costs Assessment and Program Evaluation web page. Access to the web page requires a DoW Common Access Card (CAC). Refer to the Volume 12 Supplemental for use of contracts, reimbursement, and ethics and fiscal guidance.

A "conference" is defined in the ***Joint Travel Regulations*** as a meeting, retreat, seminar, symposium, or event that involves attendee travel. The term conference also applies to training activities in accordance with 5 CFR § 410.404. Conferences subject to this authority are also often referred to as conventions, expositions, workshops, or exhibitions that typically involve topical matters of interest to, and the participation of, multiple agencies and/or non-governmental

participants. The ***DoD Conference Guidance 4.0*** identifies exemptions to the defined list of conferences.

26.2 Responsibilities

Refer to the Volume 12 Supplemental for OUSW(C), DFAS, and DoW Component responsibilities.

26.3 Accounting and Reporting

26.3.1. Accounting

26.3.1.1. Accounting for collections into appropriations is covered in the DoW United States Standard General Ledger Transaction Library, on the Office of the DCFO SFIS web page.

26.3.1.2. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected in accordance with 10 U.S.C. § 2262 with respect to a conference must be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as an appropriation reimbursement.

26.3.1.3. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year, but the conference is conducted in the next, the fees collected must remain in the year the conference expenses were obligated and must be available for the same purpose and time period of the appropriation.

26.3.1.4. Components, agencies, and activities that collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected that exceed actual conference costs must be deposited into the Treasury as Miscellaneous Receipts (i.e., Receipt Account 3210).

26.3.2. Reporting

26.3.2.1. In accordance with DoW's Conference Policies and Controls, all DoW-sponsored conferences are required to be reported through a central DoW Conference Tool. This data is used to generate the annual reports that are posted publicly and support the Department's ongoing oversight of conference activities. Conference fees are not reported as a separate entity; they are reported within conference expenses as a net of any fees or revenue received through the conference, not to include costs.

26.3.2.2. In accordance with OMB Memorandum M-17-08, "Promoting Efficient Spending to Support Agency Operations," agencies must report conference expenses on a dedicated space on their official website. Conference expenses are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by

agencies to travelers or others associated with the conference, but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the Federal Travel Regulations.

26.3.2.2.1. By January 31 of each year, the agency must describe all agency-sponsored conferences from the previous fiscal year where the net expenses for the agency associated with the conference were in excess of $100,000. This description must include:

26.3.2.2.1.1. Total conference expenses incurred by the agency for the conference.

26.3.2.2.1.2. The location of the conference.

26.3.2.2.1.3. The date of the conference.

26.3.2.2.1.4. A brief explanation of how the conference advanced the mission of the agency.

26.3.2.2.1.5. The total number of individuals whose travel expenses or other conference expenses were paid by the agency.

26.3.2.2.2. In addition, for any instances where the net expenses for an agency-sponsored conference exceeded $500,000, the website must include the agency-designated official's rationale and approval. The website must also include information in the appropriate format (e.g., narrative) about the total net conference expenses for the fiscal year incurred by that agency, as well as a general report about conference activities throughout the year.

26.3.2.2.3. In reporting this data, agencies must exclude any information that is considered to be sensitive, that is prohibited from public disclosure by statute or regulation, or that may jeopardize national security or the health, safety, or security of conference attendees, organizers, or other individuals.

27.0 FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES ON DOW INSTALLATIONS

27.1 Responsibilities

Refer to the Volume 12 Supplemental.

27.2 General Policy Provisions

27.2.1. Financial Institutions (FI) on DoW Installations

27.2.1.1. No more than one bank and one credit union are permitted to operate on a DoW installation except where they already existed as of May 1, 2000, or the installation was affected by BRAC. Refer to the Volume 12 Supplemental for information that pertains to installations affected by BRAC.

27.2.1.2. Upon the request of an installation commander and with the approval of the Secretary of the Military Department concerned (or designee), duly chartered FI may be authorized to provide financial services on DoW installations to enhance the morale and welfare of DoW personnel and facilitate the administration of public and quasi-public funds. Arrangements for the provision of such services must be in accordance with this section.

27.2.1.3. FIs may be established on DoW installations only after approval by the Secretary of the Military Department concerned (or designee), the appropriate regulatory agency as required, and in accordance with 32 CFR § 230.

27.2.1.4. Except in limited situations overseas, only banks insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, may operate on DoW installations. These FIs may either be State or federally chartered; however, U.S. credit unions operated overseas must be federally insured.

27.2.1.5. Military Banking Facilities (MBF) may be established on DoW installations when a demonstrated and justified need cannot be met through other means, pending the availability of FIs willing to perform these functions. Normally, MBFs are only authorized at overseas locations. MBFs may be considered for use at domestic DoW installations only when the cognizant DoW Component cannot obtain financial services from a state or federally chartered FI authorized to operate in the installation state. MBFs may be designated during mobilization as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Treasury.

27.2.1.6. The installation commander must approve the expansion of financial services (to include in-store banking) requiring the out grant of additional space or logistical support. Any DoW activity considering expanding the availability of financial services must coordinate requests with the installation Banking Liaison Officer (BLO) prior to the commander's consideration.

27.2.1.7. No DoW Component must perform retail banking operations. Solicitations for such services must be issued, and proposals accepted, according to the policies identified in this section.

27.2.1.8. If an FI or MBF operates on a DoW installation, installation commanders must not seek financial services from any entity other than the on-base FI or MBF.

27.2.1.9. Military disbursing offices, NAFIs (including MWR activities and the Military Exchange Services), and other DoW Component activities requiring financial services must use on-base FIs and MBFs to the maximum extent feasible.

27.2.1.10. NAFIs (including MWR activities and the Military Exchange Services) that desire and are authorized to provide currency accommodation exchange services to individuals must acquire all foreign currency for this purpose from the servicing MBF at the MBF accommodation rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

27.2.2. Security

27.2.2.1. The installation commander (or designee), officials of the on-base FIs, and installation security authorities must establish an understanding of each entity's responsibilities on all matters of asset protection.

27.2.2.2. Establish a written agreement outlining the security procedures that the FI follows and the role that installation security authorities play regarding alarms, movement of cash, and criminal activity response procedures to be followed (e.g., vandalism or robbery).

27.2.2.3. Cash and other assets in on-base FIs are the property of those FIs. Except for MBFs operated under contract, maintenance of alarms and the guarding and/or escorting of cash is the sole responsibility of the on-base FI. The installation commander may decide that providing for the guarding or escorting of cash is desirable or necessary.

27.2.2.4. The use of armored vehicles for transportation of cash is the sole responsibility of the on-base FI and MBF, and use must be coordinated with the installation commander to permit access to DoW installations and facilities.

27.2.3. Central Locator Services. Military locator services will be provided per the Privacy Act guidelines contained within the Volume 12 Supplemental (Figure 33-1) and associated fees, if any, are to be paid by the FI in accordance with Volume 11. See the Locate Military Members website to obtain information on how to locate a military member, retiree, or facility. Refer to the Volume 12 Supplemental for information and guidance on Advertising and Personal Solicitation; Automatic Teller Machine (ATM) Service; Staffing; Departure Clearance; Operating Agreements; Installation Financial Services; In-Store Banking; and Domestic MBF.

27.2.4. Advertising and Personal Solicitation. Refer to the Volume 12 Supplemental.

27.2.5. ATM Service. Refer to the Volume 12 Supplemental.

27.2.6. Domestic and International Treasury General Accounts. In cases where authorization is required for the on-base FI or MBF to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the FI must satisfy the risk management standards established by the Secretary of the Treasury. On-base FIs and MBFs must accept deposits for credit to the TGA (or ITGA) when authorized.

27.2.7. Staffing. Refer to the Volume 12 Supplemental.

27.2.8. Departure Clearance. Refer to the Volume 12 Supplemental.

27.2.9. Operating Agreements. Refer to the Volume 12 Supplemental.

27.2.10. Installation Financial Services. Refer to the Volume 12 Supplemental.

27.2.11. Banking Liaison Officer. Each installation commander having an on-base FI or MBF must appoint a BLO. The BLO's name and duty telephone number must be displayed prominently at each FI and MBF location on the installation. The responsibilities of BLOs must be assigned to comptroller or resource management personnel. Employees, officials, or directors of a FI or MBF may not serve as BLOs. Refer to the Volume 12 Supplemental for BLO responsibilities.

27.2.12. In-Store Banking. Refer to the Volume 12 Supplemental.

27.2.13. Domestic MBF. Refer to the Volume 12 Supplemental.

27.3 Banks Operating on Domestic DoW Installations

27.3.1. General Policy. U.S. banks may operate on DoW installations, in accordance with this section, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations. Refer to the Volume 12 Supplemental for Establishment and Terminations.

27.3.2. Solicitations. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), must conduct solicitations, to include pre-proposal conferences, for on-base banking. Subject to the criteria for selection outlined in the Volume 12 Supplemental, the preferred sources of on-base financial services at domestic installations are federally insured, state-chartered or federally insured, federally chartered banks operating in the local area. The Volume 12 Supplemental addresses distribution of the solicitation only and does not preclude any federally insured, state-chartered or federally insured, federally chartered bank from responding at any stage (from local distribution in the Volume 12 Supplemental to publication in SAM.gov and FI trade journals as outlined in the Volume 12 Supplemental) of the solicitation process. Do not commit to any bank regarding its proposal until the appropriate regulatory agency makes a

designation if a designation is required. Refer to the Volume 12 Supplemental for more information on solicitations.

27.3.3. Termination. Refer to the Volume 12 Supplemental for more information.

27.3.4. Use of Space, Logistical Support, and Military Real Property for Banks Operating on Domestic DoW Installations.

27.3.4.1. Lease Terms. The consideration for a lease must be determined by an appraisal of fair market rental value in accordance with 10 U.S.C. § 2667. Periodic reappraisals must be based upon the fair market rental value exclusive of the bank improvements made. Coordinate with USW(A&S) or designee. Refer to the Volume 12 Supplemental.

27.3.4.2. Logistical Support

27.3.4.2.1. The bank must be housed in a building accessible to DoW personnel on the installation and in a location permitting reasonable security.

27.3.4.2.2. Banks must perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

27.3.4.2.3. Banks must pay for all utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services including garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the bank.

27.3.5. Land Leases. A lease for the construction of a bank must be at the appraised fair market rental value. Charges must apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value. Refer to the Volume 12 Supplemental.

27.3.6. Construction. Banks may construct buildings subject to provisions found in the Volume 12 Supplemental.

27.4 FIs and MBFs Operating on Overseas DoW Installations

General Provisions of Financial Services Overseas. The Department acquires financial services overseas for use by authorized persons and organizations from the following sources.

27.4.1. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

27.4.2. Domestic and foreign banks located on overseas DoW installations. Each such institution must be:

27.4.2.1. Chartered to provide financial services in that country.

27.4.2.2. A party to a formal operating agreement with the installation commander to provide such services.

27.4.2.3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law. Refer to the Volume 12 Supplemental for more information on Establishment, Terminations, Logistical Support, Operations, and other Overseas Banking Offices.

27.5 Credit Unions Operating on Domestic DoW Installations

U.S. credit unions may operate on DoW installations, in accordance with this section, when required by installation commanders to promote the morale and welfare of installation personnel and to help facilitate installation operations. Refer to the Volume 12 Supplemental for more information on Establishment; Termination; Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions; Land Leases; Construction; and ATM service.

27.6 Overseas Credit Unions

27.6.1. Credit union services to authorized persons and organizations, as permitted by Status of Forces agreements, other intergovernmental agreements, or host-country law, may be provided by domestic on-base credit unions operating under a geographic franchise.

27.6.2. The extension of credit union service overseas must be in accordance with this section as it relates to domestic credit unions and aligned with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

27.6.3. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state-chartered credit unions may operate on overseas DoW installations. The ultimate decision to provide services overseas rests with the credit union itself. Refer to the Volume 12 Supplemental for more information on Establishment; Logistical Support Services; Travel; and Operations.

28.0 DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF WAR EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

28.1 Gift to Covered Employees

Pursuant to the authority in 10 U.S.C. § 2601(a), covered members of the armed forces in the DoW and covered employees of DoW, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoW when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the SecWar; (3) that results in enrollment in a Warriors in Transition program, as defined in section 738(e) of the NDAA for Fiscal Year 2013 (Public Law 112-239, 10 U.S.C. § 1071); or (4) under other circumstances determined by the Secretary concerned to warrant treatment like members covered by the first criterion of this section.

28.2 Impermissible Gifts

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including 18 U.S.C. § 201, 18 U.S.C § 209, 5 CFR § 2635 and 5 CFR § 3601; or (4) will reflect adversely on the DoW.

28.3 Criteria for Gift Acceptance

Refer to the Volume 12 Supplemental.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 13: "NONAPPROPRIATED FUNDS POLICY"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 13

NONAPPROPRIATED FUNDS POLICY

1.0 GENERAL

1.1 Nonappropriated Fund (NAF) accounting applies to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs). NAFs are separate from appropriated funds (APFs) of the U.S. Department of the Treasury (Treasury). NAFs must not be commingled with APFs and must be managed separately from APFs, even when used to support a common program.

1.2 Authoritative Guidance

Refer to the authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary of terms document on the FMR webpage.

1.4 Procedures

Refer to the Supplemental document listed throughout this volume.

2.0 INTRODUCTION TO NONAPPROPRIATED FUND ACCOUNTING

2.1 The chart of accounts for NAFs must be established to comply with Federal Accounting Standards Board (FASB) and Department of Defense Instruction (DoDI) 1015.15 reporting requirements and is maintained on the DoD NAF Accounting website. NAF accounting systems used by the Military Exchanges are exempt from using the NAF chart of accounts; the Exchanges use the separate Defense Resale Activities chart of accounts, available on the DoD NAF Accounting website.

2.2 For reporting purposes that require the level of materiality to be quantified, materiality must be defined as a minimum of one percent of the total assets in the Balance Sheet for each NAFI. The one percent threshold does not preclude entities from making necessary adjustments to financial statements for transactions that may fall below the threshold. For NAF activities required to report on a consolidated basis, the threshold of materiality must be a minimum of one percent of the assets in the consolidated Balance Sheet.

2.3 AOs must prepare an end-of-month trial balance of the general ledger accounts to ensure total debits equal total credits.

2.4 The annual accounting reporting period for DoD NAFIs begins October 1 of each year and ends September 30 of the following year. The Military Exchanges use the National Retail Federation reporting period and fiscal year that begins in February and ends the following January per DoDI 1015.15. This divides the year into four quarters of 13 weeks grouped into two 4-week "months" and one 5-week "month."

2.5 Financial reports must be prepared annually for each NAFI and must include notes to accompany the financial statements. The DoD Procedures, Guidance, and Instructions for Section 6 explains the following NAFI financial reports: Balance Sheet; Reconciliation of Net Worth; Statement of Income and Expense; and Statement of Cash Flows.

2.6 Financial reports must include full and adequate disclosure of financial and accounting information per Section 6 reporting requirements (for example, disclosure of fund equity adjustments and eliminating entry transactions between NAFIs); this includes Military Service Headquarters, Major Command or Region, and installation NAFIs.

2.7 Since NAFI business operations are similar to the private sector, financial statements are prepared and presented to comply with accounting standards promulgated by FASB. All other accounting literature not included in the Codification is considered non-authoritative.

2.8 NAFIs must use the accrual basis of accounting, by recognizing income and expenses when earned or incurred.

2.9 AOs provide centralized professional accounting services to NAFIs. AO responsibilities include maintaining the books of original entry, general ledger, and related subsidiary ledgers; maintaining fixed asset and payroll records; preparing disbursement vouchers and checks after assuring fund availability and paying NAFI liabilities; preparing and distributing required periodic financial reports; preparing an annual AO operating budget; reconciling supported NAFIs' bank accounts; computing and billing service fees to recover operating costs; reviewing documentation for completeness and accuracy; providing documentation to auditors; preparing aged accounts receivable reports; maintaining awareness of changes affecting financial reporting; and reviewing fund equity or net worth adjustment requests and forwarding them to the approval authority designated by each Military Service.

2.10 NAFIs must establish and operate internal control programs in accordance with the Office of Management and Budget Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” and the statute it implements, the Federal Managers’ Financial Integrity Act of 1982.

2.11 Each Military Service is required by DoDI 7600.06 to have independent certified public accountants conduct an annual financial audit of NAFIs with annual income or expenses exceeding $10 million. NAFIs in Program Group VI – Special Purpose Central Funds, and NAFIs supporting highly sensitive operations, must have audits at least annually regardless of the dollar threshold of revenues and expenses.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see the Supplemental for Volume 13, Section 2.

3.0 NONAPPROPRIATED FUND STANDARD GENERAL LEDGER

3.1 This section prescribes policy for the NAF Standard General Ledger (NAFSGL), maintained on the DoD NAF Accounting website. The NAFSGL is a modified version of the United States Standard General Ledger used for accounting and financial statement reporting to ensure financial statement information is consistent for all NAFIs. The NAFSGL provides for standardization and traceability from the financial statements through the general ledger balances to the source documentation for audit purposes. At a minimum, the Office of the Under Secretary of War (Personnel & Readiness) must update and publish the NAFSGL before 1 October of each year. Policies in this section apply to all NAFIs and their supporting accounting offices, except the Military Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange.

3.2 The general ledger accounts are self-balancing (total debits equal total credits) and provide for accounting of business events. The NAFSGL contains a Chart of Accounts and basic common account code elements: the Installation, NAF, Activity, Cost Center, Site, APF/NAF, and General Ledger Account Code (GLAC). Each Military Department uses the accounts required for its particular financial operations. NAFIs and Military Departments may not have to use all accounts.

3.3 The NAFSGL uses an eight-digit account numbering system for the GLACs. Within the NAFIs, the NAFSGL supports financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the four-digit DoW standard GLAC and be traceable to the NAFIs using subaccounts. The general ledger accounts are grouped into the following major summary categories: 1000 Assets; 2000 Liabilities; 3000 Net Worth/Equity; 4000 Operating Income; 5000 Operating Expenses; 6000 Non-Operating Income; 7000 Non-Operating Expenses.

3.4 Account for assets in the 1000 series of accounts. Current asset accounts consist of cash, investments, receivables, inventories, and other assets reasonably expected to be converted to cash or consumed during the normal operating cycle (12 months or less). Long-term asset accounts consist of NAFI-titled fixed assets, APF-titled fixed assets, and other long-term assets. Section 4 contains additional information on assets.

3.4.1. Cash and investments are liquid assets that can be quickly used to carry out operations. Cash consists of coins, paper currency and readily negotiable instruments, cash in bank, foreign currencies, revolving cash funds, cash held in petty cash or change funds, imprest funds, savings, restricted cash for current operations, and certificates of deposit with an original maturity of three months or less. Investments consist of interest-bearing deposits, certificates of deposit with an original maturity greater than three months but no more than 12 months, and marketable securities. NAFIs must exclude employee retirement cash and investments (employee 401K, employee retirement, and employee post-retirement medical) from a consolidated presentation, because they would distort available NAF.

3.4.2. Fixed assets are property, plant, and equipment purchased, donated, or transferred to NAFIs that have an expected life of two or more years. Fixed assets consist of buildings, land, land improvements, vehicles, aircraft, boats, furniture, fixtures and equipment, information

technology, livestock, assets in progress, fixed assets in-transit when ownership passes to the NAFI before receiving the asset, and accumulated depreciation. NAFIs must report material donations of assets and services in the financial statements. NAFIs must not include donated artifacts in the financial statements unless the NAFI: (1) uses or intends to use the artifact in its primary operations outside its educational function; or (2) sells or intends to sell the artifact and use the proceeds for something other than purchasing another artifact for educational purposes.

3.4.3. Other long-term assets are assets not identified in other asset categories. They consist of long-term pension benefit assets, receivables, long-term prepaid expenses, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees. Report pension benefit asset information when the pension plan is overfunded and classified as a long-term asset; refer to FASB Accounting Standards Codification (ASC) Topic 715, "Compensation-Retirement Benefits," and Section 8 for reporting guidance. NAFIs must classify and report cash and investments restricted for long-term purposes on the balance sheet as other long-term assets.

3.5 Account for liabilities in the 2000 series of accounts. Current liability accounts are due, or will become due, on demand within 1 year and consist of accounts payable, wages payable, interest payable, post-retirement benefit obligations (12 months or less), and other liabilities. Long-term liability accounts are due more than 12 months from the Balance Sheet date and consist of loan liabilities, capital lease liabilities, post-retirement benefit obligations (more than 12 months), and other long-term liabilities. Section 4 contains additional information on liabilities.

3.5.1. Report the current post-retirement benefit obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation) and classified as a current liability, as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FASB ASC Topic 715 and Section 8 for reporting guidance.

3.5.2. Report the long-term post-retirement benefit obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation) and classified as a long-term liability, as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to ASC Topic 715 and Section 8 for reporting guidance.

3.6 Account for Net Worth/Equity in the 3000 series of accounts. Net Worth consists of retained earnings, transferred equity, workers' compensation reserves, equity reserves, undistributed profits and net income, unrealized gains and losses, and other equity transactions. The pension cost liability account records any adjustment made to existing pension balances on the Balance Sheet. Post these adjustments as an offset to the equity account on the Balance Sheet, as either an addition or reduction to Net Worth. Account for these temporary adjustments in the Net Worth section of the Balance Sheet the same way as unrealized gains and losses on investments per FASB ASC Topic 320, "Investments-Debt Securities." Do not include these temporary adjustments in the net worth calculation. Refer to ASC Topic 715 for reporting guidance.

3.7 Classify income as either operating (4000 series) or non-operating (6000 series).

3.7.1. Account for operating income in the 4000 series of accounts. Examples of operating income accounts include gross sales income, participation fees income, concessionaire income, rental income, amusements income, gaming income, reimbursement income, and other operating income. Section 5 contains additional information on income.

3.7.2. Account for non-operating income in the 6000 series of accounts. Examples of non-operating income include interest income, rebates income, subsidy income, exchange dividend income, unusual or infrequent income, and other non-operating income.

3.8 Classify expenses as either operating (5000 series) or non-operating (7000 series).

3.8.1. Account for operating expenses in the 5000 series of accounts. Examples of operating expenses include purchases, cost of goods sold, depreciation expense, wage expense, tax expense, retirement expense, supplies expense, communication expense, utilities expense, travel expense, claims expense, entertainment expense, bad debt expense, unemployment compensation and other employee benefit expense, and other operating expense. Section 5 contains additional information on expenses.

3.8.2. Account for non-operating expenses in the 7000 series of accounts. Examples of non-operating expenses include interest expenses, unusual or infrequent expenses, costs incurred in acquiring historical artifacts, and other non-operating expenses.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 3.

4.0 ASSETS, LIABILITIES, AND NET WORTH

4.1 This section prescribes the accounting policy and related requirements for NAF assets, liabilities, and net worth. NAFI programs and facilities must be operated, maintained, and funded as an integral part of the DoW personnel and readiness program. Policies in this section apply to all NAFIs and their supporting AOs, including the Military Exchanges (Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange).

4.2 The NAFSGL chart of accounts, including definitions and GLACs for asset, liability, and net worth accounts, is maintained on the DoD NAF Accounting website. NAF accounting systems used by the Military Exchanges are exempt from this chart of accounts; the Military Exchanges use the separate Defense Resale Activities chart of accounts available on the DoD NAF Accounting website.

4.3 The NAFSGL contains eight asset categories: Cash; Investments (refer to DoDI 1015.15); Receivables; Inventories; Other Current Assets; NAFI-Titled Fixed Assets; APF-Titled Fixed Assets; and Other Long-Term Assets. Accounting requirements for these categories are in paragraphs 3.1 through 3.7.

4.4 Cash

4.4.1. NAF cash must be maintained in financial institutions that are U.S. federally insured or designated by the Treasury. Cash consists of coins; paper currency; readily negotiable instruments such as money orders, checks, and bank drafts on hand or in transit for deposit; demand deposits with banks or other financial institutions; and foreign currencies translated into U.S. dollars at the exchange rate on the financial statement date. All sales of merchandise or services using credit cards must be recorded as cash at the time of sale.

4.4.2. Designated accounting personnel must reconcile all bank statements or reports monthly and report any discrepancies immediately to NAFI management. To maintain separation of duties, the person performing reconciliations must not be anyone associated with the collection or disbursement of funds.

4.4.3. The AO must designate a custodian to maintain the records and control the blank check stock; for security, this person must not be a check writer. Checks must be sequentially pre-numbered and stored in a locked container that is either a built-in vault or a burglary-resistant safe with a minimum two-hour fire rating. For additional guidance on securing blank check stock, refer to Volume 5, Section 3.

4.4.4. Check signing equipment has three components: a signature plate, a machine key, and the machine. The signatory must maintain the signature plate, and a designated person other than the signatory must maintain the key and a usage log; the authorized operator must record the beginning and ending readings, date, and initials in the log for each use. Other media, such as digitized signatures, are acceptable. For comprehensive guidance on check signing, refer to Volume 5, Section 7.

4.4.5. When a signatory changes, the NAFI must destroy the signature plates and notify the bank. A certificate of destruction must be prepared, signed by two witnesses and the successor signatory, and maintained in the AO. Refer to Volume 5 for additional information on destroying signature media.

4.4.6. Increases to a change fund must be requested in writing from the NAFI custodian (see DoDI 1015.15 for the definition of NAFI custodian). The AO then issues a check for the approved amount and increases the appropriate asset account.

4.4.7. The NAFI manager or designee must replenish change funds at the end of the day with cash received from operations, provided all daily net receipts are deposited in total, and must ensure all checks cashed from these funds are deposited daily. The NAFI manager or designee must not exchange dollars for foreign currency except as provided in Volume 5, Section 13.

4.4.8. Each NAFI must comply with the following requirements when establishing a petty cash fund.

4.4.8.1. Each manager within a NAFI must appoint petty cash custodians in writing.

4.4.8.2. A petty cash fund must not exceed one month's requirements.

4.4.8.3. Any single transaction must not exceed $500, and transactions must not be fragmented to circumvent this limit. The Military Service proponent for NAF financial management may approve a higher limit for purchases made in foreign currency when currency rates warrant; this increase must be reviewed annually.

4.4.8.4. In foreign locations, a NAFI may maintain one petty cash fund in the local foreign currency and one in U.S. dollars. If a NAFI gives cash bingo prizes in both dollars and foreign currency, it must establish two bingo petty cash funds.

4.4.8.5. NAFIs must not use petty cash funds to cash checks or to pay salaries and wages.

4.4.8.6. The AO provides the fixed petty cash amount to the appointed custodian, who completes a petty cash voucher to support each disbursement. The custodian must submit a replenishment request with vouchers and receipts (or equivalent) to the AO as needed, but no later than the last day of each month, and the AO must issue a reimbursement check payable to the custodian by name.

4.5 Receivables

4.5.1. Receivables are amounts owed to NAFIs for sales of merchandise, services, or dues, and may arise from APFs, Uniform Funding and Management (UFM) processes, employees, members, customers, and organizations for dues, fees, charges, rentals, credit sales (except credit-card sales recorded as cash per paragraph 3.1), or travel advances. NAFIs must maintain receivable records that accurately identify each debt and its debtor and must reconcile receivable subsidiary records monthly to the general ledger control accounts. Refer to the NAFSGL for the complete listing of receivable accounts and their definitions.

4.5.2. NAFIs with internal credit systems must prepare an aged customer accounts receivable report that, at a minimum, identifies amounts over 30 days (second billing statement), over 60 days (third billing statement), and over 90 days (fourth billing statement).

4.5.3. NAFIs must create and use an allowance for doubtful accounts (credit losses), determining and recording the estimated uncollectible accounts receivable at the end of each reporting period based on a review of historical average write-offs, per ASC 326-20-30 and ASC 450-20-25-2. NAFIs must maintain supporting documentation for the calculation and associated adjustment for audit purposes and must adjust the allowance to cover accounts expected to become uncollectible during the next reporting period.

4.6 Inventories

4.6.1. Inventories must be valued and recorded at cost, per ASC 330-10-30. The DoW Components must prescribe the cost-determination method (for example, first in first out, last in first out, or moving average), apply it consistently, and disclose it in the notes to the financial

statements; the Military Exchanges must use the retail inventory method for retail merchandise. Costs that can be associated with specific items (freight, distribution, purchase charges, insurance, and handling) are included in merchandise cost; otherwise, they are recorded against the appropriate expense account. Purchase discounts must be deducted from the price billed and merchandise recorded net of discounts, with discounts lost and excise taxes recorded in the applicable operating expense account.

4.6.2. Immaterial losses of inventory resulting from spoilage, breakage, obsolescence, rejection, or constant customer complaint items are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account for the applicable operation.

4.6.3. Merchandise held on consignment is maintained and accounted for by the consignor; per ASC 606, NAFIs do not record this inventory in the general ledger and recognize revenue only once consignment tickets are sold to a third party, at which point selling costs and amounts due the consignor are expensed. NAFIs must physically inventory consigned merchandise for accountability monthly or at the end of an event for tickets, whichever comes first. Tickets purchased for resale must be recorded as inventory in the general ledger.

4.6.4. NAFIs must physically count inventories.

4.6.5. At least annually, an individual independent of the NAFI conducting the count must observe the physical inventory counts to verify the inventory and confirm the accuracy of the accounting records. Observations may be staggered throughout the year when observing all counts at once is impractical.

4.7 Other Current Assets

4.7.1. Other Current Assets are short-term prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance. Other Current Assets also consist of prepayments for supplies, contracts, insurance, franchise fees, deposits, and advance payments that are not material enough for a separate line item disclosure. Prepaid expenses are accounted for in multiple accounts in the Other Current Assets category (refer to the NAFSGL for a complete list of accounts and definitions).

4.8 NAFI-Titled Fixed Assets and APF-Titled Fixed Assets

4.8.1. Fixed assets purchased with NAFs, donated, or transferred to a NAFI with a useful life of two or more years and an acquisition cost of $7,500 or more must be capitalized. Services with more stringent capitalization thresholds may follow their internal policy. This applies to a single item, or to multiple identical items purchased or transferred to the NAFI at the same time.

4.8.1.1. All Services must set the minimum capitalization threshold for assets purchased in quantity at a purchase cost equal to or greater than $7,500; Services with more stringent thresholds may follow their internal policy. The assets must be identical items with a useful life of two or more years and must meet all fixed-asset criteria in paragraph 3.6.1. Whole-

room capitalization and composite purchase capitalization are both permitted for assets purchased in quantity.

4.8.2. When an asset is traded in at the time of purchase, the new asset is recorded at the amount of the monetary consideration paid, plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses are recorded in the "Other Non-Operating Expense" GLAC of the NAFI. If the trade-in allowance is more than the book value of the old asset, then the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

4.8.3. Assets-in-progress include all costs attributable to a construction project, such as new building construction, renovation of existing buildings, and fixed assets purchased as part of the project. The DoW Components must use construction-in-progress to accumulate the cost of real property construction projects. The AO transfers the accumulated cost to the appropriate fixed asset account and begins depreciation on the date of receipt shown on the receiving document when no installation is required, the date installed when required, or the date the asset is available for use. NAFI management establishes facility depreciation periods per the guidance in Volume 4. Fully depreciated buildings remain on the NAFI accounting books until the asset is sold or retired.

4.8.4. Record donations of assets and services material to the financial statements. Assets donated or transferred without the expenditure of funds are recorded at the fair market value on the date the asset was donated or transferred. If the fair market value cannot be determined, then the amount recorded is the book value of the donated asset in the donor's accounting records. Donated artifacts should not be included in the financial statements unless the NAFI: 1) uses or intends to use the artifact in its primary operations outside of its educational function, or 2) the NAFI sells or intends to sell the artifact and use the proceeds for something other than purchasing another artifact for educational purposes.

4.8.5. When NAFIs exchange assets without monetary consideration (a nonmonetary exchange), the gaining NAFI records the assets received at the net book value of the losing NAFI, with the offsetting entry to the Realized Gains and Losses for Sale of Fixed Asset Income GLAC on both NAFIs.

4.8.6. APF property obtained for free is recorded separately from other fixed assets because title and control remain with APFs. For APF fixed assets expected to benefit more than one accounting period, acquisition-related costs (repairs, transportation, installation) and subsequent outlays that extend useful life are recorded and depreciated over the asset's useful life. For APF fixed assets held one year or less, all costs are expensed in the period the asset is held.

4.8.7. Fixed assets acquired through the Utilization Support and Accountability (USA) process, the UFM process, or 10 United States Code (U.S.C.) § 2492 authority are NAFI assets unless APF-titled, and proceeds from their disposition revert to the NAFI. Refer to DoDI 1015.15 for further information on the USA and UFM processes and 10 U.S.C. § 2492 authority.

4.8.8. Artifacts are historical treasures or heritage assets held primarily for educational purposes in a museum, with measures taken to preserve them. Costs incurred to acquire artifacts must be recorded as a non-operating expense and must not be recognized as part of asset value or depreciated.

4.8.9. A unique aspect of NAF accounting is that some assets, particularly buildings, are purchased with NAFs and used exclusively by the NAFI while title rests with the U.S. Government. NAF-procured property or facilities may be transferred to APF for maintenance when Military Service regulations allow. On receipt of approved documentation from NAFI management, record these items in the NAF property records and general ledger as APF-Titled Fixed Assets and begin depreciation. Assets acquired by Memorandum of Agreement that transfers title and maintenance to an APF are not depreciated in the NAF accounting records.

4.8.10. The NAFI may receive title to fixed assets and may make payment for fixed assets before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a stateside port for over-water transportation by government means. Payment is made based on the receipt at the port and is recorded in the appropriate fixed asset account. When asset reaches final transit location, begin depreciation on the date of receipt shown on the asset receiving document in cases where no installation is required, the date installed (if required), or the date the asset is available for use.

4.8.11. Disposal means the NAFI activity manager or custodian has physical control of an item and disposes of it. The NAFI activity manager or custodian must prepare and approve documents for the disposition of fixed assets. When property is transferred to APFs, the transfer must be evidenced on the form required by APFs.

4.9. A physical inventory of all fixed assets must be conducted at least annually and observed by at least one individual independent of the NAFI conducting the count, to verify the inventory and confirm the accuracy of the accounting records. When performing the inventory all at once is impractical, the NAFI may schedule and conduct it by area.

4.9.1. Property subsidiary ledgers serve as property control records and must, at a minimum, list each piece of property, its acquisition date, acquisition value, useful life, depreciation to date, and current book value. The ledger may be automated or manual, but automation must be used when available. The NAFI must prepare the documentation needed to change ledger data even when no general ledger entry is required, such as a fixed asset transferred between locations within the same NAFI.

4.10. DoW Components must use the straight-line method of depreciation and must prescribe and disclose the useful lives of assets in the notes to the financial statements. All tangible fixed assets except construction-in-progress must be depreciated over their expected useful lives, and all NAF activities recognize depreciation of their fixed assets as an operating expense. Refer to Volume 4 for the requirement to subtract salvage value from acquisition cost before computing depreciation.

4.10.1. For NAF capital assets whose titles transfer to APFs but that the NAFI still uses, continue to depreciate them on the NAFI books until fully depreciated. Fully depreciated assets still in use must be reported on the balance sheet until disposed of by sale or retirement.

4.10.2. In the case of constructed real property, depreciation will commence when the building is available for use, regardless of whether the building is fully occupied.

4.10.2.1. If an asset remains in use beyond its estimated useful life, the NAFI must retain it in the property accountability or management system and in the accounting records, reflecting both its recorded cost and accumulated depreciation until disposition.

4.10.2.2. Depreciation of real property must not be accelerated at installations approved for realignment, closure, or re-stationing. On actual closure of the facility, the NAFI must expense the undepreciated value in the applicable extraordinary expense account.

4.10.3. In accordance with ASC 350-40-35-4, internal-use software will be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization. Refer to Volume 4 for detailed guidance.

4.11 Other Long-Term Assets

4.11.1. Other Long-Term Assets include those not identified in other asset lines of accounting that are held for longer than 1 year. Other Long-Term Assets consists of long-term pension benefit assets, long-term receivables, long-term prepaid expenses, long-term leases and capital leases, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees.

4.12 Accounting Requirements for Liabilities

4.12.1. The NAFSGL contains two liability categories: Current Liabilities and Long-Term Liabilities. Current liabilities are due, or will be due, on demand within one year; long-term liabilities are due over a period longer than one year from the balance sheet date. Accounting requirements for liabilities are in paragraphs 4.1 through 4.3.

4.12.2. Liabilities arise from the acquisition of goods or services. Accounts payable must be recognized upon receipt of services or when accepting title to goods. Under accrual accounting, accrued liabilities are recorded for goods or services which have been provided but for which invoices have not yet been received; and therefore, not yet included in accounts payable.

4.12.3. Contingencies are existing conditions involving uncertainty as to possible gain or loss that are resolved when one or more future events occur or fail to occur. Loss contingencies are accrued when the outcome is probable and the amount is reasonably estimable, and gain contingencies are not recorded, per ASC 450-20-25. When a contingency is identified, the AO

must footnote the year-end Military Service level consolidated financial statements to explain the contingency and the potential gain or loss.

4.13 Payment of Liabilities

4.13.1. The NAFI manager or designee is responsible for approving the disbursement of NAFs. The AO must not make disbursements without the approval of the NAFI manager or designee, or as otherwise authorized in this Regulation.

4.13.2. NAFIs must submit the following documents, properly prepared and authenticated, to the AO to support payment for procurements. A procurement document, e.g., purchase order (PO), contract, blanket purchase agreement, or similar documents; a DoD (DD) Form 250, Material Inspection and Receiving Report, or other signed document that provides evidence goods were accepted or services were received; and a vendor invoice or claim for payment.

4.13.3. For overseas shipments, the AO must receive a vendor invoice and proof of shipment before payment; these payments may be made before receipt or acceptance of the goods.

4.13.4. When a NAFI purchases goods or services from another NAFI, it must submit a DD 1149, Requisition and Invoice/Shipping Document, or similar form to the AO to support the transaction.

4.13.5. NAFI purchases of goods or services from the Government (for example, bills from APFs) are not usually supported by a procurement instrument; the NAFI must submit a DD 250 or other signed document to the AO to support payment.

4.13.6. A vendor invoice represents a claim against NAF. All invoices must be date-stamped at the time of receipt and must meet the Prompt Payment Act criteria in 5 Code of Federal Regulations 1315. Refer to Volume 10 for additional information on contract payments.

4.14 Accounting Requirements for Net Worth

4.14.1. Net Worth (Equity) consists of capital invested in NAFIs plus or minus net income or loss since inception. Transactions into and out of equity are limited to net income, net losses, entries associated with establishing the fund, and certain adjustments. Adjustments are rare and may include certain accounting principle changes, prior period adjustments greater than one percent of the assets in the consolidated balance sheet (or less than one percent but deemed material), and distribution of capital. The NAFSGL contains one net worth/equity category; accounting requirements are in paragraphs 6.1 and 6.2.

4.14.2. When a new NAF organization with preexisting capital is authorized, the capital is recorded as equity (for example, when a private association converts to a membership association). Equity is disestablished when a NAF organization is dissolved.

4.14.3. Equity may be distributed by declaring dividends to other NAF organizations (for example, dividends paid by installation restaurants) or through special grants for new construction

and facility improvements. The declaration of dividends by the Military Exchanges and the distribution of grants must be recorded and reported as decreases in equity. The receipt of Military Exchange dividends and of grants that support recurring operations must be recorded as non-operating income, while the receipt of grants for capital items must be recorded as equity transactions. Equity is transferred as cash or other assets.

4.13.4. Transfers into and out of the Other Equity or Earnings general ledger account are limited to the following: net income; net losses; declaration of dividends by Military Exchanges; prior year material corrections; components of other comprehensive income (loss) prescribed by ASC 220-10-45-10A; entries associated with the establishment, disestablishment, or consolidation of NAFIs; and distribution and receipt of capital.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 4.

5.0 INCOME AND EXPENSES

5.1 This section prescribes DoD NAF income and expense policies. NAFI programs and facilities must be operated, maintained, and funded as an integral part of the DoW personnel and readiness program. These policies apply to all NAFIs and their supporting AOs, including the Military Exchanges (Army and Air Force Exchange Service, Navy Exchange Service Command, and Marine Corps Exchange), except that Exchanges are not required to use the NAFSGL.

5.2 Income Standards

5.2.1. In accordance with ASC, Topic 605, Subtopic 10, Section 25, NAFIs must recognize revenue (classified as "income" in the NAFSGL) when it is realized or realizable.

5.2.2. The AO must record income in the appropriate NAFI's financial records on a consistent basis, in the appropriate cost center, and in the operating cycle in which the income is earned, per DoDI 1015.15.

5.3 Expense Standards

5.3.1. NAFIs must recognize costs as an expense in the period that the income with which they are associated is recognized (the matching principle).

5.3.1. Using the accrual method, AOs must record expenses on a consistent basis, in the appropriate cost center, and in the operating cycle in which the expense was incurred. Refer to Volume 4 for further guidance on accrual accounting.

5.4 Accounting for APF Support to NAFIs

5.4.1. Title 10 U.S.C. § 2241 is the basic statutory authority to provide APFs to support Morale, Welfare, and Recreation (MWR) functions. MWR USA and UFM are the two mechanisms for providing APF support to NAFIs. Both involve use of NAFs for MWR expenses that, per DoDI 1015.15, should be borne by APFs. Under MWR (USA), NAFIs use NAFs to

execute such expenses subject to later APF reimbursement under Memoranda of Agreement (MOAs). Under UFM, APFs may be transferred into NAF accounts before expenditure; funds appropriated to DoW and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended (10 U.S.C. § 2491). Other statutory authorities available to NAFIs are 10 U.S.C. §§ 2492, 7459, 8478, and 9459.

5.4.2. MWR (USA) Recording

5.4.2.1. The AO must record funds received from appropriated sources for expenses covered by MWR (USA) as MWR (USA) income.

5.4.2.2. The AO must record authorized expenses (the amount subject to APF reimbursement), as they occur, in the applicable expense accounts so that MWR (USA) support is identifiable, per DoDI 1015.15.

5.4.3. UFM Recording

5.4.3.1. The AO must record UFM funds received in the cash account with a contra entry to the Unearned Income (liability) account identified as UFM.

5.4.3.2. The AO must record authorized expenses, as they occur, in the applicable expense accounts so that UFM support is identifiable, per DoDI 1015.15, and reduce the cash account as applicable in the same reporting cycle.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 5.

6.0 FINANCIAL REPORTING

6.1 These policies apply to DoD NAFIs and their supporting AOs. They apply to the Military Exchanges, except for policies related to the NAFSGL.

6.2 The DoW Components are responsible for the fair presentation in the financial reports of financial position, results of operations, and the program and personnel information included, and for compliance with NAF program laws and regulations.

6.3 The supporting AO is responsible for compiling the necessary information from accounting and payroll systems and for preparing financial statements and reports. The AO is also responsible for the integrity of those systems and the accuracy of the data produced. Refer to Section 2 for definitions, reporting requirements, and accounting standards.

6.4 The principal financial statements used to convey information to users are the Balance Sheet, Statement of Income and Expense, Reconciliation of Net Worth, and Statement of Cash Flows.

6.5 The NAFSGL Financial Statement Mapping to the financial statements is maintained on the DoD NAF Accounting website. The working versions of all statements and notes must include line numbers as shown there.

6.6 Retain all records relating to payments to individuals and firms according to the Internal Revenue Service (IRS) Topic Number 305, "Recordkeeping."

6.7 International Balance of Payments (IBOP) Program is an accounting of a country's international transactions for a particular period of time. NAFIs are subject to the IBOP reporting guidance prescribed in DoDI 4105.67, "Nonappropriated Fund (NAF) Procurement Policy and Procedure," and Volume 6.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 6.

7.0 NONAPPROPRIATED FUND PAYROLL

7.1 This chapter provides the standard NAF policy for DoD NAF payroll and applies to DoD NAF employees. NAF employees are not paid from funds appropriated by Congress but from funds generated by NAFIs. NAF employees are Federal employees, but they are not covered by most laws administered by the Office of Personnel Management (OPM), unless specifically provided by statute. Policy in this chapter applies to all NAFIs, NAF Human Resources (HR), NAF payroll offices, and their supporting AOs.

7.2 Payroll Oversight

7.2.1. Defense Civilian Personnel Advisory Service, NAF Personnel Policy Division is responsible for developing, coordinating, and publishing DoD-wide civilian HR policy concerning NAF employees. DoD NAF HR policy is found in DoDI 1400.25, with volumes in the 1400 series.

7.2.2. All NAF payroll systems, whether being designed, implemented, or in use, must operate per the authoritative guidance document on the FMR webpage and Volume 1.

7.2.3. AOs must ensure all payroll information (including accrued payroll and benefits) passes to the accounting system, whether systemically or manually; update the appropriate NAFSGL accounts; and meet the reporting requirements in DoDI 1015.15 and Volume 13, Section 6. AOs must also compile the financial statements.

7.2.4. The NAF payroll office has primary responsibility for all payroll processing and must work closely with the supporting NAF personnel office, NAFIs, and NAF employees.

7.3 Payroll Deductions

7.3.1. Payroll deductions or withholdings from an employee's pay must be properly authorized by the employee (or made per applicable laws), adequately documented, and paid when due to the appropriate recipient in the authorized amount.

7.3.2. The payroll office must withhold taxes from civilian employees' wages and remit them to tax jurisdictions wherever the Federal Government has entered withholding agreements. State and local taxes must be withheld from the pay of enlisted personnel compensated from NAF for off-duty work.

7.3.3. NAFIs located in foreign countries must neither pay to, nor collect for, any foreign country or political subdivision any tax unless the United States has consented to that levy by treaty, convention, or Executive agreement.

7.4.4. The payroll office will withhold a set percentage of an employee's salary each pay period to pay the employee's share of Federal Insurance Contributions Act (FICA) contribution. FICA also requires that the NAFI contribute a set percentage of an employee's salary to the Social Security Trust Fund and the Medicare Trust Funds.

7.5.5. If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by the OPM Personnel Policy Memorandum, PPM-2008-01, "Order Of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions," dated July 30, 2008. NAFIs must consult policy, legal staff, and collective bargaining agreements to ensure the proper order of precedence is followed.

7.4 Employee Retirement Accounting

7.4.1. NAF HR/payroll offices are responsible for providing and processing forms for employees retiring under the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). OMB Circular A-130, Appendix II prescribes electronic processes and digital signatures whenever possible, and in the Government's best interest. NAF HR/payroll offices must fulfill the following CSRS or FERS responsibilities (for more on portability retirement, refer to Volume 8).

7.4.2. NAF HR/payroll offices must prepare and maintain a Standard Form (SF) 2806 (CSRS) or an SF 3100 (FERS), Individual Retirement Record, for each employee subject to CSRS or FERS. Each SF 2806/SF 3100 must be correct, complete, clear in every detail, and properly certified to ensure timely, accurate closeout when an employee separates or transfers to another agency's paying jurisdiction.

7.4.3. NAF HR/payroll offices must maintain adequate control over retirement records and associated monetary balances.

7.4.4. NAF HR/payroll offices must promptly send claims and records to OPM (CSRS/FERS Retirement Records, Office of Personnel Management, Retirement Operations Center, P.O. Box 45, Boyers, PA 16017-0045).

7.4.5. NAF HR/payroll offices must withhold retirement deductions from employees' salaries, make agency contributions, and send the deductions and contributions to OPM for deposit. Deductions begin on the day the employee acquires retirement-system coverage and must be prorated for partial pay periods. FICA contributions must be withheld and reported per current

Treasury guidance. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments must be made biweekly and submitted to the appropriate NAF employee benefit system. Thrift Savings Plan (TSP) deductions and the employer's matching contributions must be forwarded to the TSP.

7.5 Leave Accrual

7.5.1. Annual leave accrual is material and must be recognized as a liability and expensed monthly in the individual NAFI's accounting records. The individual leave records or annual leave report, showing the accumulated leave balance for all employees, must serve as the subsidiary ledger to the appropriate NAFSGL account for each NAFI.

7.5.2. Monthly sick leave accrual is not a liability to the NAFI. The NAFI must recognize sick leave used as an expense monthly in its accounting records.

7.6 NAFIs must accrue the estimated liability for a business-based action when probable and accrue a separation allowance monthly where applicable. (DoDI 1015.15 requires NAFIs to set aside and invest funds regularly to ensure cash is available to pay severance benefits for U.S. and Foreign National employees on separation; DoDI 1400.25, Volume 1405 sets the eligibility criteria, exclusions, conditions, and computation and payment requirements.)

7.7 All payroll disbursements must be paid to NAF employees by electronic fund transfer (EFT) unless the head of the agency or designee grants a waiver. The head of the agency or designee may waive the EFT requirement on receipt of written certification from the employee stating that the employee has no account with a financial institution or describing another extenuating circumstance.

7.8 NAF payroll offices must keep records sufficient to support all NAF payroll transactions. Employment-tax records must be retained for 4 years after the tax due date or the date the tax was paid, whichever is later (IRS Publication 15). Aggregate records of payroll disbursed each pay period (base pay, additions to and deductions from pay, and leave balances) must be stored and transferred to the National Personnel Records Center for 56 years' retention (National Archives and Records Administration General Records Schedule 2.4).

7.9 All DoD NAF organizations must follow the internal control standards in OMB Circular A-123; DoDI 1015.15, subparagraph 6.7.3; DoDI 5010.40; and DoDI 7600.06 for payroll operations and for the methods and procedures adopted to process and audit payrolls.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 7.

8.0 ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

8.1 This section provides requirements to account for single-employer defined benefit pension and other postretirement plans. Its policies apply to DoD NAFIs, their supporting Accounting Offices, and Military Services Exchanges. This section does not apply to Military Department

plans considered multi-employer. Each NAFI and its supporting Certified Public Accounting firm must fully review the exceptions and variables associated with pension accounting before implementation.

8.2 NAFIs must report pension plan assets and liabilities annually in conformance with FASB ASC Topic 715, "Compensation-Retirement Benefits." The current published version of ASC Topic 715 is the superseding authority for the accounting addressed in this section.

8.3 The Military Departments must calculate the funded status of a benefit plan as of the year-end statement date (measurement date). Funded status is the difference between the projected benefit obligation and the plan assets at fair value.

8.4 Temporary equity adjustments to pension balances must not be included in the net worth determination. Post these adjustments as an offset to the equity account, treated in the same manner as unrealized gains and losses on investments per ASC Topic 320, "Investments-Debt Securities."

8.5 At a minimum, the NAFI must disclose additional information about certain effects on net periodic benefit cost and the amount and timing of any plan assets expected to be returned to the Military Departments and NAFIs. See ASC Topic 715 for the full disclosure requirements.

Companion reference: For detailed procedures, implementation guidance, definitions, and the full data tables, see Supplemental for Volume 13, Section 8.



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 14: "ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS"

UNDER SECRETARY OF WAR (COMPTROLLER)

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VOLUME 14

ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS

1.0 GENERAL

1.1 Overview

This volume prescribes the Department of War (DoW) requirements for the administrative control of funds and compliance with the Antideficiency Act (ADA). It defines the statutory restrictions and the implementing executive branch requirements that govern fund control, explains the legal framework of the ADA, and establishes the consequences for violations.

The detailed policies, procedural guidance, and the complete ADA violation process are prescribed in this Volume. This volume establishes the authoritative, legally based policy for the administrative control of all DoW appropriations and funds. It defines what constitutes a violation of the ADA and related funding statutes and establishes the legal consequences of such violations. This volume serves as the foundational rulebook that all DoW implementation policies and procedural guides must follow.

1.2 Authoritative Guidance

Refer to the Volume 14 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to the Glossary.

2.0 ADMINISTRATIVE CONTROL OF FUNDS POLICY

2.1 Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of War, Deputy Comptroller (Program/Budget) is considered a "DoW Component" for matters involving Defense-wide (Treasury Symbol "97") appropriations.

2.2 Administrative Control Systems

DoW Components must:

2.2.1. Design systems for the administrative control of funds so that formal administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

2.2.2. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoW Authorization or DoW Appropriations Act, or to address specific management requirements.

2.3 Reporting Requirements for Administrative Control Systems

DoW Components must establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements must be established separately from a formal administrative subdivision of funds limitation when a need exists for accumulating data below the allocation level.

2.4 Delegations of Authority

All delegations or redelegations of authority or functions under this volume must be made in writing. Delegation or redelegation of authority or function is prohibited if the delegation or redelegation limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of War to exercise the control necessary to discharge properly their responsibilities in accordance with this volume.

2.5 Statutory Limitations and Duties of DoW Officials

DoW officials are prohibited from authorizing or creating any obligation or making any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. The DoW Authorization or Appropriations Acts frequently impose special or recurring statutory limitations on DoW funds or may be imposed by other legislation. Specifically, DoW officials to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued at any level must:

2.5.1. Limit any further subdivision of funds to the amount provided and currently available.

2.5.2. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

2.5.3. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

2.5.4. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

2.5.5. Preclude acceptance and use of voluntary services, gifts, and donations except in accordance with specified provisions of law.

2.5.6. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the ADA as described in this Volume and other applicable guidance. Potential ADA violation investigation and reporting requirements are also contained in this volume.

2.5.7. Ensure that decisions on the obligation of funds comply with the provisions of the ADA by careful review and examination of the facts involved in advance of the decision.

2.5.8. Enforce compliance with all the provisions of the ADA and other specific laws that limit the obligation and expenditure of funds.

2.5.9. Maintain internal control systems to ensure that:

2.5.9.1. All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.

2.5.9.2. All available funds are identified with authorized purposes by account, period of availability for new obligations, and for the period of availability for expenditure.

2.5.9.3. All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

2.5.9.4. All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

2.5.10. Issue and maintain appropriate delegations of authority.

2.5.11. Ensure that amounts reported to the Department of the Treasury (Treasury) are accurate, that is, recorded accurately and posted to the correct appropriation account.

2.5.12. Ensure that internal controls are in place and operating as required by DoD Instruction 5010.40, "DoD Enterprise Risk Management and Risk Management and Internal Control Program."

2.5.13. Ensure that appropriate training programs are in place to provide all personnel involved in administrative control and use of available funds with the knowledge of funds control and the skills and abilities to perform the duties specified in paragraph 2.5.6.

2.6 Apportionments, Allotments, Suballotments and Allocations

The administrative control of funds process restricts obligations and expenditures (disbursements) to the amount available at the apportionment, allotment, suballotment and allocation levels. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoW Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA.

2.6.1. Apportionments. An apportionment is a distribution made by the Office of Management and Budget (OMB) of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An agency may further subdivide an apportionment into allotments, suballotments, and allocations.

2.6.1.1. When DoW appropriations or other funds are required to be apportioned under law by OMB to a DoW Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of War (Comptroller) (USD(C)) to the Director of OMB. A request for an apportionment must be in such form and at such time as the USD(C) may prescribe to conform to the requirements of the Director of OMB. See Volume 3 for the preparation of apportionment or reapportionment schedules and the accounting of DoW apportionments and reapportionments.

2.6.1.2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment. Apportionments may include estimates of anticipated budgetary resources; however, these approved anticipated resources may not be obligated until realized.

2.6.1.3. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 United States Code (U.S.C.) § 1515 will be specifically identified on the apportionment request. To qualify as a deficiency apportionment, the request must be required by:

2.6.1.3.1. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;

2.6.1.3.2. Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or

2.6.1.3.3. Specific authorization by law.

2.6.2. Allotments. An allotment is a subdivision of an apportionment that is made by the head of an agency (e.g., Secretary of War), or designee (e.g., USD(C)), to incur obligations within a prescribed amount. Formal distribution, i.e., subdivision of an allotment, must contain at least the same statutory and other limitations applicable to the original allotment (e.g., suballotments/allocations to operating agencies or installation-level accounting activities).

2.6.2.1. The USD(C) must make allotments of apportioned amounts, in writing, to the heads of DoW Components. The Secretary of a Military Department, or designee, must make further allotments of apportioned amounts, in writing, to the heads of operating agencies.

2.6.2.1.1. The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature must be forwarded to the recipient of the allotment. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

2.6.2.1.2. At a minimum, this document must contain the following basic information:

2.6.2.1.2.1. Amount available;

2.6.2.1.2.2. Funding source;

2.6.2.1.2.3. Time period of availability;

2.6.2.1.2.4. Position and title of the responsible official and other agency limitations; and

2.6.2.1.2.5. Justification for changes in allotments.

2.6.2.1.3. A suballotment is a subdivision of an allotment. It is a formal distribution that must contain at least the same statutory and other limitations and requirements applicable to the original allotment. Amounts allotted may be suballotted to major subordinate operating commands.

2.6.2.2. Allotments/suballotments must not exceed the amount available for use for each apportionment period.

2.6.2.3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations

through linked computer systems, internal controls for electronically transmitted allotments and suballotments must have the following minimum characteristics:

2.6.2.3.1. Fund control systems must provide validation of fund authorities by using access codes and lockout techniques.

2.6.2.3.2. One set of access codes must be used to issue fund authorizations.

2.6.2.3.3. Other controlled access codes must be used to process a signature section of fund control documents for transmission to funded activities.

2.6.2.3.4. The authentication, signature element, and symbol must be included as part of electronically produced funding documents.

2.6.2.4. Anticipated transfers or other items of anticipated receipts may be allotted/suballotted/allocated only when realized.

2.6.2.5. Allocations are subdivisions of suballotments, or subdivisions of allotments that are not required to be suballotted (reference subparagraph 2.6.3).

2.6.2.6. DoW Components must not authorize or incur an obligation or make a disbursement against anticipated transfer authorizations until the transferred resources are realized. Such actions must be delayed until the completed Standard Form (SF) 1151, "Nonexpenditure Transfer Authorization," is received and the resources are realized. Nonexpenditure Transfers are processed using the Agency Transaction Module within the Central Accounting Reporting System (CARS). For information and guidance on using the CARS, see the Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 2000.

2.6.2.7. DoW Components must not authorize or incur an obligation or make a disbursement against anticipated reimbursements. Such actions must be delayed until the applicable customer order is received from Federal Government activities and funds are collected from public activities. See Volume 11 for reimbursable policy.

2.6.3. Allocations. Allocations are subdivisions of suballotments or subdivisions of allotments that are not required to be suballotted.

2.6.3.1. The recipients of allotments or suballotments, or their designees, must make allocations in specific amounts to the heads of installations or organizational units of DoW Components, as required. The total of the amounts allocated must not exceed the amount of the allotment/suballotment available for each period.

2.6.3.2. A suballocation is a subdivision of an allocation. The recipients of allocations may make suballocations to the heads of other organizational units, including those of other DoW Components, as required. The total of the amounts suballocated must not exceed the amount of the allocation available for use for each period.

2.6.3.3. Allocations and suballocations must be made in writing and the recipient's copy must either be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. At a minimum, the document must contain the following basic information:

2.6.3.3.1. Name or title of the allocation/suballocation recipient.

2.6.3.3.2. Amount of the allocation/suballocation and the period of availability.

2.6.3.3.3. Legal restrictions or limitations on the obligation and disbursement of the allocated/suballocated funds.

2.6.3.3.4. The amount of anticipated reimbursements specified to the organizational level responsible for receiving the reimbursable orders.

2.6.3.4. In emergency circumstances, it may not be possible to provide a formal allocation or suballocation document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

2.6.3.4.1. A telephone or other electronic means may be used to make arrangements to indicate that funds will be provided. However, the official allocation or suballocation of funds does not occur until the substantiating documentation of the issuance of funds has been transmitted by the issuer and received by the recipient.

2.6.3.4.2. In such cases, both the issuer and recipient must document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer must immediately provide a copy of the documentation to the recipient and request acknowledgment of receipt. The recipient must confirm receipt and acceptance to the issuer. The issuer must sign the same documentation and return the document containing both signatures. The official funds issuance does not occur until this final double-signed (issuer and recipient) document has been received by the recipient of the funds.

2.6.3.4.3. The recipient is not authorized to issue funds to others or authorized to incur obligations with the funds received until after receipt of the double-signed document.

2.7 Other Fund Management

2.7.1. Centrally Managed Account (CMA). The head of an operating agency that has specific written approval from the head of a DoW Component may establish CMAs. A CMA is a formal administrative subdivision of funds (allotment, suballotment, or allocation) that is managed at the highest practical level and allows officials at a lower echelon to incur obligations or charge expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the allotment/

suballotment/allocation level are subject to the provisions of 31 U.S.C. § 1517(a)(1). Fund authorization documents forwarding budget authority to the CMA must include the following statement: "Authorizing or incurring obligations in excess of the cumulative allotment/ suballotment/allocation amount, contained herein, is a reportable violation of 31 U.S.C. § 1517."

2.7.1.1. These accounts must be established only when it is impractical to administer decentralized allotments/suballotments/allocations under normal operating procedures. The head of an operating agency, usually a general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended. Before approval, a specific written determination must be made that adequate controls have been established to avoid over-obligating/expending the CMA.

2.7.1.1.1. The amount of the CMA must be within the amount and terms of the allotment/suballotment/allocation.

2.7.1.1.2. Requests for the establishment of a CMA must fully justify the need, delineate possible alternatives, and clearly demonstrate why the CMA method is the only practical administrative procedure.

2.7.1.1.3. The official who establishes or continues the use of a CMA must be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each CMA.

2.7.1.1.4. The establishing or continuing official is responsible for the administration of each CMA and must prescribe an adequate system of financial and nonfinancial control. The system must:

2.7.1.1.4.1. Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each CMA.

2.7.1.1.4.2. Establish suitable limitations on the numbers, quantities, or volume for which obligations may be incurred or expenditures made.

2.7.1.1.4.3. Provide accounting and reporting at least monthly.

2.7.1.1.4.4. Ensure timely notice to prevent the CMA from being over-obligated/expended by taking necessary management action. This may include (a) increasing the amount of the CMA; (b) terminating the CMA; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an over-obligation/expenditure.

2.7.1.1.5. Each CMA must be reviewed annually to determine whether its operation should be continued. This determination must be made by the head of the DoW Component concerned, or designee. The annual review must include an evaluation, by an internal audit group, of the adequacy of control procedures established to prevent violations of

31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, and a recommendation to the head of the DoW Component concerned, or designee, whether continuation of the CMA is justified. DoW Components must provide certification as to the adequacy of controls of the CMA. This certification must be submitted with the annual evaluation as required by paragraph 2.12.

2.7.1.2. Components are required to maintain documentation supporting their assessment and produce it on request. At a minimum, Components must maintain records on the following:

2.7.1.2.1. Appropriation and dollar value of the CMA.

2.7.1.2.2. Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation.

2.7.1.2.3. Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented.

2.7.1.2.4. Organizations authorized to make obligations against the CMA.

2.7.1.2.5. Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA.

2.7.1.2.6. Monthly execution monitoring and procedures.

2.7.1.2.7. Date and method of testing of internal controls.

2.7.2. Reimbursable Orders. A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoW Component (or Federal Agency) and furnished by another DoW Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoW Component; and with subsequent delivery to and reimbursement by the requiring DoW Component. The requiring DoW Component records the reimbursable order as an obligation when the procuring DoW Component accepts the reimbursable order in writing. See Volume 3 for recording standards.

2.7.2.1. DoW organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

2.7.2.2. Apportioned reimbursements must not be allotted/suballotted/allocated unless there is reasonable assurance that orders will be received. Even though apportioned and allotted/suballotted/allocated, these estimates must not be considered budgetary resources available for obligation unless the following two conditions are met:

2.7.2.2.1. Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

2.7.2.2.2. Advance payment has been collected, in the case of orders from the public.

2.7.2.3. Officials responsible for incurring obligations and making expenditures must be particularly cognizant of reimbursable authority received. Controls must be established and carefully followed to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

2.7.2.4. Under certain circumstances, and only with the prior written approval of OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized.

2.7.2.5. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

2.7.2.5.1. These orders are to be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. The exception is Foreign Military Sales (FMS) orders. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

2.7.2.5.2. FMS disbursement controls must be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

2.7.2.6. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

2.7.3. Revolving Funds. A revolving fund is an account authorized by specific provisions of law to finance a continuing cycle of business-type operations and to incur obligations and expenditures that generate receipts.

2.7.3.1. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, must be controlled under applicable provisions of this volume.

2.7.3.2. Cash Balances. The disbursement of amounts in excess of the Department of the Treasury cash balance of a revolving fund is a potential ADA violation. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund is a potential ADA violation when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA.

2.7.3.3. Apportionment. A revolving fund may be subject to apportionment, or it may be exempt from apportionment, depending upon the type of fund.

2.7.3.3.1. Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential ADA violation without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.

2.7.3.3.2. Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential ADA violation.

2.7.3.4. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential ADA violation. The concept of "budgetary resources" is defined and explained in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget." Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

2.7.3.4.1. Orders from other Federal Government Agencies. Funded orders from other Federal Government agencies that represent valid obligations of the ordering account provide a budgetary resource without regard to whether an advance payment accompanies them.

2.7.3.4.2. Orders from the Public. Orders from the public (except FMS orders) including local and state governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent that the order is accompanied by an advance payment of cash received and credited to the account.

2.7.3.5. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be incurred or expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential ADA violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent and detect a potential violation of the ADA.

2.8 Obligations and Expenditures

Available funds are used by the incurrence of obligations and expenditures. An amount must be recorded as an obligation or expenditure when incurred, as supported by documentary

evidence of the occurrence of the event. A verbal order or agreement must be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Verbal orders executed in this manner without a formal commitment of funds run a high risk of violating the ADA and should be avoided if possible. See Volume 3 to determine the amount and accounting period in which commitments and obligations must be recorded.

2.8.1. Once incurred, all obligations and expenditures must be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or a formal administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

2.8.2. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period to exceed the amount that was available for obligation for that prior period after consideration of all known valid obligations and deobligations, violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, may have occurred.

2.8.3. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.

2.8.4. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

2.9 Reconciliations

DoW managers at all levels must ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors must be corrected immediately, and negative account balances must be researched and reconciled promptly with appropriate source documents.

2.9.1. Transactions or adjustments must be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers must not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded, or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the appearance of a potential ADA violation that occurred because of careless record keeping.

2.9.2. An ADA investigation must be initiated by the applicable DoW Component and reported to the Office of the Under Secretary of War (Comptroller) (OUSW(C)) as required by this volume if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations are not required merely to force correction of erroneous records.

2.10 Records

2.10.1. The Defense Finance and Accounting Service (DFAS), working with other DoW Components, must ensure that accounting records are maintained that provide full disclosure and support of the financial operations and resource utilization applicable at each successive organizational level. The accounting records must show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

2.10.2. These fund control records must constitute an integral part of the official accounting records maintained for each successive organizational level for the DoW Component. Financial reports reflecting funds received, issued, available, and utilized must be prepared from the official accounting records.

2.10.3. DoW Components must maintain key records and documents on appropriations, allotments/suballotments, allocations/suballocations, and budgetary data for the funds for which they are responsible.

2.10.4. DoW Components must retain, for 6 years and 3 months, work papers and documentary evidence developed and/or obtained during an investigation of an actual or potential ADA violation.

2.11 Financial Management Systems

In addition to effective and efficient administrative funds control systems established by the DoW Components, the DFAS and/or DoW Component must be responsible for establishing accounting and finance systems. The accounting and finance systems must be established for reporting commitments and obligations by the DFAS and/or DoW Component. Such systems of accounting and internal controls must comply with the requirements of 31 U.S.C. § 3512(b) and (c).

2.11.1. Federal agencies must maintain systems of accounting and internal controls that ensure:

2.11.1.1. Complete disclosure;

2.11.1.2. Adequate financial information;

2.11.1.3. Effective internal control over and accountability for assets;

2.11.1.4. Obligations and costs comply with applicable laws;

2.11.1.5. Revenues and expenditures or expenses applicable to DoW operations are accounted for properly so that accounts and reliable financial and statistical reports are prepared, and accountability of assets is maintained;

2.11.1.6. Suitable integration of DoW accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under 31 U.S.C. § 3513; and

2.11.1.7. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

2.11.2. Specifically, financial management systems must be:

2.11.2.1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the proper amount and authorized purpose for which obligational authority is available.

2.11.2.2. Capable of providing timely disclosure of the authorization or creation of an obligation and the disbursement of funds in excess of amounts available in both expired and unexpired accounts.

2.12 Annual Evaluation

The OUSW(C) requires DoW Components to conduct an annual evaluation of their overall administrative funds control processes as well as the processing of ADA violations. The DoW Components are not required to submit an annual evaluation memorandum if the DoW Components do not have CMAs or are not reporting a potential ADA violation. The applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other DoW Components will provide an annual evaluation memorandum addressed to the OUSW(C). The memorandum must address the following information in subparagraph 2.12.1 and be submitted by October 31:

2.12.1. Memorandum Certification Statements.

2.12.1.1. "For Fiscal Year 20xx, the internal controls over centrally managed accounts were in place and effective. Monthly accounting and reporting processes are adequate to reduce the risk of over-obligations."

2.12.1.2. "Corrective actions are being implemented and/or sustained and adequate evidentiary documentation is available to support this certification."

2.12.1.3. A statement that provides the number of key fund control personnel identified and trained.

3.0 ANTIDEFICIENCY ACT VIOLATIONS

3.1 Statutory Requirements

3.1.1. The ADA, prescribed in 31 U.S.C. §§ 1341–1342, and 31 U.S.C. § 1517, prohibits obligations and expenditures in excess of an appropriation or before an appropriation is available. 31 U.S.C. § 1517 is the primary foundation for the administrative control of funds set forth in paragraph 2.0

3.1.1.1. Amount Limitation. 31 U.S.C. § 1341 stipulates that any officer or employee of the United States Government or of the District of Columbia government may not:

3.1.1.1.1 Make an obligation, expenditure, or authorize an obligation or expenditure of funds that exceeds the amount available in an appropriation or fund.

3.1.1.1.2. Involve the Government in any contract or obligation for the payment of money before an appropriation is made available, unless the law authorizes such contract or obligation.

3.1.1.2. Voluntary Services Limitation. 31 U.S.C. § 1342 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services on behalf of the Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property.

3.1.1.3. Administrative Control of Funds, Amount Limitation. 31 U.S.C. § 1517 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not make an obligation or expenditure or authorize an obligation or expenditure that exceeds an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation, including any other formal administrative subdivision of funds designated by a DoW Component. See paragraph 2.0 for DoW administrative control of funds policy.

3.1.2. 31 U.S.C. § 1301, 31 U.S.C. § 1502(a), and 31 U.S.C. § 3302(b) are additional funding statutes. Noncompliance with these statutes may result in an ADA violation.

3.1.2.1. Purpose Statute. 31 U.S.C. § 1301 stipulates that appropriations must be applied only to the objects for which the appropriations were made, except as otherwise provided by law.

3.1.2.2. Time Limitation. 31 U.S.C. § 1502(a) stipulates that the balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made and obligated within that period. See Volume 3 for obligation policy and for expired and closed account policy.

3.1.2.3. Miscellaneous Receipts Statute. 31 U.S.C. § 3302(b) requires an official or agent of the Government to deposit money received for the Government from any source into the miscellaneous receipts account of the U.S. Treasury without deduction for any charge or claim if the retention of the money is not authorized or exceeds authorized levels.

3.1.3. If sufficient amounts were available in the proper account for the proper fiscal year at the time of the obligation, and the amount is properly recorded as an obligation, then the use of the wrong appropriation (purpose) or the wrong fiscal year funds (time limitation) generally will not result in an ADA violation. It may be possible to adjust the accounts to replace the erroneously

obligated funds with the proper funds. Under these conditions, the error can and should be corrected.

3.1.3.1. The use of the wrong appropriation (purpose) can be corrected if the proper funds (appropriation, year, and amount) were available at the time of the erroneous obligation, available during the entire period from the time of obligation until the time of correction, and available at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 2.2, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest level of the appropriation, apportionment, allotment, suballotment, or allocation at which the ADA violation occurred.

3.1.3.2. The use of the wrong fiscal year funds (time limitation) can be corrected if the proper funds (appropriation, year, and amount) were available during the entire period from the time of obligation until the time of correction, at the time of the erroneous obligation, and at the time of correction. In other words, to correct the error, not only must amounts have been properly available at the time of the error and be available at the time of correction, but the correct amount must be properly recorded as an obligation in the proper account, consistent with paragraph 2.2, thereby requiring accounting adjustments going forward from the time of correction to account for the change in balance. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest of the appropriation, apportionment, allotment, suballotment, or allocation level at which the ADA violation occurred.

3.1.3.3. See Volume 3 for Bona Fide Need recording requirements.

3.2 General Violations

General ADA violations occur when:

3.2.1. Statutory limitation was exceeded for the amount authorized in an appropriation or fund, to include special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used.

3.2.2. Statutory limitation on the purposes authorized in an appropriation or fund was violated and, upon correction into the proper appropriation or fund, funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper appropriation or fund.

3.2.3. Funding authority was issued in excess of the amount available in an appropriation or fund, and the excess amount was obligated or expended. The issuance of funds by means of a formal administrative subdivision of funds (apportionment, allotment, suballotment, allocation or other formal administrative subdivision of fund), in an amount that exceeds the amount currently available, would result in an ADA violation if those excess funds distributed are obligated or

expended. The issuance of a reimbursable order in excess of available funds may also result in an ADA violation.

3.2.4. Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal administrative subdivision of funds level. Apportionments, allotments, suballotments, allocations, and other formal administrative subdivision of funds designated by a DoW Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA. Incurring an obligation or disbursement in excess of a target versus a formal administrative subdivision of funds does not in itself create an ADA violation; however, if exceeding a target causes the governing formal administrative fund subdivision level or limitation to be breached, then a potential ADA violation arises. Errors that require correction by obtaining additional funds at a formal administrative subdivision of fund level cannot eliminate the fact that a violation likely has occurred and must be investigated. An exception applies when funds are required at the formal administrative subdivision level. However, funds were returned to higher headquarters as the result of the customary practice of sweeping up funds near the end of a fiscal year.

3.2.5. Obligations were made or authorized in advance of funds being available.

3.2.6. Obligations or expenditures of funds did not provide for a bona fide need of the fund or account (time violation). Upon correction into the proper fund or account, proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account.

3.2.7. Obligations charged against a current account that would otherwise be properly chargeable (except as to amount) to an expired account, but sufficient funds did not exist in the applicable expired account to fund the obligation.

3.2.8. Obligations that otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation exceeds the limits specified in Volume 3.

3.2.9. Voluntary services were accepted, or personal services were employed, except as authorized by law.

3.2.10. Funds were retained without authority and were not deposited into the miscellaneous receipts of the U.S. Treasury but instead augmented an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

3.3 Recording Obligations/Expenditures

A violation may not be avoided by declining to record valid obligations or expenditures in the official accounting records. All obligations or expenditures must be recorded accurately and promptly, even if the recording results in a negative amount in the appropriation, fund, or at the formal administrative subdivision of funds level.

3.4 Recording Errors/Omissions

An ADA violation is not considered to have occurred when an over-obligation or over-expenditure results solely from recording a transaction in an erroneous account or recording an incorrect amount for a transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction or by posting the omitted transaction. These actions must not include the deletion or adjustment of any valid transactions. If, after the proper recording of the transactions, an over-obligation or expenditure of the appropriation, fund, or amount limited by a formal administrative subdivision of funds remains, then a potential ADA violation has occurred.

3.5 Causes of Violations

ADA violations occur for several reasons. The following is a list of the most frequent causes of DoW ADA violations:

3.5.1. Inadequate or obsolete internal controls and standard operating procedures;

3.5.2. Internal controls and standard operating procedures that are ignored;

3.5.3. Lack of appropriate training; and

3.5.4. Inadequate supervisory involvement or oversight.

3.6 Preventing Violations

3.6.1 Requirements

Inadequate supervisory involvement and oversight combined with a lack of appropriate training are common throughout most DoW ADA violations. Therefore, supervisors of DoW personnel who have responsibility for control and use of DoW funds must ensure that their personnel receive proper oversight, support, and training to prevent violations. To assist in the prevention of ADA violations, DoW personnel must be knowledgeable of requirements in this volume. The following subparagraphs provide specific actions that must be taken to reduce or prevent violations.

3.6.1.1. Heads of DoW Components must:

3.6.1.1.1. Use the internal management control programs as required by DoW Instruction 5010.40, "DOW Enterprise Risk Management and Risk Management and Internal Control Program," to periodically assess the reliability of internal controls to prevent ADA violations.

3.6.1.1.2. Develop a full spectrum of DoW formal education programs for all military officers, from staff officer courses to executive development courses, and incorporate relevant aspects of this volume to highlight the potential pitfalls and risks associated with the ADA.

This volume must be used as source material to conduct seminars and workshops targeted to general and specific audiences including financial, program, and project managers; engineers; contracting, information system, and comptroller personnel; commanders; supervisors; and managers.

3.6.1.1.3. Develop formal education structures to educate personnel about the ADA. Formal courses can be used to alert personnel to common violations and high-risk business transactions and decisions that can result in a violation. Course materials will clearly state that taxpayer funds should not be spent when the requirement is no longer needed, i.e., the requirement is no longer a bona fide need at that time. The DoW financial management community sponsors professional development courses that include discussions on ADA violations. These courses include the Army Comptroller and Advanced Resource Management Programs at Syracuse University (NY); the Naval Post Graduate School at Monterey, California; and the Defense Financial Management and Comptroller School at Maxwell Air Force Base, Alabama. In addition, the U.S. Army Judge Advocate General School at Charlottesville, Virginia, includes a fiscal law course in its curriculum. Both the Enhanced Defense Financial Management training course hosted by the Society of Defense Financial Management and the USW(C) Defense Financial Management Certification Program include fiscal law in their accreditation programs.

3.6.1.2. DoW commanders, supervisors, and managers must:

3.6.1.2.1. Be aware of the ADA, related funding statutes, types of violations, and causes of violations as described in this volume.

3.6.1.2.2. Provide appropriate ADA training to financial, program, and project managers; engineers; and contracting, information system, and comptroller personnel. Provide fiscal law training to educate DoW personnel with regard to their fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds. The focus of this training must include the basics of fund control, the ADA statute, and related funding statutes; the types of violations that can occur; the most frequent types of violations that occur within the DoW and their causes; the necessary training, supervision, and oversight of personnel who perform financial management or programmatic functions; and methods for preventing violations. Require that all executive development and financial management course content be updated to ensure proper use and good stewardship of appropriated funds. The training must be maintained to ensure the information remains current. Videos, computer courses or handbooks may be used for such training.

3.6.1.2.3. Identify key fund control personnel, incorporate the provisions of this volume into key fund control personnel training programs, require that key fund control personnel receive appropriations law training at least every 3 years, maintain the documents that identify key fund control personnel, and maintain documents that confirm completion of the appropriations law training. Key fund control personnel are those responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred. Examples are resource managers, fund holders, funds certifying officials, and authorizing officials. Key fund control personnel should inquire with their individual DoW Components as to the appropriate source of training that satisfies this requirement. Appropriations law training requirements for certification of fund availability are separate from training requirements for

certification for payment. Personnel that certify vouchers for payment must adhere to additional requirements as prescribed in Volume 5.

3.6.1.2.4. Ensure key fund control personnel coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document before the obligation is incurred. This coordination should include ensuring delivery of supplies and/or the period of performance for services aligns with the lifecycle of the associated funds such that the obligation meets the bona fide need rules laid out in Volume 3. Key fund personnel must review and verify on a continuous basis that the goods and/or services are still needed. Key fund control personnel must not spend taxpayer funds when goods and/or services are no longer needed.

3.6.1.2.5. Ensure that their employees receive the necessary training and experience in the control and use of funds at levels that correspond with their responsibilities. Furthermore, supervisors must perform oversight and validation checks to ensure that established internal controls and standard operating procedures are adequate and are being consistently followed by their subordinates. Inadequate supervisory involvement or oversight combined with lack of appropriate training is common in DoW ADA violations.

3.6.1.2.6. Ensure regular reviews of fund status type reports are performed. If the amount of commitments and obligations (undelivered orders and delivered orders unpaid or paid) exceed the total amount available in an appropriation or the total amount of funds available at the formal administrative subdivision level, a violation could occur if all or some of the commitments eventually become valid obligations.

3.6.1.2.7. Take proactive measures specifically tailored to address the causes and corrective actions required to prevent violations. See section 3.0 for causes of violations.

3.6.2. Common Violations

To prevent ADA violations, DoW personnel must be knowledgeable of the most common and frequent types of ADA violations, including the following:

3.6.2.1. Exceeding an Appropriation.

3.6.2.1.1. All DoW commanders, managers, and personnel whose duties include obligating and/or managing funds must be aware of this type of violation and causal factors. This violation often occurs when obligations from an obligation document are not timely or accurately recorded, thus causing the official accounting records to reflect an inflated (and incorrect) availability of funds. Since personnel use those records to certify funds are available for other obligations, a violation can easily occur because the records do not reflect the correct amount of funds available for obligation. This violation also occurs when obligations are charged against a current account that would otherwise be properly chargeable (except as to the amount)

to an expired account, but sufficient funds do not exist in the applicable expired account to fund the obligation.

3.6.2.1.2. This type of potential violation is commonly discovered when an unmatched disbursement is recorded in the accounting system when correcting inaccurately recorded obligations, or when a reprogramming action requests additional funds for an expired account. To help prevent this type of violation, DoW funds managers (for example, Comptrollers) must require that all organizations that incur obligations and record obligations maintain strict and absolute positive controls over-obligating documents (or their electronic equivalents) to ensure that none are lost or misplaced and all transactions are recorded accurately and in a timely manner. Such controls include batch totals of transactions and dollar amounts incurred, transmitted, received, processed, and recorded.

3.6.2.1.3. The establishment of a funds control system is also essential to ensure that all obligations are reconciled properly against available funds and authorized before they are incurred. This process must include reserving available funds for authorized obligations that are not immediately recorded as an obligation. The reservation must be made by means of a formal commitment or an informal reservation record that contains an estimated amount. The documented estimated reservation must closely approximate the obligation when incurred and recorded. Also, when recording estimated obligations, it is important to record the initial obligation based on the most current data available and adjust the estimated obligations as conditions change to avoid making an obligation or expenditure that exceeds the amount available in an appropriation or fund.

3.6.2.2. Exceeding Statutory Limitations on the Use of Operations and Maintenance (O&M) Funds.

3.6.2.2.1. Military Construction. To prevent an ADA violation, engineering and contracting personnel must be advised of the provisions of 10 U.S.C. §§ 2801–2802, and 10 U.S.C. § 2805; and DoW rules and regulations that cover minor construction projects. Engineering personnel and those who authorized the construction are frequently identified as responsible for violations involving construction projects exceeding statutory construction limitations and administrative construction limitations placed in engineering regulations. The following is a summary of some of the provisions of 10 U.S.C. §§ 2801, 2802, and 2805; and DoW rules and regulations on minor projects.

3.6.2.2.1.1. Congress establishes by statute the amount of O&M funds that may be used for a minor construction project. From time to time, that limit is increased by Congress. If the specified limit is exceeded, Military Construction funds must be used for the entire project, including planning and design. A violation of 31 U.S.C § 1341(a)(1)(A*)* may occur when the limitation is exceeded. The limitation applies to the use of O&M funds for a minor construction project even though there is sufficient obligational authority available in the O&M account at the time that the project is authorized and approved.

3.6.2.2.1.2. A military construction project includes all work necessary to produce a complete and usable facility, or a complete and usable improvement to an

existing facility under provisions of 10 U.S.C. § 2801(b). Incremental construction, which is the planned acquisition of, or improvement to, a real property facility through a series of minor construction projects, is prohibited. See Volume 3 for military construction project requirements.

3.6.2.2.1.3. Engineering and contracting personnel must be familiar with the statutory limitation, under the provisions of 10 U.S.C. § 282**5**, on the maintenance and repair funds that may be used for a family housing unit. That limit may not be exceeded without prior notification to Congress. When that limit is exceeded for any reason during the completion of a family housing maintenance and repair project, and the conditions specified in the law for a waiver of the statutory limitations have not been met, a violation of 31 U.S.C. § 1341(a)(1)(A) may occur.

3.6.2.2.1.4. The misclassification of construction costs as alterations by engineering personnel may result in an ADA violation. A potential violation may occur if the amount of the misclassification, when added to construction costs (if any), exceeds a statutory limitation. For example, an engineering project that has a minor construction cost close to the statutory limit, but which also has related maintenance and repair costs, could cause a violation of the statutory limit if the maintenance and repair work later is proven to be construction. Likewise, a maintenance and repair project exceeding the statutory construction limit could be a potential ADA violation if the maintenance and repair later is determined to be construction.

3.6.2.2.2. Equipment.

3.6.2.2.2.1. Congress designates an amount above which acquisitions of equipment must be funded from a procurement fund (expense versus investment threshold rule). Using O&M funds to acquire equipment items that exceed the designated threshold amount for the mandatory use of procurement funds could be a potential ADA violation. For instance, O&M funds are used to purchase a computer system when Other Procurement funds are required. Expense versus investment criteria is in Volume 2.

3.6.2.2.2.2. Similar problems also frequently occur when acquiring low dollar value equipment items that are estimated to cost less than the congressionally designated amount for procurement funds but actually cost more than that amount when acquired.

3.6.2.2.2.3. An ADA violation does not occur automatically in the situations outlined in subparagraphs 3.6.2.2.2.1 and 3.6.2.2.2.2 because the obligation can be moved from the O&M account to the applicable procurement account. If proper funds were available in the proper procurement account at the time of the erroneous obligation of O&M funds and funds are available when the obligation is recorded in the procurement account, including all other known valid obligations and deobligations, then a potential ADA violation has not occurred. However, if proper procurement funds were not available at the time of the erroneous obligation or were not available when the obligation is recorded in the procurement account to cover the obligation in the procurement account, a potential ADA violation may have occurred.

3.6.2.2.2.4. DoW decision makers, such as program managers, information systems managers, and contracting personnel, must be knowledgeable of the expense

versus investment rules to prevent this type of violation. Program managers and information systems, contracting, and comptroller personnel must be trained on this issue. Such training should help reduce the incorrect application of the expense versus investment rule and the resulting ADA violations.

3.6.2.3. Exceeding a Formal Administrative Subdivision of Funds. If a formal administrative subdivision of funds level is exceeded, then a potential violation must be reported. The receipt of additional funds before the end of a reporting period does not mitigate a limitation violation or eliminate the potential violation reporting requirement. Also, failure to record a valid obligation or expenditure as of the date incurred does not avoid the incurrence of, and the requirement to report, a potential ADA violation if, upon recordation, available funds in the appropriation fund or other formal administrative fund subdivision level are exceeded. For example, the Military Departments historically have experienced problems with over-obligated Reserve Component (RC) personnel accounts. Funds in these accounts are used to pay RC personnel for such items as weekend drills, travel, special tours, or other training. RC unit commanders who control a formal administrative subdivision of funds level are subject to the ADA and must, in advance of the incurrence and recording of these obligations, budget and reserve against available funds the amounts estimated for weekend drills and other scheduled training.

3.6.2.4. Obligating Funds in Advance of Availability.

3.6.2.4.1. A common scenario is the use of current year funds to procure goods or services that properly are funded only with a subsequent year appropriation. An ADA violation occurs when an individual obligates funds before those funds are authorized and appropriated by Congress. For example, signing a facility or equipment operating lease using one-year authority funds and agreeing to pay, or obligating the funds, for a two-year lease during the first year would constitute an obligation in advance of the availability of the funds for the amount associated with the second year of the lease. Similarly, agreeing to pay or obligating the funds for a two-year equipment maintenance agreement using one-year authority funds would constitute an ADA violation related to the amount associated with the second year of the agreement.

3.6.2.4.2. To help prevent this type of violation, training programs must include specific focus on the importance of ensuring funds are authorized and available before obligating the Government to contracts for future fiscal years' expenses.

3.6.2.4.3. For guidance on determining whether a violation may be properly corrected, see subparagraph 3.1.3.

3.6.2.5. Providing Funds to Servicing Agencies Before or Past the Period of Availability.

3.6.2.5.1. A common scenario occurs when funds cited on an Economy or non-Economy Act order do not meet the bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. When an erroneous obligation is moved to the applicable fiscal year, and proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account, a potential ADA violation may have occurred.

3.6.2.5.2. To prevent this type of ADA violation, DoW personnel with the responsibility to control the use and type of funds used must be aware of the fiscal limitations of providing funds to servicing agencies before or past the period of availability. See specific policy for Economy Act orders and non-Economy Act orders in Volume 11.

3.6.2.6. Retaining Funds Without Authority.

3.6.2.6.1. This violation often occurs when funds are retained without authority and are not deposited into the miscellaneous receipts of the U.S. Treasury but instead augment an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

3.6.2.6.2. This violation is often discovered when new personnel arrive and raise concerns over accepting and retaining unauthorized funds. Therefore, it is essential that DoW decision makers, such as DoW Commanders and Comptrollers, are knowledgeable of this type of violation and that financial managers be trained on this issue and understand the authority related to funds under their control to preclude augmenting an appropriation.

Table 1. Potential Violations

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoW employee:	1. Makes or authorizes an obligation or expenditure that exceeds: a. The available amount of any appropriation or fund.	**1341(a)(1)(A)**
	b. Any statutory restriction imposed on the use of an appropriation or fund, such as limits on the use of O&M funds for unspecified minor construction or for purchase of investment items.	**1341(a)(1)(A)**
	c. The available amount of any apportionment or reapportionment.	**1517(a)(1)**
	d. The available amount of any formal administrative subdivision.	**1517(a)(2)**
	e. Any limitation imposed by an authorized official of the DoW or a DoW Component that is intended to restrict obligations of apportioned appropriations or funds.	**1517(a)(2)**
	2. Involves the Government in any contract or other obligation for the payment of money for any purpose before appropriations are made for such purposes, unless the law authorizes such contract or obligation.	**1341(a)(1)(B)**
	3. Makes or authorizes an obligation or expenditure against an appropriation account that was closed pursuant to 31 U.S.C. §§ 1552 or 1555 or the period prescribed in an appropriations act for making expenditures as authorized by 31 U.S.C. § 1557.	**1341(a)(1)(A)**
	4. Accepts voluntary service or employs personal service in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.	1342

Table 1. Potential Violations (continued)

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoW employee:	5. Expends a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of amounts available in Fund Balance with Treasury, whether apportioned or not. (Recurring provisions of annual DoW Appropriations Acts that establish cash balances (Fund Balance with Treasury) in working capital funds may be maintained only in such amounts as are necessary at any time for cash disbursements to be made from such funds. This provision allows working capital funds to incur liabilities in excess of available fund balances with Treasury.)	1341(a)(1)(A)
	6. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 or a part of the fund, whether subject to or exempt from apportionment, in excess of the available amount.	1517(a)(1)
	7. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of the available amount of budgetary resources.	1517(a)(2)
In Fund Distribution:	1. Total allotments, or operating budget authorities for O&M type funds exceed the amount available for each apportionment period.	1517(a)(1)
	2. Total suballotments, allocations, or operating budget authorities, and centrally managed accounts (CMAs) exceed the amount of the allotment or operating budget authority for each period.	**1517(a)(2)**
	3. Total allocations or operating budget authorities and CMAs exceed the amount of the available suballotment.	1517(a)(2)
	4. Total suballocations exceed the amount of the allocation.	1517(a)(2)

Violation Examples

A. GENERAL. Most of the examples described in items B – D are taken from actual violations that occurred within DoW. However, these violations are fact-specific, and in other circumstances a potential violation may or may not be incurred. These examples are supplied for information only and are not intended to imply that in all similar but not identical circumstances a violation would have been incurred.

B. TITLE 31, UNITED STATES CODE, SECTION 1341

1. 31 U.S.C. § 1341(a)(1)(A)

a. Obligated O&M funds for site preparation construction costs on a relocatable building project. The project was incorrectly scoped into multiple projects, and the cumulative costs of the construction exceeded the minor construction threshold and should have been authorized by Congress and funded with military construction funds. This unauthorized obligation of O&M funds instead of military construction funds resulted in a violation.

b. Obligated O&M and Working Capital funds on a single military construction project. The project amount exceeded the minor construction statutory limitation and resulted in a violation. The Government Accountability Office takes the position that a violation of a funding restriction in an authorizing statute (such as 10 U.S.C. § 2805) results in a violation of the ADA (31 U.S.C. § 1341). The use of funds to finance the project is not consistent with the authorized purpose of the appropriation and resulted in an incurable violation of the "purpose statute" (31 U.S.C. § 1301).

Note: Although the circumstances described herein constitute a violation of 10 U.S.C. §§ 2802(a) and 2805(b), the Department of Justice (DOJ) Office of Legal Counsel (OLC) has concluded that "a violation of a statutory restriction on spending does not violate the ADA where the restriction is not "in an appropriation." See also: DOJ OLC opinion, "Use of Appropriated Funds to Provide Light Refreshments to Non-Federal Participants at EPA Conferences," April 5, 2007 (online at: http://www.justice.gov/sites/default/files/olc/opinions/2007/04/31/epa-light-refreshments13.pdf); and DOJ OLC letter, "Re: Whether the Federal Aviation Administration's Finalizing and Implementing of Slot Auction Regulations Would Violate the Anti-Deficiency Act," October 7, 2008.

c. Obligated O&M funds rather than Procurement funds for recapitalization of a system, and Procurement funds were not available when the obligation was recorded, which resulted in a violation.

d. Failure to promptly record valid obligations in a reserve personnel appropriation resulted in valid obligations that exceeded the available amount in the appropriation and resulted in a violation.

2. 31 U.S.C. § 1341(a)(1)(B)

a. Obligated O&M funds in advance of the appropriation when a 14-month severable services contract was awarded that exceeded the 12-month limit set forth in section 10 U.S.C. § 2410a, and resulted in a violation.

b. Obligated O&M funds for two- and four-year severable equipment leases in advance of an appropriation which resulted in a violation.

c. Obligated O&M funds for equipment with phased deliveries into subsequent fiscal years in advance of an appropriation, which resulted in a violation.

C. TITLE 31, UNITED STATES CODE, SECTION 1342

Apparently, at the urging of the Chairman, a member of a Federal Commission agreed to waive his statutory entitlement to $100 per day while involved in Commission business. The year after the Commission was disbanded, the former member changed his mind and filed a claim for a portion of the compensation he would have received had it not been for the waiver. Since the $100 per day was a statutory entitlement, the purported waiver was invalid, and the former commissioner was entitled to be paid. By accepting the waiver and allowing the commissioner to conduct Commission business without pay, the provision against acceptance of voluntary services was violated, and a violation of the ADA occurred.

D. TITLE 31, UNITED STATES CODE, SECTION 1517

1. Obligated O&M funds in excess of the Continuing Resolution Authority allocation, which resulted in a violation.

2. Obligated O&M funds for information technology equipment in excess of the investment threshold. When correction was made, Procurement funds were not available at the suballotment level, which resulted in a violation.

3. A DoW activity used O&M funds, rather than Other Procurement funds, to purchase a data processing local area network (LAN). Even though the hardware components and LAN operating system software were purchased separately, the components and the software together constituted a system with an aggregate cost in excess of the expense/investment threshold specified by Congress for the required use of procurement appropriation funds. A violation occurred because the DoW activity did not have the required amount of Other Procurement funds at the time of the purchases.

4. A funds holder at a formal administrative subdivision of fund level erroneously distributed more funds than available at the subdivision level. The activities receiving the funds incurred obligations and expenditures in excess of amounts available to the fund holder but below the amount distributed. The funds holder incurred an ADA violation because the obligations and expenditures exceeded the total amount in the formal administrative subdivision of funds.

4.0 ANTIDEFICIENCY ACT VIOLATION PROCESS

4.1 INTRODUCTION

This section describes the Antideficiency Act (ADA) violation process from initial discovery to formal investigation and final report. If an activity suspects an ADA violation and validates those concerns with an internal review, the activity must conduct an in-depth investigation. The structured investigation process consists of two phases, a preliminary review and, if required, a formal investigation. Generally, the preliminary review must establish that a potential ADA violation occurred before a formal investigation begins. The preliminary review gathers facts and establishes by adequate evidence whether an uncorrectable deficiency has occurred. The formal investigation determines the event(s) that "more likely than not" caused the potential violation, the responsible individual(s), and action(s) taken to ensure that a similar violation does not reoccur. To ensure efficiency, it is important that those involved in the investigation of, and reporting on, ADA violations are adequately trained and qualified. Investigators are provided specific authority to collect and evaluate relevant information as well as obtain direct support from subject matter experts and personnel throughout the process.

4.2 Purpose

This section addresses potential and actual violations of statutes discussed in Sections 1 and 2. The policy directs conducting initial reviews, structuring investigations, and other requirements to report an ADA violation properly. It also establishes training requirements for individuals assigned to investigate potential and actual ADA violations. Additionally, this chapter provides organizational corrective and disciplinary actions for civilian and military employees.

4.3 REPORTING SUSPECTED VIOLATIONS

4.4 Initial Discovery

A review is initiated if there is adequate information to suspect a potential ADA violation may have occurred. An event marks the date of discovery, such as the release of internal review findings suggesting an ADA violation may have occurred, or receipt of a status of funds report showing irregularities. The activity may conduct an inquiry to confirm that the information is accurate, complete, and sufficient, suggesting that an ADA violation occurred.

4.5 Initial Report

4.5.1. Fund holders must ensure their funds are properly executed in accordance with applicable laws and regulations. Consequently, fund holders must report all suspected violations of the ADA. The professionals administering the funds, other than the fund holders, must also alert proper officials to suspected violations.

4.5.2. Within two weeks of discovering a potential ADA violation, the activity holding the allegedly misused funds conducts an initial review and prepares an initial report. The review aids in preparing the initial report. It determines whether a suspected violation may have occurred –

even when the suspected violation is curable. Where the activity identifies a potential cure, note the cure in the report. However, do not cure a potential ADA without concurrence from the authorities identified in 4.5.3.

4.5.3. The activity/command channels must submit initial reports to the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller, Combatant Commands, or the Senior Financial Manager for other Department of War (DoW) Agencies and Field Activities (referred herein as DoW Component).

4.5.4. The initial report does not determine responsibility for causing the potential ADA; it merely notifies leadership that a suspected violation may have occurred. The initial report template is located at Figure 2. If the following information is available and pertinent to the potential ADA at issue, the report must contain the following:

4.5.4.1. Accounting classification of funds allegedly misspent;

4.5.4.2. Name and location of the activity where the alleged violation occurred;

4.5.4.3. Name and location of the activity issuing the fund authorization;

4.5.4.4. Amount of the alleged violation;

4.5.4.5. Nature of the alleged violation;

4.5.4.6. Date the alleged violation occurred, and date discovered;

4.5.4.7. Means of discovery; and

4.5.4.8. Description of the facts and circumstances of the case.

4.5.5. Initial reports addressing potential voluntary services ADA violations must include all items listed in subparagraph 4.5.4 (except subparagraphs 4.5.4.1 and 4.5.4.3).

4.6 Evaluation

The DoW Component must evaluate the initial report for validity and completeness. If this evaluation determines a suspected violation may have occurred, the DoW Component must assign a case number for tracking purposes and direct the initiation of a preliminary review. If the DoW Component determines that the suspected violation is curable, the impacted activity/command must provide all the necessary correcting information and documentation to the DoW Component, correct the error, and implement appropriate internal controls to prevent a recurrence of similar violations. There are no additional ADA violation requirements.

4.7 DOD COMPONENT INVESTIGATION ADMINISTRATION

4.7.1 Timeframes for Investigation

4.7.1.1. Complete the preliminary review within four months from the date the DoW Component directed it.

4.7.1.2. Complete the formal investigation within nine months from the date the DoW Component directed it.

4.7.1.3. The Office of the General Counsel (OGC) (Fiscal) completes the advance decision legal review within three months from the date the draft formal investigation report is submitted to the Office of the Under Secretary of War (Comptroller) (OUSW(C)), Deputy Chief Financial Officer (DCFO), requesting an advance decision.

4.7.1.4. The DoW Component must consider appropriate disciplinary action and document any disciplinary action taken. The DoW Component completes a final summary report within two months from the Office of the Secretary of War (OSW) OGC (Fiscal) receipt of an advance decision concurring with the formal investigation report. However, DoW Components may request additional time from the DCFO to complete disciplinary actions, if required.

4.7.1.5. The DCFO completes and submits the letters required by Office of Management and Budget (OMB) Circular No. A-11, Exhibit 145A within one month after receiving the final investigation report from the DoW Component. Complete the total process for investigating and reporting potential ADA violations within 15 months from the start of the formal investigation. The preliminary review is not part of the 15 months' timeline.

4.7.1.6. All appointing officials must stipulate a due date for the ADA violation investigation report in the investigating officer appointment memorandum. The due date must conform to the timeframes stipulated in paragraphs 4.7.1.4 through 4.7.1.5 regardless of the scope or amount of the potential violation.

4.8 Approving Exceptions to Timeframes

The DCFO may approve an exception to the timeframes on a case-by-case basis. Upon request, this responsibility may be delegated to the DoW Components. This responsibility may not be redelegated. The DoW Components must provide sufficient justification for the extension. The DCFO notifies the DoW Components of any extension that is approved.

4.9 Special Interest Investigations

Special interest investigations include potential violations that are the subject of a news release; requested by the Secretary of War, Deputy Secretary of War, or the USD(C); or involve a high-level DoW official. When necessary, special interest investigations may deviate from the timeframes stipulated in paragraphs 3.1.1 through 3.1.5; however, the DoW Components must notify the DCFO when such deviations are necessary. If the DCFO agrees, the timeframes may be extended.

4.10 Involvement of the OUSW(C)

The OUSW(C) may supervise the progress of an investigation when the nature of the violation or the implication of individuals in the violation warrants such involvement. Such supervision may include requirements for oral and written progress reports and may require a team of investigating officers (IOs) and compressed timeframes.

4.11 Investigation Costs

When investigating outside the major activity/command to which the IO is assigned, identify and accumulate incidental costs (e.g., temporary duty, local travel). In accordance with Volume 11A and Volume 11B, the activity/command under investigation must reimburse costs.

4.12 PRELIMINARY REVIEWS

4.12.1. Purpose

4.12.1.1. The preliminary review gathers facts adequately supporting the conclusion that an ADA-reportable violation has occurred. It does not identify responsible officials or recommend corrective actions to prevent similar violations.

4.12.1.2. The DoW Component must assign the responsibility for conducting the preliminary review to the activity where funds were potentially misused.

4.13 Investigating Officer Appointment

4.13.1. The DoW Component official must appoint the IO. The appointing official is at the DoW Component level unless the Component delegates this authority to a senior Commander or director of the organization responsible for conducting the investigation. The official appoints a qualified IO assisted by an expert review team, if necessary. The official issues an appointment letter within two weeks after the DoW Component's evaluation of the initial report concluding that a potential reportable violation has occurred. An appointment orders template is located in Figure 3-3.

4.13.2. The appointing official certifies that the IO has been trained in fiscal law or appropriations law within the last three years and can conduct a complete, impartial, and unbiased review. Each DoW Component ensures that its ADA investigators are properly trained and that the training is current and documented.

4.13.3. Select the IO from an organization external to the activity/command being reviewed.

4.13.4. The IO does not need to be senior in grade to the persons potentially under investigation.

4.13.5. The IO must be competent and capable of gathering evidence, establishing facts, documenting findings and recommendations, and preparing investigation reports of violation.

4.13.6. The IO must manage time and meet the investigation timeframes established. The appointing official may prescribe additional training as required.

4.13.7. Appointing officials must ensure the investigation receives the appropriate level of activity/command emphasis and the IO has adequate time and resources to conduct a thorough investigation.

4.13.8. The appointment orders must certify that investigators are free of personal, external, and organizational impairments. Retain the document(s) in the ADA case file.

4.13.9. Submit the appointment orders to the DoW Component. The appointment orders are part of the case files for the investigation.

4.14 Conduct of the Investigation

4.14.1. Checklists. Figure 4 contains a template for the preparation of the preliminary review report.

4.14.2. The investigator gathers facts, establishes a narrative of events, and determines what should have happened before the preliminary review is concluded. The investigator may review funding documents, contracts, and other key documents, as well as interview key witnesses during the investigation.

4.14.3. The investigator must check for accounting errors such as duplications or other errors in recording the applicable obligation and/or expenditure; obligations and/or expenditures charged to invalid and/or improper fund accounts; and inaccurate fund status at the time the applicable transaction occurred. If the preliminary review determines that an accounting error occurred, the investigator must coordinate the appropriate accounting correction.

4.14.4. When an IO determines that a reportable violation can be cured, the fund holder must attempt to correct the accounts. Complete corrections with the concurrence of the DoW Component, and only after the DoW Component receives appropriate supporting documentation.

4.15 Obligations Charged to the Wrong Appropriation or Wrong Year

For information on obligations charged to the wrong appropriation or wrong year, see Section 3, subparagraph 3.1.3.1.

4.16 Obligations Incurred in Advance of an Appropriation

For information on obligations incurred in advance of an appropriation, see Section 3, subparagraph 3.1.3.2.

4.17 Review Results

The IO documents the findings of the preliminary report and accompanies the report with a legal review. Forward this report and legal review for approval to the applicable DoW

Component and coordinate with the applicable DoW Component's General Counsel. If the DoW Component involved determines that there is no violation, the preliminary report completes the required ADA violation investigation.

4.18 Preliminary Reviews Initiated by the OUSW(C)

When an audit report informs, or the OUSW(C) otherwise learns of a potential violation, the OUSW(C) may direct the DoW Component to initiate a preliminary review of the circumstances surrounding the potential violation. The date the OUSW(C) directs the DoW Component is the discovery date for reporting purposes, and the DoW Component must follow processes in Sections 2.0 and 3.0.

4.19 Oversight Entities

4.19.1. In some cases, the Government Accountability Office, DoW Office of Inspector General (DoW OIG), a military department audit agency, or other organizations external to a DoW Component report that a potential violation may have occurred and recommends a preliminary review be conducted. The DoW Component must review the finding(s) and recommendation(s) provided in the report. The DoW Component may have to conduct an informed inquiry.

4.19.2. If the DoW Component agrees that a potential violation may have occurred and a preliminary review is warranted, then the starting date for the investigation is the discovery date for reporting purposes. The DoW Component must follow the processes in section 4.0. It must supply the preliminary review status as requested by the applicable external organization.

4.19.3. If the DoW Component disagrees that a potential violation has occurred and believes a preliminary review is not warranted, the DoW Component must provide applicable written comments to the report outlining the disagreement consistent with policy prescribed in ***DoW Instruction 7650.03*** "Follow-up on General Accountability Office, DoW OIG, and Internal Audit Reports."

4.19.4. If the DoW Component and the oversight activity disagree as to whether a preliminary review is warranted, the DoW Component may request assistance from the DCFO.

4.20 Evaluation

The DCFO may routinely examine open or closed preliminary review cases.

4.21 ROLES OF THE DOD INSPECTOR GENERAL (DoW IG)

4.21.1. The Inspector General Act of 1978 (P.L. 95-452), as amended, gives the DoW IG the authority to conduct investigations of violations of the ADA.

4.21.2. The DoW IG reserves the right to initiate investigations of potential ADA violations, depending upon the type, amount, or significance of the violation.

4.21.3. The DoW IG may elect to conduct investigations not requested by the OUSW(C) or another DoW official.

4.21.4. When the DoW IG conducts such investigations, the resultant report must constitute the official DoW report on the matter; no other DoW Component must conduct parallel or supplemental investigations unless directed to do so by the Secretary of War, Deputy Secretary of War, or OUSW(C).

4.22 FORMAL INVESTIGATIONS

4.22.1 Overview

4.22.1.1. Once a preliminary review concludes that a reportable and incurable violation of the ADA has occurred, a formal investigation must be opened. Report the violation to the DCFO within 2 weeks of the determination. The DCFO assigns the DoW Component a unique tracking number and due date.

4.22.1.2. The formal investigation determines the event that caused the potential violation, the responsible individual(s), and action(s) taken to ensure that a similar violation does not occur in the future. Additional evidence discovery, re-interviewing witnesses or interviewing new witnesses, re-examining documents, or discovery of new documents may be required.

4.22.1.3. During a formal investigation, the DCFO may request periodic status reports.

4.22.1.4. The DoW Component generally assigns the investigation to the activity that performed the preliminary review. The DoW Component may request another organization to conduct the investigation to eliminate potential conflicts of interest, or to leverage the expertise of another activity/command.

4.23 Investigating Officer Appointment

4.23.1. The DoW Component official must appoint IOs. The appointing official is at the DoW Component level unless the Component delegates this authority to a senior activity/commander or director of the organization assigned responsibility for conducting the investigation. A qualified IO may be assisted by a review team with expertise in the areas being investigated, if necessary. A template for appointment orders is located in Figure 3. The formal investigation may be conducted by the same IO who conducted the preliminary review.

4.23.2. The appointing official certifies that the IO/review team lead has been trained in fiscal law or appropriations law within the last three years and can conduct a complete, impartial, and unbiased review. Each DoW Component must ensure that its ADA investigators are properly trained and that the training is current and documented.

4.23.3. The IO must be selected from an organization external to the activity/command being reviewed.

4.23.4. The IO does not need to be senior in grade to the persons potentially under investigation.

4.23.5. IOs must be competent and capable of interviewing witnesses, gathering evidence, establishing facts, documenting findings and recommendations, and preparing violation reports. They must also manage time and meet established investigation completion timeframes. The appointing official may prescribe additional training as required.

4.23.6. Appointing officials must ensure that the investigation receives the appropriate level of activity/command emphasis and gives the IO adequate time and resources to conduct a thorough investigation.

4.23.7. The appointment orders certify that investigators and/or review team leads are free of personal, external, and organizational impairments. Retain the document(s) in the ADA case file.

4.24 Conduct of Investigation and Preparation of Formal Report of ADA Violation Investigation (ROI)

4.24.1. Checklists

4.24.1.1. Figure 1 contains a checklist for use in the conduct of the Formal Investigation.

4.24.1.2. Figure 5 contains a template for the preparation of the formal report.

4.24.2. Examination of Physical Evidence

During the investigation, the IO expands upon the findings established in the preliminary investigation or makes new findings. The IO may revise dollar amounts based on witness statements, or, as more information is obtained, facts and conclusions also may be revised. The formal investigation finds the root cause(s) for the violation and identifies the individual(s) making or authorizing the improper obligations or expenditures, and the corrective action(s) implemented to reduce the risk of similar violations in the future.

4.24.3. Identifying Circumstances and Assigning Responsibility

4.24.3.1. Fully investigate all relevant aspects of the case, including all individuals and records connected with the event. Interview key personnel involved in a violation. If an employee to be interviewed is a member of a bargaining unit, comply with appropriate statutory and collective bargaining agreement protections for such employee.

4.24.3.2. Examine and document key event facts leading to the potential violation in the report and address any conflicts. If a series of events at several levels led to the violation,

then the report clearly must identify what happened at each level and how the events contributed to the violation.

4.24.3.3. Where the subject matter of the potential violation is beyond the expertise of the IO, a subject matter expert must evaluate the evidence along with statements from personnel interviewed and provide an opinion on whether the key facts are correct and the conclusions reasonable. For example, when a potential violation involves the question of whether a military construction project results in a complete and usable facility, a civil engineer must analyze the facts and provide an opinion.

4.24.3.4. The IO must find facts supporting all conclusions reached in the investigation. A preponderance of the evidence must support all fact findings leading to a conclusion of an ADA violation. A preponderance of the evidence is created when the evidence collected makes the existence of a fact more likely than not. If the IO cannot establish a fact by the preponderance of the evidence, that fact may not be used to support a conclusion that an ADA violation occurred or that an individual is a responsible official.

4.24.3.5. Where the IO concludes that a reportable ADA violation occurred, the IO must find facts and conclude that the responsible official(s), the individual or individuals made or authorized the improper obligations or expenditures pursuant to 31 U.S.C., §§ 1341(a) and/or 1517(a). Determine facts supporting an individual's responsibility for the violation by a preponderance of the evidence. A conclusion that an individual is a responsible official does not, by itself, result in pecuniary liability of an accountable official under 10 U.S.C., § 2773a.

4.24.3.6. Any report that concludes an ADA violation occurred must identify one or more responsible officials. A conclusion that no individual was responsible for the violation is not acceptable.

4.24.3.7. The same individuals may be responsible for more than one violation under the auspices of a single investigation. In these cases, the report must specifically clarify how they contributed to each discrete violation.

4.24.3.8. The responsible official is usually the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken and awareness of the possible risks.

4.24.3.9. To establish responsibility, the IO must conclude, based on findings of fact, that the act or omission was the proximate cause of the violation. An act or omission is the proximate cause when it sets into motion a chain of events that directly leads to the violation, and the violation would not have happened but for the act or omission. A violation may have more than one proximate cause, and therefore more than one responsible official.

4.24.3.10. In some cases, the IO establishes that an individual had a duty to take an action that may have prevented the ADA violation, knew or should have known of that duty, and failed to take that action. In such cases, collateral evidence, such as Position Descriptions, may be used as evidence of the individual's scope of duties. If used, such evidence must be included in the ROI.

4.24.3.11. Activity/commanding officers, directors, budget officers, or fiscal officers may be named because of their overall responsibility or position, or the fact that they are designated as the holder of a subdivision of funds if they failed to exercise their responsibilities properly. Responsible officials may also include Information Technology specialists, program managers, facility engineers, and acquisition personnel.

4.24.3.12. The ROI must clearly identify the involvement of each individual and the acts or omissions that were the proximate cause(s) of the violation. The following questions must be considered:

4.24.3.12.1. Did the violation occur because an individual carelessly disregarded instruction?

4.24.3.12.2. Did the violation occur because an individual was inadequately trained or lacked knowledge to perform their job properly? If so, was the individual or a supervisor at fault?

4.24.3.12.3. Did the violation occur because of an error or mistake in judgment by an individual or a supervisor?

4.24.3.12.4. Did the violation occur because of a lack of adequate procedures and controls? If so, who was at fault?

4.24.3.12.5. Did the violation occur because of other reasons? If so, who was at fault?

4.24.3.13. If at any time during an investigation the IO believes there may be a criminal issue(s) involved, then the investigation must be stopped immediately. The IO must consult with legal counsel to determine if the issue must be referred to appropriate criminal investigators for resolution. The IO must notify the DoW Component of the outcome of this consultation.

4.24.3.13.1. If at any time the IO suspects that the ADA violation was knowing and willful, then the IO must submit all available information to the DoW Component, which considers the case, in conjunction with the applicable Office of the General Counsel, for submission through DoW channels to the Department of Justice pursuant to 31 U.S.C., §§ 1350 or 1519, as applicable.

4.24.3.13.2. The case closes to avoid duplication of effort or interference with a criminal investigation. If appropriate, a new formal investigation opens at the conclusion of the criminal investigation.

4.24.4. Rebuttal Statements

4.24.4.1. Individuals found potentially responsible for the violation are provided a draft ROI detailing the facts and circumstances leading to the determination of their responsibility and given two weeks to issue a rebuttal statement.

4.24.4.2. The IO grants the individuals named potentially responsible this opportunity even if they no longer work where the violation occurred or have retired or separated from the DoW.

4.24.4.3. The ROI documents the steps taken to notify the proposed responsible officials and provide them an opportunity to submit a rebuttal statement. Certified mail and/or email with tracking may be used to verify a good faith attempt was made to deliver the draft report to the proposed responsible official.

4.24.4.4. Where proposed responsible officials may have separated and left no valid forwarding address, make a reasonable attempt to contact them. The report must be annotated accordingly. Summarize attempts to contact the proposed responsible official in the report.

4.24.4.5. Include the declination statement as their response if the proposed responsible official declines to give a statement in writing.

4.24.4.6. Note if they refuse to receive the report or submit a statement of any kind in the report. Summarize attempts to solicit a response in the report.

4.24.4.7. Support any oral statements with a memorandum for record.

4.24.4.8. The proposed responsible officials must acknowledge that they read the draft ADA report and understand that the draft ROI names them as being responsible for the violation. They may introduce any additional information they believe to be pertinent to the violation case.

4.24.4.9. The IO must evaluate the rebuttal statements of the proposed responsible officials to determine if they clarify certain facts, provide mitigating information that might alter the draft's conclusions, or provide additional leads that require follow-up. If rebuttal statements result in material changes to the draft ROI, the responsible official must have an opportunity to review the report again.

4.24.4.10. The final ROI includes the rationale for naming the individual as a responsible official, a synopsis of the rebuttal statements, and the IO's assessment. The IO must ensure the report is clearly written, and the rationale for assigning responsibility to an individual is fully justified.

4.24.4.11. Summarize the salient points of the rebuttals in the ROI. Verbatim statements must be submitted as an exhibit. The IO assesses the accuracy of the rebuttal statements, following up on new leads, addressing questions regarding the responsibility of other personnel not named, and any other issues introduced by the rebuttal statements.

4.24.5. Corrective Actions

4.24.5.1. The ROI must state what actions were taken to request the proper funding. A report stating funds are requested is not sufficient. The report must state the year, type

of funds, and the amount used to make the correction. As an example, if Operation and Maintenance (O&M) funds were improperly used for a minor construction project costing more than the limitation for minor construction, funds must be obligated from the Military Construction appropriation and the O&M appropriation restored to the proper balance.

4.24.5.2. When the IO determines the causes and the individuals responsible for the violation, officials of the DoW Component or the activity holding the funds that were misused, must develop lessons learned and implement internal control enhancements necessary to reduce risks for future similar nature violations. Those specific actions must be included in the formal report.

4.24.5.3. Corrective actions must be concrete actions that have been implemented, or that are in the process of being implemented.

4.24.5.4. Corrective actions must address the act or omission by the responsible official(s) that led to the violation.

4.24.5.5. Investigations resulting in no reportable violation are nonetheless permitted to recommend corrective actions, as appropriate, to address any deficiencies or practices documented during the investigation.

4.25 Reinvestigation

If the DCFO requests a reinvestigation, then after the reinvestigation is completed or other requested action has been taken, the applicable DoW Component must submit the revised report to the DCFO according to applicable procedures in paragraph 6.3. The DoW Component must submit the revised ROI within two weeks following completion of the reinvestigation or other requested action.

4.26 Formal Investigation Results

4.26.1. The IO must ensure the ROI is clearly written and that a preponderance of the evidence supports each fact and conclusion.

4.26.2. The DoW Component must carefully review the ROI and all enclosures.

4.26.3. The complete report must include:

4.26.3.1. Legal review;

4.26.3.2. Witness statements;

4.26.3.3. Responsible official notification;

4.26.3.4. Responsible official rebuttal or declination statement/proof of delivery/statement from IO regarding inability to contact;

4.26.3.5. Evaluation of responsible official statements;

4.26.3.6. Ongoing/completed corrective actions;

4.26.3.7. For ADAs susceptible to accounting adjustments, fund certifications supporting conclusions that the ADA is/is not correctable; and

4.26.3.8. SME functional reviews decisions that drove fund determinations, especially with respect to Military Construction, information technology procurements, and covered Defense Business Systems.

4.26.4. An incomplete ROI must be returned to the activity/command for rework. A firm suspense must be given to the activity/command to resubmit a legally supportable report.

4.27 DOD COMPONENT ROI

4.27.1. Preparation of the ROI

4.27.1.1. The DoW Component ROI must follow the same general format as described in Figure 3-5. However, it is generally a stand-alone product without enclosures or attachments. Remove extraneous information not supporting conclusions from the report. The DoW Component must keep these records and provide them on request.

4.27.1.2. Remove or clarify confusing information. Verify key dates mentioned in the report. Numbers in tables, graphs, and text must be accurate, consistent, and easy to follow. Unnecessary tables and photographs may be removed.

4.27.1.3. Personally Identifiable Information must be redacted, and superfluous argument(s) not supporting the findings must be removed. Witness names must be replaced with position titles where practicable, to avoid potential Personally Identifiable Information concerns.

4.27.1.4. The ROI must be concise and avoid unnecessary historical background or references to external documents. Highlight salient points and address gaps in the narrative, utilizing extant supporting documentation.

4.27.2. Legal Coordination

4.27.2.1. Prepare the DoW Component ROI in close coordination with counsel and verify all information in the IO's report and compare it to information in the exhibits. When in doubt, staff the changes with the activity/command to ensure there are no material misstatements of fact and to ensure any factual gaps in the record are closed.

4.27.2.2. When the violation is incurable, the type of ADA violation is ultimately 31 U.S.C. §1341 (exceeding an appropriation or in advance of an appropriation), 31 U.S.C. §1517

(exceeding apportionment or formal subdivision) or 31 U.S.C. § 1342 (accepting voluntary services for the United States, or employing personal services not authorized by law).

4.27.2.3. Remove proposed responsible officials if facts do not support responsibility and legal concurs. Identify additional responsible individuals and coordinate adding them to the report with the IO. Proposed responsible officials are generally the highest-ranking individual in the decision-making process with actual or constructive knowledge of the actions taken.

4.27.2.4. If the formal investigation was materially incomplete, or the facts do not support the conclusions, return the ROI to the activity/command for revision and/or reinvestigation. Give the activity/command a firm suspense to resubmit a legally supportable ROI.

4.27.2.5. Coordinate with the appropriate stakeholders and annotate the ROI accordingly if the ADA violation involves the funds or personnel of another DoW Component.

4.27.2.6. Prepare an ROI if the results of a formal investigation led to a determination by the DoW Component that there was no violation. The ROI must contain appropriate justification that supports a revised finding that no violation occurred.

4.28 REQUEST FOR ADVANCE DECISION

4.28.1. Advance Decision Package Submission

4.28.1.1. Submit the ROI, to include the individual(s) responsible for the potential violation, to the DCFO with a copy to the DoW Office of the Deputy General Counsel (Fiscal) (OGC (Fiscal)) requesting an Advance Decision for a determination of whether the case is or is not an ADA violation.

4.28.1.2. Advance Decision is the pre-decisional OGC (Fiscal) review of the DoW Component ROI and determination that evidence substantiates the ADA violation and the naming of responsible officials. The Advance Decision examines the role of the proposed responsible officials. It determines whether they may be legally held accountable in accordance with 31 U.S.C. §§1341(a), 1517, and 1342.

4.28.1.2.1. If the OGC (Fiscal) determines that no violation is substantiated, then the DoW Component is notified that no further action is required, and the investigation is closed.

4.28.1.2.2. If the OGC (Fiscal) concurs that the proposed responsible officials are correctly identified and a preponderance of the evidence substantiates the violation, then the DoW Component is notified and informed that discipline against one or more individuals named in the report may proceed.

4.28.2. OUSW(C) DCFO Review

The DCFO must review each ADA violation report for completeness, clarity, and compliance with reporting requirements. If the report is determined incomplete by the DCFO or OGC (Fiscal), then the ROI must be returned to the applicable DoW Component. The DoW Component must provide additional documentation, modify the report, or accomplish other actions as requested within the period specified by the DCFO.

4.29 DISCIPLINARY ACTION

4.29.1. Disciplinary Actions

4.29.1.1. Following OGC (Fiscal) concurrence and receipt of an advance decision from the OUSW(C), the DoW Component sends a tasking memorandum from the DoW Component to the appropriate organization or individual for potential administration of adverse action, as deemed warranted, along with a copy of the report.

4.29.1.2. The individual imposing discipline must be independent and free of external influence.

4.29.1.3. The disciplinary officer(s) must follow the appropriate disciplinary procedures applicable to the military member or civilian employee who has been determined in the ADA investigative process to be a responsible individual. The disciplinary officer consults with the staff judge advocate or servicing legal office, as well as the civilian personnel office (in the case of a civilian employee).

4.29.1.4. The IO is prohibited from also being appointed as the disciplinary officer. The IO does not have a role in recommending or determining discipline.

4.29.2. Imposing Discipline

4.29.2.1. Administrative Penalties

4.29.2.1.1. Document disciplinary action taken in the individual's personnel file in accordance with established policies.

4.29.2.1.2. Administrative discipline for a civilian employee may include, but is not limited to, written/oral counseling, written/oral admonishment or reprimand, reduction in grade, suspension from duty without pay, or removal from office.

4.29.2.1.3. Military personnel may be subject to appropriate administrative discipline or to action under the ***Uniform Code of Military Justice*** (Common Access Card required).

4.29.2.1.4. In general, individuals no longer on active duty or employed by a DoW Component may not be disciplined. However, disciplinary actions may still be imposed against some retired individuals who have separated from military service if it is warranted by

circumstances and determined to be legally appropriate by counsel. DoW has no authority to discipline retired or former civilian employees.

4.29.2.2. Criminal Penalties

4.29.2.2.1. An officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. The IO consults with legal counsel to determine if the investigation must be referred to the appropriate criminal investigation organization for action.

4.29.2.2.2. 31 U.S.C. § 1350 prescribes that an officer or employee of the United States Government who knowingly and willfully violates 31 U.S.C., §§ 1341 or 1342 must be fined not more than $5,000, imprisoned for not more than 2 years, or both. 31 U.S.C. § 1519 discusses the violation of 31 U.S.C., § 1517 and provides the same level of punishment. Criminal penalties for military personnel may include punishment under ***Article 15*** of the Uniform Code of Military Justice or trial by Courts-Martial.

4.29.2.2.3. Include in the ROI a statement from the DoW Components to the DCFO that criminal penalties may be required.

4.29.3 Documentation of Discipline Imposed

4.29.3.1. A suggested template for use by the disciplinary officer is located at Figure 3-6. In documenting discipline, the officer imposing discipline must acknowledge the following:

4.29.3.1.1. An ADA violation is a violation of federal statute;

4.29.3.1.2. ADA violations constitute misuse of DoW funds, even if the misuse was not knowing or willful and the misuse was not ultimately harmful to DoW, or the DoW Component;

4.29.3.1.3. DoW is required to report violations of the ADA to the President (via the Director, OMB), the U.S. Congress, and the Government Accountability Office;

4.29.3.1.4. An unwilful or unintentional violation alone does not justify a decision not to administer disciplinary action; and

4.29.3.1.5. Disciplinary actions must consider the severity of the violation.

4.29.3.2. Moreover, the officer imposing discipline must provide a written statement addressing why the disciplinary penalty imposed, or not, is commensurate with the severity of the violation.

4.30 SUBMISSION OF THE FINAL REPORT

4.30.1. Submission to DCFO

Submit the original or an electronic copy of the final ROI, including a discussion of the disciplinary actions taken, to the DCFO and include a copy of all pertinent documents referenced in the body of the report.

4.30.2. ROI Due Date

The ROI is due to DCFO within 14 months from the date the formal investigation began.

4.31 NOTIFICATION TO EXTERNAL AUTHORITIES

4.31.1. Letter Preparation

Following receipt of an acceptable final ADA violation report from the applicable DoW Component, the DCFO prepares the required letters, in accordance with OMB Circular No. A-11, Exhibit 145A, that report an ADA violation to the President through the Director of the Office of Management and Budget, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States. The notification letters must be coordinated with the OGC (Fiscal), Office of the Assistant Secretary of War for Legislative Affairs, and Office of the Deputy Comptroller (Program/Budget).

4.31.2. Letter Content/Submission

These letters are submitted to the USD(C) for signature and forwarded to the external authorities identified in paragraph 4.31.1. The letters and the attached ROI notify the external authorities of the violation, its cause(s) and circumstances, the names of the individual(s) responsible for the violation, and the disciplinary action taken.

Figure 1. Checklist for Formal Investigations

Initial Phase
Open formal investigation
Assign case control number for tracking
Notify DCFO
Direct activity to appoint an investigating officer
Provide appointment memo to the DoW Component
Name support team
Conduct in-brief session
Determine the scope of the investigation
Consult legal counsel
Review the results of the Preliminary Review
Familiarize the team with a legal basis for potential violation
Consult governing statutes and regulations
Meet with staff requesting or reporting investigation
Compile a list of witnesses and questions
Make travel arrangements

Phase II
Examine for physical evidence
Assemble and analyze evidence
Trace and document transactions and funding documents
Determine the roles and responsibilities of participants and decision-makers at each echelon
Develop a chronology of events
Consult subject matter experts and have them prepare written opinions, as required
Interview witnesses
Determine specific acts or decisions leading to the violation
Assign responsibility for making/authorizing violation
Make an initial assessment of whether anyone appears to have intentionally violated the ADA with knowing and willful intent. If so:
Halt investigation and notify appointing official
Consult with a legal advisor
Prepare initial draft of findings

Phase III
Notify proposed responsible officials
Allow two weeks for submission of rebuttal statements
Document delivery of report via email tracking or certified mail
Make a reasonable effort to locate former officials or employees
Provide draft report
Analyze rebuttals to determine if they necessitate new interviews and follow up on new leads if required
Incorporate salient points from rebuttals in the revised report

Insert assessment on the impact of the rebuttal statements, if any, on conclusions

Enclose verbatim rebuttals as an enclosure to report

Phase IV
Engage activities involved to develop corrective actions to reduce the risk of similar violations recurring:
Document corrective actions that have already been put in place
Quantify enhanced controls being implemented
Obtain a listing of planned corrective actions and milestones
Incorporate lessons learned and corrective actions in the report
Finalize Formal Report
Obtain legal review

Phase V
The appointing official verifies the following information before endorsement and release:
Is a copy of the investigating officer's appointment memorandum included in the report?
Does the report include the case control number, title of the appropriation/fund involved, Treasury symbol, amount, date of occurrence, date discovered, a description of how the potential violation was identified, the name and title of the investigating officer, the dates, place, and scope of the investigation?
Is the evidence clearly documented in the report, and is the evidence relevant to the case?
Does the evidence appear to be complete, or are significant factors missing that should be considered? Do there appear to be relevant unanswered questions?
Are the findings clearly stated, logical, supported by the evidence, and relevant to the case?
Is each finding that is based upon testimony properly cross-referenced to the testimony?
Do the evidence and testimony fully substantiate the findings and conclusions?
Were all conflicts in testimony addressed in the report?
Does the report include a clear description of the causes and circumstances surrounding the violation?
Transmit report to DoW Component

Final Phase
DoW Component reviews report
DoW Component initiates the summary report
Coordinate with counsel
DCFO review of report
Obtain an Advance Decision
Complete Investigation – Insert discipline imposed into the report.
Send notification letters to external authorities
Complete closure

Figure 2. Template for Initial Reports

Activity/command Letterhead
Initial Memorandum

MEMORANDUM FOR (DoW Component)

SUBJECT: Alleged Antideficiency Act Violation (Location and Subject Matter)

Reference: DoW Financial Management Regulation, Volume 14, Section 4.

In accordance with the reference, the initial report of an alleged Antideficiency Act Violation (ADA) follows:

Accounting classification of funds allegedly misused:

Name and location of the activity where the alleged violation occurred:

Name and location of the activity issuing the fund authorization:

Amount of fund authorization or limitation that was allegedly exceeded:

Amount and nature of the alleged violation:

Date the alleged violation occurred:

Date of Discovery:

Means of Discovery:

Description:

Signature Block of
Activity/commanding Officer or
Head of Activity

Figure 3. Template for Appointment Orders

Investigating Officer Appointment

MEMORANDUM FOR (Investigating Officer's Name)

SUBJECT: Appointment as Investigating Officer, Case Number.

References:

Department of War (DoW) Financial Management Regulation Volume 14, Section 4.

Cite Initial Report.

2. You are hereby appointed as an investigating officer to conduct a preliminary review/formal investigation of a potential Antideficiency Act (ADA) Violation that allegedly occurred at (location or activity) in Fiscal Year xx.

3. I certify that you have received qualifying fiscal law training within the previous three years and are qualified to perform this investigation. You are free of any known conflicts of interest and able to perform an independent review. You will be assisted by (names of legal advisor and support team subject matter experts).

4. A report detailing the results of your preliminary review/formal investigation will be submitted no later than (suspense date). Your report must include the facts surrounding the alleged violations and include a legal review, which supports the conclusion that an ADA violation did or did not occur.

5. Provide any additional instructions to the investigating officer.

6. The point of contact for this report is xxx, who can be reached at (phone), or (email)

Signature Block of Appointing Official

Figure 4. Template for Preliminary Review

Preliminary Review

Department of the xxx
Report of Antideficiency Act Violation
Name of Component/Agency and Case No.

Appropriations(s) Involved/Title, Symbol, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (9710100)

Where Violation Occurred.

Name and Location of Activity Issuing the Fund Authorization.

Amount of Violation.

Date Violation Occurred.

Type of Violation(s). Provide the 31 U.S.C. section violated and a brief description of the violation, and state whether the violation was an over-obligation of an appropriation, an apportionment, or an allotment. Example: 1341(a)(1)(A), exceeded the amount available in appropriation or fund.

Effect of Violation on the Next Higher Level of Funding. State whether the violation affected the next higher level of funding.

Date and Description of How Violation Was Discovered. Provide the date and who/how the violation was discovered.

Causes and Circumstances Surrounding the Violation. Provide a detailed description of the violation. Include the following:

A detailed summary of what caused the violation and the associated circumstances; what actions should have been, but were not, taken by specific individuals; what actions were taken that should not have been taken; and why the violation happened.

The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation, issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

Figure 4. Template for Preliminary Review (continued)

If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted because of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report.

Conclusion. Summarize your findings in a paragraph to support your conclusion that a violation has occurred or that a violation did not occur.

Additional Information. Provide details not covered above.

Figure 5. Template for Formal Report

DOD COMPONENT OR AGENCY
REPORT OF ANTIDEFICIENCY ACT VIOLATION INVESTIGATION
Name of Component/Agency and Case No.

Appropriation(s) Allegedly Exceeded.

Treasury Symbol or Fund Account, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (97 20102010 0100)

Where Violation(s) Occurred.

Name and Location of Activity Issuing the Fund Authorization.

Amount of Violation.
Provide total and breakdown, if applicable.

Date Violation(s) Occurred.

Type of Violation(s).
Provide the section(s) of Title 31, U.S.C. that were violated. For example, 31, U.S.C. §§§ ***1341(a)(1)(A)***, ***1342*** or ***1517(a)(2)***.

Effect of Violation(s) on the Next Higher Level of Funding.
State whether the violation(s) influenced the next higher level of funding.

Exceeding an administrative subdivision at the local level can lead to the next higher level exceeding its subdivision of funds and to the DoW Component's apportionment and appropriation being exceeded.

For instance, if an installation exceeded an amount in operating budget authority or an allotment, did this cause the higher activity/command operating budget authority or allocation also to be exceeded? If the higher activity/command operating budget authority or allocation is exceeded, also state why the DoW/Component apportionment or appropriation was also exceeded.

Name and Position of Responsible Individual(s).

If a violation(s) involves a centrally managed allotment, then the head of the operating agency at the time the violation was incurred must be named responsible.

Include the position description of the proposed responsible official as a backup to the report.

Signed Statement(s) of Responsible Individual(s).
State whether a statement(s) was received from the individual(s). If so, enclose the verbatim statement. The ADA report must summarize salient points of the proposed responsible official's

statements and an evaluation of their relevance by the investigating officer. The introduction of new witnesses and new evidence in the rebuttal statements must be addressed. Each individual named responsible for the violation(s) must be given the opportunity to state any circumstances believed to be extenuating. If the proposed responsible official could not be located or refused to provide a statement, the report must detail measures taken to contact them and solicit a response. The individual(s) found responsible for the alleged violation must be:

Allowed to consult with legal counsel.

Advised that a violation(s) has been determined to have occurred, and that he or she is named a responsible individual for the violation(s) and must be allowed to review the report and examine evidence on which the determination was based.

Allowed to submit a sworn or unsworn statement regarding the alleged violation(s) after reviewing the report and evidence.

The report must include an evaluation of any facts or circumstances and the effects on the report when the statement of the responsible officer(s) or individual(s) differs from the report itself. If the statement has no effect on the report, state the reason(s) why. Material changes in findings as they relate to the role of the proposed responsible official must be staffed with the proposed responsible official a final time.

Date(s) and Description of How Violation(s) Was Discovered.

Provide date(s) and who/how violation(s) was discovered.

Causes and Circumstances Surrounding the Violation(s).

Provide a detailed description of the violation(s). Include the following:

A brief, clear description of the causes and circumstances surrounding the violation(s); what caused the violation(s) and the associated circumstances; what actions should have been, but were not, taken by a specific individual(s); what actions were taken that should not have been taken, but were; and why the violation(s) happened. The description must state clearly what the individual(s) responsible for the violation(s) did, or failed to do, that caused the violation(s). State whether the violation(s) was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons. The report must not be so brief that it does not clearly convey the essential facts and circumstances of what happened.

Clearly state in sufficient detail what happened. If the violation(s) involved an appropriation with a negative balance, then state whether the cause of the negative balance was systemic or a unique situation.

The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; and written explanation of the facts of the potential violation. Discuss the evolution of the issues investigated,

number of people interviewed, mitigating circumstances surrounding the violation(s), issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

Results of interviews of individuals involved in the violation(s) and a summary of how the area(s) procedures and processes operated that were involved in the investigation. Discuss the issues and the areas or functions that were reviewed, evaluated, and investigated; the names, ranks, and titles of the individuals that were interviewed; and a discussion on any related areas and matters that were not investigated and the rationale for omitting them from the investigation.

If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted because of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report. To ensure all essential items are discussed, use the results of the checklist in Figure 3-1.

Evidence of Willful Intent to Violate.

State whether the ADA was knowingly and willfully violated. If the violation was willfully committed, was the case referred to appropriate criminal investigators? If criminal investigators or the Department of Justice declined to pursue the case, clearly state the outcome.

Disciplinary Action Taken.

The investigating officer does not use this section and must have a statement that discipline will be implemented only after DCFO review.

The DoW Component will complete this section only after discipline is implemented and documented.

Corrective Action Taken.

State what procedural actions were taken and completed to preclude violations from happening in the future. This must include a description of specific action(s) taken to correct the violation. State what funds were used to make necessary accounting corrections, such as appropriation, title, and fiscal year. Include any procedural changes or new safeguards established to prevent the recurrence of the same type of violation. Describe actions in detail so that the adequacy of the corrective action(s) may be evaluated. This includes improvement of overall and specific policies, procedures, and processes used by the functional areas involved in the violation; revised statutes or regulatory guidance that may have been involved; established or improved internal procedures; and assurance that a similar violation will not occur in the future. Reference documentation of corrective actions in an enclosure.

Administrative Control of Funds.

Name and position of the holder of the funds and an evaluation of whether their exercise of fund control responsibilities contributed to the violation.

Component or Agency Coordination.

State steps taken to coordinate the report with the other components or agencies involved (if applicable).

Additional Information.

If applicable.

Figure 6. Template for Discipline Confirmation

OFFICE SYMBOL

MEMORANDUM FOR DoW Component

SUBJECT: Disciplinary Action imposed on Mr./Ms._____, Antideficiency Act Violation Case XX-XX

An ADA violation occurred when Mr./Ms._____, while assigned to (activity or installation) issued/authorized _____. This resulted in an uncorrectable violation of the Antideficiency Act.

I understand that (a) an Antideficiency Act violation is a violation of Federal statute; (b) Antideficiency Act violations constitute a misuse of DoW funds even though the misuse may not have been knowing or willful, and despite whether the disciplinary officer considers the misuse harmful to DoW, the Military Department or Service, or to the Defense Agency; (c) the Department is required to report the violation to the President (via the Director, Office of Management and Budget), the U.S. Congress, and to the Government Accountability Office; (d) an unwilful or unintentional violation does not justify a decision to not administer disciplinary action; and (e) disciplinary action must be commensurate with the severity of the violation, and factors leading to the violation or its resolution may be considered.

As identified in the formal investigation, Mr./Ms._____ is an individual primarily responsible for this violation. Mr./Ms._____ caused an uncorrectable violation of the ADA when he/she (state specific actions). As the officer charged with imposing discipline in this case, I issued (state actions) to Mr./Ms._____. While I considered _____, I have determined that _____ is appropriate for the following reasons: _____. No further discipline against Mr./Ms. _____ will be taken.

4. My point of contact for this action is xxx, who can be reached at (xxx) xxx-xxxx, email: xxx.

Signed
Disciplinary Officer



DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION

VOLUME 15: "SECURITY COOPERATION POLICY"

UNDER SECRETARY OF WAR
(COMPTROLLER)

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VOLUME 15

SECURITY COOPERATION POLICY

1.0 GENERAL

1.1 Purpose

Volume 15 provides Department of War (DoW) policy on the financial management of security cooperation (SC) programs. This Volume directs statutory and regulatory financial management requirements for a wide range of activities, including appropriated and non-appropriated working capital, revolving, and trust fund activities. Volume 15 policy applies to all organizational entities within the DoW and covers topics such as general SC information, finance, accounting, cash management, case files, pricing, billing, and reimbursement for Foreign Military Sales (FMS) and Building Partner Capacity (BPC) programs.

1.2 Authoritative Guidance

Refer to the Volume 15 authoritative guidance document on the Financial Management Regulation (FMR) webpage.

1.3 Definitions

Refer to the glossary on the FMR webpage.

1.4 Procedures

Refer to the Defense Security Cooperation Agency (DSCA) Security Assistance Management Manual (SAMM) listed throughout this Volume.

2.0 SECURITY COOPERATION PROGRAMS

2.1 Overview

2.1.1. This section provides DoW accounting policy for SC transactions to ensure compliance with all requirements for the administrative control of SC programs. Unless specifically exempt, SC transactions must adhere to DoW accounting policy within Volume 15, as well as existing laws and regulations governing accounting of federal funds. Proposed changes to this Volume must be submitted to the Financial Management Policy and Reporting Directorate at the Office of the Deputy Chief Financial Officer (ODCFO) as soon as practicable for consideration. However, DoW Components must first submit proposed changes through the DSCA Office of Business Operations. All proposed section updates must be submitted to the appropriate approving authority and, if approved, will be incorporated into the DoW FMR as soon as possible.

2.1.2. SC. SC refers to activities undertaken by the DoW to encourage and enable international partners to work with the U.S. to achieve strategic objectives. It includes all DoW interactions with foreign defense and security establishments, including all DoW-administered security assistance programs, that: build defense and security relationships that promote specific U.S. security interests, including all international armaments cooperation activities and security assistance activities; develop allied and friendly military capabilities for self-defense and multinational operations; and provide U.S. forces with peacetime and contingency access to host nations.

2.1.3. Security Assistance (SA). SA refers to a group of programs authorized by Title 22 of the U.S. Code, or related annual foreign operations appropriations legislation under which the U.S. provides defense articles, military training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. The DoW administers some, but not all, SA programs, on behalf of the Department of State. Those SA programs administered by DoW are a subset of SC. The SAMM provides guidance on the major Title 22 programs DoW administers: FMS; Foreign Military Construction Services; Foreign Military Financing; Leases; Military Assistance; International Military Education and Training (IMET); Presidential Drawdown Authority; Peacekeeping Operations; and Special Defense Acquisition Fund (SDAF).

2.1.4. BPC Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations. The DoW may enter into agreements for the provision of defense articles and/or services with other USG departments and agencies when executing BPC programs:

2.1.4.1. Building the capacity and capabilities of partner nation security forces to conduct authorized military, stability, and counter-threat operations in alignment with U.S. national security interests in accordance with 10 U.S.C. §333, Foreign Security Forces: authority to build capacity. See SAMM, Chapter 15; or

2.1.4.2. Supporting U.S. military and stability operations, multilateral peace operations, and other programs. See SAMM, Chapter 15 or Chapter 15 - Legacy, for a detailed discussion of BPC programs.

2.2 Accounts of the U.S. Department of Treasury (Treasury)

The Foreign Affairs/Foreign Relations Committees of the Congress (rather than the Armed Services Committees) appropriates SA funds. The Executive Branch, Office of the President, identified by Treasury Index (TI) 11, receives SA funds. Funds and accounts authorized by Acts originating in the Armed Services Committees of Congress and appropriated to DoW are identified by: TI 97, "Defense Department;" TI 17, "Navy;" TI 21, "Army;" and TI 57, "Air Force." Additionally, BPC programs are funded from either a DoW Title 10 or Department of State Title 22 appropriation depending on the specific legislative authority. See SAMM, Appendix 10 for other treasury accounts used in SC for BPC cases.

2.2.1. Treasury Accounts Applicable to FMS Trust Fund Operations. Treasury account 11X8242, "Advances, FMS, Funds Appropriated to the President," is the FMS Trust Fund account

used for centrally recording contract authority and collections authorized under the FMS program. Under Section 3 of Executive Order No. 13637, responsibility for the execution and administration (e.g., obligations and disbursements) of the FMS Trust Fund was delegated from the President, identified by TI 11, to the Secretary of War (SecWar), identified by TI 97. The complete fund cite 97 11X8242, though not required for execution of consolidated financial statements and reports, identifies funds under the control of the DoW. Only 11X8242 is reported to the Bureau of Fiscal Service (Fiscal Service) and the Office of Management and Budget. Fiscal Service has established trust fund receipt and expenditure accounts to account for cash collections, budget authority (BA), and cash disbursements resulting from the FMS program.

2.2.2. For procedures related to cash receipts, budget authority, cash expenditures, and miscellaneous receipts, see SAMM, Appendix 10.

2.3 SDAF

The SDAF, established under the authority of 10 U.S.C. § 114, is a DoW-controlled revolving fund used to acquire defense articles and services in anticipation of their sale to eligible foreign countries and international organizations. Pursuant to 10 U.S.C. § 114(c)(1), the balance of the SDAF may not exceed $3.5 billion. In accordance with 22 U.S.C. § 2795(c), the size of the fund includes funds acquired through FMS sales, also known as offsetting collections. For procedures pertaining to the SDAF, see SAMM, Appendix 10.

2.4 Treasury Accounts Applicable to Credit Sales, Guarantees, and IMET

2.4.1. For procedures related to the receipt and utilization of appropriations, as well as cash collections, see SAMM, Appendix 10.

2.4.2. Security Assistance and International Programs (SAIP) Deposit Account. Account 11X6147, "Security Assistance and International Programs, Deposit Account," was originally established in 1978 to support the North Atlantic Treaty Organization E 3A Program deposit account. Subsequently, additional activities have used this account for purposes such as recording collections received from foreign governments to reimburse the DoW for goods and services not acquired through the FMS program, or FMS customers to use the Air Force Parts and Repair Ordering System and Worldwide Warehouse Redistribution System to acquire nonstandard items, and to provide advance funding to support acquisitions. Since fiscal year (FY) 2021, the SAIP Deposit Account has been included in the SA Accounts financial statements.

2.5 Other Treasury Accounts

For a list of other Treasury accounts used in SC, see SAMM, Appendix 10.

2.6 Types of Financing

There are two types of financing associated with the FMS Trust Fund: reimbursable and direct citation. For procedures concerning these topics, as well as accounting classification codes of the FMS Trust Fund, see SAMM, Appendix 10.

2.6.1. Reimbursable Financing. Sales under 22 U.S.C. §§ 2761 and 2762, for which the President has determined it is in the National interest to defer payment (bill for defense articles and services on or after delivery), must be accomplished using reimbursable financing. When deferred payment is authorized under 22 U.S.C. § 2761 for 120 days, and for all authorized deferred payments for 22 U.S.C. § 2762 sales, an appropriation is required to finance any outlays until the purchaser makes payment. The appropriation cited must have reimbursable authority.

2.6.2. Direct Cite Financing. New procurements initiated because of FMS orders under 22 U.S.C. §§ 2762 and 2769 (except as exempted in paragraph 3.1) must be accomplished, to the maximum extent feasible and appropriate, through direct citation of the FMS Trust Fund (97 11X8242 or 97 11X6147) on applicable contractual documents.

3.0 FMS BUDGET AND OBLIGATION AUTHORITY

This section provides policy guidance for FMS Trust Fund BA, including FMS Trust Fund obligational authority (OA) for implemented cases, the FMS administrative surcharge budget, and contract administration services (CAS) surcharge budget. BA is the U.S. legal authority that empowers U.S. Government agencies to spend federal funds. BA allows the DoW to enter into obligations that will result in immediate or future outlays from Federal Government accounts. For procedural guidance on BA execution, see SAMM, Appendix 10. For BPC programs, BA is derived from specific USG appropriations (such as DoW Title 10 or Department of State Title 22) rather than partner nation funds. Title 10 BPC BA is provided to Implementing Agencies (IAs) via Funding Authorization Documents (FADs) or Military Interdepartmental Purchase Requests (MIPRs) and is strictly subject to the statutory purpose and period of availability of the underlying appropriation. Title 22 BPC BA is derived from Interagency Agreements (IAAs) or Memoranda of Agreement (MOAs) under Section 632(b) of the Foreign Assistance Act.

3.1 Responsibilities

3.1.1. DSCA must prepare the annual budget request for the FMS Trust Fund obligational and outlay authority to support the FMS Trust Fund program. DSCA reviews, approves, and distributes funding for the FMS Administrative surcharge, BPC, SDAF, and the FMS CAS surcharge accounts. DSCA is also responsible for establishing the annual safety level amount to be maintained in the FMS Trust Fund administrative surcharge, the CAS surcharge, and transportation cost clearing accounts. For procedures related to the establishment of the annual safety level amount, among other topics related to the FMS Trust Fund administrative surcharge account, see SAMM, Chapter 9.15 and Appendix 10.

3.1.2. IAs and Performing Agencies must prepare data for Letters of Offer and Acceptance (LOAs), fulfill FMS Trust Fund orders, and submit FMS administrative and CAS budget requests annually.

3.1.3. The Defense Finance and Accounting Service (DFAS) Security Cooperation Accounting (SCA) must obtain cash advances from FMS Trust Fund purchasers to liquidate obligations resulting from the use of OA created by the FMS Trust Fund.

3.2 BA

3.2.1. Recognition of OA by the FMS Trust Fund. To establish OA, FMS Trust Fund purchasers must return all accepted LOAs, Amendments, and processed Modifications to the IA. For procedures related to the establishment of an FMS Trust Fund OA, as well as Trust Fund Direct Citations, see SAMM, Appendix 10.

3.2.2. The OA Request must be used to request commitment/OA for direct citation of the FMS Trust Fund. The OA Request is used as a control device, and commitments/obligations must be limited to the dollar value of the approved OA Request. For procedures related to Trust Fund Direct Citations, see SAMM, Appendix 10.

3.2.3. Contract Authority. Contract authority is the statutory authority to incur obligations with liquidation of obligations dependent on a future act, such as receipt of an appropriation. For procedures that enable the execution of this authority, see SAMM, Appendix 10.

3.2.4. Recognition of FMS Reimbursable OA in DoW Appropriation or Fund Accounts. The LOA, Amendment, or Modification does not represent a reimbursable order to the performing DoD Components. The approved OA Request is the reimbursable order. The OA Request includes the reimbursable portion of the order that may be credited to appropriations by a DoD Component for each line within a case for a FY. The OA amount for each line within a case cannot be exceeded. For procedures related to FMS Trust Fund orders and apportionments for reimbursable orders, see SAMM, Appendix 10.

3.3 Planning Directives and OA Requests

Planning Directives and OA Requests are required for all new cases that have been submitted to FMS Trust Fund purchasers for acceptance and for all cases in the process of implementation. For all procedures related to the preparation of Planning Directives and OA Requests, see SAMM, Appendix 10.

3.4 OA Requests for Budgeted FMS CAS Costs and Funds Reimbursed

OA Requests for Budgeted FMS CAS Costs and Funds Reimbursed by the FMS CAS Surcharge Account. For procedures related to the FMS CAS surcharge budget and FMS CAS OA Requests, see SAMM, Appendix 10.

4.0 FMS ACCOUNTING

This section addresses accounting requirements designed to: (1) assure proper DoW control and accountability of cases implemented in the FMS Trust Fund; (2) provide accounting information that can be used for the preparation of the Agency Financial Report required by the Chief Financial Officer Act of 1990 and the Government Management Reform Act of 1994, quarterly bills to FMS purchasers, and financial status reports to DoW case managers and DSCA staff; (3) integrate with physical delivery (logistics) reporting systems; (4) serve as a basis for timely identification and reporting of financial management problems; and (5) establish internal controls to assure compliance with the payment requirements of the Arms Export Control Act (AECA), Public Law 90-629, codified at 22 U.S. Code Chapter 39.

4.1 Accounting Practices Procedures

For procedures on related accounting practices, see SAMM, Appendix 10.

4.2 Responsibilities

4.2.1. DSCA is responsible for providing oversight and monitoring usage of the FMS Trust Fund, including periodic reviews of funding levels and unused balances.

4.2.2. DFAS performs the accounting, billing, disbursing, and collecting functions for the FMS Trust Fund, as well as provides financial management and accounting support for SC programs. DFAS ensures entries in the accounting systems have audit trails to the source documents and generates financial statements. DFAS must:

4.2.2.1. Monitor for compliance with the centralized FMS case-line level accounts prescribed in this section, and the Fiscal Service, "U.S. Standard General Ledger (USSGL)." The DoW Standard Chart of Accounts is in the Standard Financial Information Structure, DoW USSGL Transaction Library, and Volume 1. Use information accumulated in the accounts when preparing billing statements to FMS purchasers and financial management reports to DoW case managers and DSCA staff;

4.2.2.2. Maintain FMS Trust Fund budget execution records;

4.2.2.3. Identify and notify DSCA when an FMS Trust Fund arrearage occurs as required in Volume 16;

4.2.2.4. Summarize all case-line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury's records per Treasury guidance, and using the summary accounts as the basis for required reports on FMS Trust Fund operations;

4.2.2.5. Maintain audit trails and supporting documentation for entries made to the accounting system; and

4.2.2.6. Prepare monthly, quarterly, and annual statements as required in Volume 6.

4.2.3. IAs must:

4.2.3.1. Fulfill FMS Trust Fund orders using these financing techniques:

4.2.3.1.1. Issue and accept reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

4.2.3.1.2. Issue allotments/OA of the FMS Trust Fund to the performing DoW Components, or

4.2.3.1.3. Authorize direct citation of the FMS Trust Fund (11X8242);

4.2.3.2. Ensure appropriation/fund budget execution records accurately reflect the status of the reimbursable FMS Trust Fund program;

4.2.3.3. Perform and/or ensure the completion of the Dormant Account Review Quarterly (DAR-Q) of obligations and unfilled customer orders as described in Volume 3;

4.2.3.4. Maintain audit trails between source documents and entries to the accounting system; and

4.2.3.5. In coordination with DFAS, maintain within the IAs' respective accounting system of record the centralized FMS case-line level accounts prescribed in this section and in the USSGL.

4.2.4.4. Allotment Holders for Actual FMS Administrative Expenses. A DoW Component that receives a DSCA allotment of FMS administrative surcharge BA must:

4.2.4.4.1. Maintain obligations and expenditures within the limitations of the allotment;

4.2.4.4.2. Ensure obligating documents and accrued expenditures meet the requirements contained in this Volume;

4.2.4.4.3. Return unobligated OA to DSCA at the end of each FY; and

4.2.4.4.4. Perform the DAR-Q of obligations and unfilled customer orders as described in Volume 3.

4.3 SC Management Controls

For management controls, SC activities will follow the guidance in DoD Instruction 5010.40.

4.4 FMS Trust Fund Accounting Requirements

4.4.1. FMS Trust Fund. The FMS Trust Fund is a single account that is authorized to be credited with receipts that may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts must be apportioned prior to obligation and expenditure; however, an Official, designated under 31 U.S.C. § 1513, and as per 31 U.S.C. § 1516, may exempt trust funds from apportionment.

4.4.2. For procedures related to the FMS USSGL, accounting for receivables, accounting for inventory, accounting for the FMS program, processing accounting transactions, DFAS SCA analysis of FMS case accounting data, and DFAS SCA surcharge transactions, see SAMM, Appendix 10.

4.5. Accounting Requirements for FMS

For procedures related to allotments for direct citation, allotments for reimbursable orders, and FY-end reporting requirements, see SAMM, Appendix 10.

4.6 Actual Administrative Expense Accounting Requirements for FMS

For procedures related to reimbursement for FMS administrative expenses, control of FMS administrative and SC Organizations (SCO) budget allotment authority, control of FMS administrative and SCO prior FY OA, control of unliquidated balances, administration and implementation of the monthly and end-of-year closeout guidance, and DFAS responsibilities for expired and canceled accounts, see SAMM, Appendix 10.

4.7 FMS Budget Execution

4.7.1. This section establishes the budget execution requirements that are applicable to the FMS program, with the specific objectives to ensure that: (1) mandatory budget execution reports that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner; (2) unnecessary FMS OA is withdrawn officially from all organizations participating in the execution of FMS cases at the end of each FY; and (3) FMS case records maintained by IAs are in agreement with DFAS SCA at the case line level throughout the life of each FMS case. For BPC budget execution, see Volume 15 sections 3.0, 4.7.2.3.6, and 4.12.2.4.

4.7.2. Responsibilities

4.7.2.1. DFAS must provide accounting data on FMS Trust Fund operations to the DoW Components.

4.7.2.2. DSCA must monitor the FMS program and submission of required FMS Trust Fund Budget Execution reports in accordance with requirements outlined in Volume 6.

4.7.2.3. IAs and the supporting DoW Components must:

4.7.2.3.1. Conduct year-end reviews of the unobligated FMS reimbursable program to ensure unnecessary BA is identified and returned to the FMS Trust Fund;

4.7.2.3.2. Ensure that the FMS reimbursable program is properly reported in appropriation or DWCF budget execution reports;

4.7.2.3.3. Submit financial Budget Execution reports accurately and timely in accordance with section 8.0;

4.7.2.3.4. Reconcile IA FMS case records to DFAS SCA case-line level accounting transactions on a periodic basis;

4.7.2.3.5. Partner with DFAS to resolve any variances or out-of-balance conditions in support of monthly FMS financial reporting; and

4.7.2.3.6. Prepare Case Closure Certificates signifying IA completion of all actions necessary for DFAS SCA to close the case as soon as possible after the case supply/services are complete. For cases applicable to countries participating in Accelerated Case Closure Procedures (ACCP), this should occur no longer than 24 months after such occurrence, and no longer than 36 months for training cases. See the SAMM, Appendix 7, "Case Reconciliation and Closure Guide (RCG)," for the Case Closure Certificate format, and SAMM Chapter 16 for case closure information. For case closure procedures required for non-ACCP, including BPC program cases, refer to SAMM Chapter 16.

4.8 FMS Trust Fund Budget Execution Reports and Financial Statements

For procedures related to Budget Execution Reports, see SAMM, Appendix 10. For financial statement guidance concerning the reporting of FMS amounts, see Volume 6. The Security Assistance reporting entity also provides GTAS submissions as a Significant Entity per Volume 6.

4.9 FMS Case Execution

For guidance on FY end procedures, reimbursement of appropriations and accounts, and DD 2061, "Foreign Military Sales (FMS) Planning Directive", see SAMM, Appendix 10.

4.10 FMS Case Closure Requirements

For procedures covering general topics, case closures, closure certification, billings after case closure, reopening FMS cases, and BPC funds return, see SAMM, Appendix 10.

4.11 Resolution of FMS Case Imbalances through Obligation Procedures

An IA that determines unresolved reconciliation issues exist for a case may resolve those imbalances through obligation procedures that provide reconciliation to valid obligations using current-year appropriations where necessary. The IA is responsible for providing all vouchers it prepares, citing the FMS Administrative Surcharge account to DFAS SCA. See SAMM, Appendix 10, for procedural guidance related to resolution.

4.12 Antideficiency Act (ADA) Violations and Adverse Financial Condition Reports

4.12.1. For purposes of the ADA (see Title 31 of the U.S.C. and Volume 14), appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general funds of the Treasury. Funds available to agencies are considered appropriated if made available for collection and expenditure pursuant to specific statutory authority, regardless of their source. In applying the ADA, the FMS Trust Fund is considered to be appropriated funds. Therefore, the ADA applies to transactions involving the FMS Trust Fund.

4.12.2. Potential violations may occur in FMS Trust Fund transactions when:

4.12.2.1. Issuing OA or awarding an FMS contract without a signed LOA;

4.12.2.2. Obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law or those outside the scope of the signed LOA;

4.12.2.3. Violating apportionments or indemnity clauses; or

4.12.2.4. Incurring obligations on a BPC case where the financing appropriation's period of availability to incur new obligations has expired. Refer to Volume 14 for additional information on potential violations of the ADA.

4.12.3. Detailed guidance for identifying, investigating, and reporting violations under the ADA is in Volume 14. Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the ADA for FMS.

4.12.4. Adverse Financial Conditions. For procedures related to reporting other reportable financial events, see SAMM, Appendix 10.

5.0 FMS CASH MANAGEMENT

This section provides policy guidance to ensure cash is available to liquidate FMS Trust Fund obligations, as disbursements are due. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, USG appropriation made available to finance FMS Trust Fund purchases, or a third-party payer, must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

5.1 Responsibilities

5.1.1. Executive Order 13637 delegates authority and responsibility for the administration and functions for FMS, from the President, to the SecWar and the Secretary of State. The authority of the SecWar is further delegated in the November 7, 2025 memorandum "Unifying the Department's Arms Transfer and Security Cooperation Enterprise to Improve Efficiency and Enable Burden-Sharing" to the Under Secretary of War for Acquisition and Sustainment, and finally, to the DSCA Director under DoD Directive 5105.65, "Defense Security Cooperation Agency", dated October 26, 2012.

5.1.2. DSCA Responsibilities

5.1.2.1. Ensure adequate cash availability in the FMS Trust Fund to meet DoW's financial requirements;

5.1.2.2. Identify the specific issue and remedy should cash flow problems arise in an FMS Trust Fund account (e.g., collection of additional funds or other alternative financial arrangements, adjustments to ordered values, delivery timeframes, or ordered quantity);

5.1.2.3. Approve Standby Letters of Credit (SBLCs), Federal Reserve Bank of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements; see SAMM Appendix 10 and Chapter 9 for more detail on SBLCs, FRBNY, and CBAs;

5.1.2.4. Calculate and approve, on a quarterly basis, the Termination Liability (TL) reserve amounts required to protect the USG against liability if a particular FMS-funded contract (or contract line item number (CLIN)) is terminated prior to completion;

5.1.2.5. Perform follow-up actions on SA Program arrearages;

5.1.2.6. Construct standard payment schedules (to include any contract termination costs); and

5.1.2.7. Prepare special bills for those customers with approved special billing arrangements (SBAs).

5.1.3. DFAS Responsibilities

5.1.3.1. Post purchaser cash deposits within 2 business days of notification when the Defense Integrated Financial System (DIFS) is available. When DIFS is unavailable due to scheduled maintenance, update upon availability;

5.1.3.2. Post disbursements by the 20th day of the following month to FMS case accounting records;

5.1.3.3. Reconcile summary trust fund-level account balances in DIFS with the Treasury balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System;

5.1.3.4. Assure that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser's cash available balance in the FMS Trust Fund; and

5.1.3.5. Work with the accounting activities, contract payment offices, and certifying officers as appropriate to:

5.1.3.5.1. Ensure sufficient cash is available and approve EA requests above a country threshold prior to disbursing FMS funds, when requested;

5.1.3.5.2. Facilitate resolution, or resolve all rejects of EA to lessen Prompt Payment Act interest payments;

5.1.3.5.3. Resolve situations where EA was approved but returned without a disbursement; and

5.1.3.5.4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1081, Voucher and Schedule of Withdrawals and Credits.

5.1.4. IAs' Responsibilities

5.1.4.1. Provide information needed to the DSCA (International Operations Office, Case Writing Division) for payment schedule preparation at the line-level, in the Defense Security Assistance Management System (DSAMS). The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule preparation is in the SAMM, Chapter 9, paragraph C9.9.1;

5.1.4.2. Develop progress payment schedules or historical cost curves systematically for DoW major weapon systems (used to determine payment schedule distributions for procured materiel requiring progress payments to contractors), and review the schedules or curves when the acquisition strategy changes;

5.1.4.3. Review all case payment schedules, at least annually, in preparation for a formal review with the FMS purchaser, or when the case value adjusts by ten percent or more;

5.1.4.4. Request and receive EA approval prior to processing a disbursement citing the FMS Trust Fund;

5.1.4.5. Resolve unmatched disbursements, negative unliquidated obligations, and in-transit disbursements using the authorities found in Volume 3;

5.1.4.6. Validate obligations in accordance with the requirements found in Volume 3; and

5.1.4.7. Perform case reviews including reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements.

5.1.4.7.1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS Security Cooperation Accounting (SCA), and the FMS purchaser of the additional requirements. The IA must also follow up on this notification by issuing a revised payment schedule via an LOA modification.

5.1.4.7.2. During the annual review of the case, if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons, the IA must issue a revised payment schedule via an LOA modification or amendment. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.

5.1.4.7.3 For additional information on format and procedures related to payment schedule revisions via Modification and Amendment, see SAMM Chapter 9.9.3.

5.1.5. Payment Activities Responsibilities

Payment Activities are defined as the entities responsible for the payment of invoices either to commercial vendors or payees, or for executing intragovernmental payments or collections. Payment Activities are responsible for requesting and receiving EA approval prior to the certification to a disbursing officer of a voucher for a commercial payment, or an intragovernmental payment or payment refund, which cites the FMS Trust Fund.

5.2 FMS Cash Management Characteristics

5.2.1. For procedures related to cash in advance, SBLC, FRB accounts, CBAs, and disbursements, see SAMM, Appendix 10.

5.2.2. FMS Trust Fund. The FMS Trust Fund is managed as a single cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and case level by source of financing. Examples of funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser's national funds, which include third-party funds, and other DoW appropriated funds.

5.2.3. Funds. Under the AECA, the USG may provide funds annually to certain allied or friendly countries to finance the purchase of U.S. defense articles and services. See SAMM, Appendix 10.

5.3 FMS Payment Schedules

For procedures related to payment requirements, timing of payments, initial deposits, and payment schedule revisions, see SAMM, Chapter 9.9 and Appendix 10.

5.4 FMS Cash Requirement Calculations

For procedures related to the calculation of initial estimate of cash needed, administrative surcharge included in initial deposit, estimate of cash needed to collect Nonrecurring Cost (NC) recoupment charges, and forecasting procedures, see SAMM, Appendix 10.

5.5 FMS Quarterly TL Reserve Requirement

TL Reserve is the amount of prepayments placed in reserve on a quarterly basis. For FMS purchasers with an FRB account, the TL Reserve is maintained in their FRB account, provided sufficient funds are on deposit in the FRB to cover the TL reserved amount. Otherwise, the FMS purchaser's Trust Fund TL Reserve Account will be utilized. The TL Reserve is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services, administrative surcharges, or accessorial charges). For procedures related to the TL Reserve, see SAMM, Appendix 10.

5.6 Contractor Request for Progress Payments and Reimbursement of Costs

Contractor Request for Progress Payments and Reimbursement of Costs Under Contracts Including FMS Requirements. For procedures related to contractor allocations, allocation of payments on contracts, and contract payment offices, see SAMM, Appendix 10.

5.7 Deposit of Purchaser Cash Into Treasury Accounts

For procedures related to wire transfers and checks, see SAMM, Appendix 10.

5.8 EA

EA is an FMS country-level authority, which allows payments to be made against obligations previously recorded against a country's trust fund account. EA is the formal segregation of trust fund cash in the FMS Trust Fund, making the cash no longer available for any other purpose.

5.8.1. Cash Advances. A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. The amount requested must be equal to anticipated disbursing demands for a 30-calendar-day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the trust fund.

5.8.2. Cash Flow Problems. DFAS SCA notifies the DSCA Country Financial Director when sufficient, unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in subparagraph 5.1.2.2.

6.0 SC CASE FILES

6.1 Case File Documents Policy

This section establishes policy to maintain documents for case files and is designed to facilitate uniform standards for maintaining case files to ensure that all necessary documentation is readily available and retrievable by the appropriate activities. This policy applies to all case files, regardless of storage media (i.e., electronic or hard copy).

6.2 National Archives and Records Administration (NARA)

Within the Federal Government, NARA is responsible for promulgating procedures for the disposal of all USG records. The NARA Records Management Program provides guidance and assistance for the management and disposition of Federal records in the General Records Schedules (GRS).

6.3 DoW Records Management Program

The DoW Records Management Program outlines records management policy and responsibilities. Within DoW, there are 26 Records Management Programs, each with an appointed Federal Agency Records Officer, Records Management Manual, Instruction or Regulation, and Records Disposition Schedules (RDS). DoW's RDS must comply with NARA guidelines and may include additional financial records used in DoW business operations that are not listed in the NARA GRS. For procedures related to records management, see SAMM, Appendix 10.

6.4 Concepts and Requirements

6.4.1. For procedures related to management and maintenance of case files, see SAMM, Appendix 10.

6.4.2. Each DoW Component, IA, and the DFAS, in its role as an accounting service provider, is responsible for maintaining its respective portion of the case file as required in section 3.0.

6.5 Uniform Case Documentation

For procedures related to case documentation requirements and case documentation maintenance and disposition, see SAMM, Appendix 10.

7.0 FMS PRICING

This section provides policy for articles, services, and training and to ensure the DoW Components engaged in SC uniformly and consistently apply pricing methodologies that recoup current period costs and a reasonable contribution to nonrecurring Research, Development, Test, and Evaluation (RDT&E) and production costs. Nonrecurring RDT&E and production costs represent historical decisions to expend RDT&E funds to develop new equipment or to purchase assets or facilities. FMS customers benefit from the investment decision, although it is based entirely on DoW requirements when they purchase related equipment or when the use of the assets and facilities is necessary to provide ordered services or to deliver ordered material.

7.1 Responsibilities

7.1.1. Price Establishment. The DoW Components that sell defense articles or services under FMS LOAs must:

7.1.1.1. Ensure defense articles and services provided to foreign partners are priced in accordance with the policies established in this section; and

7.1.1.2. Establish a single selling price for defense articles and services. A single selling price includes the additional charges for nonrecurring RDT&E and production costs, costs for recurring procurement support efforts, transportation costs when the use of DoW transportation is approved, and other applicable surcharges.

7.1.2. For procedures related to additional price information, transportation of material, case management, and buy-backs, see SAMM, Appendix 10.

7.2 Estimating Prices and Billed Values for an LOA

7.2.1. FMS pricing policy for an LOA stipulates how costs are determined when the FMS purchaser is billed and establishes how to develop a price estimate. An essential difference between the billed price and the estimated price on an offer is the degree of certainty associated with each pricing method. 22 U.S.C. § 2751 states that foreign military sales are approved only when they are consistent with the foreign policy interest of the United States and the purpose and principles of the United Nations Charter.

7.2.2. Per 22 U.S.C. § 2761(a)(1), the President may sell defense articles and defense services from the stocks of the DoW and the Coast Guard to any eligible country or international organization if such country or international organization agrees to pay in U.S. dollars for specific instances. For a list of such countries and international organizations, as well as a list of charges applicable to the Sale of War Articles or Services, see SAMM, Appendix 10.

7.2.3. For procedures related to LOA values and FMS billing values, see SAMM, Appendix 10.

7.3 Accessorial Costs

Accessorial Costs represent certain expenses incidental to issues, sales, and transfers of material that may or may not be included in the standard price or contract cost of material. The various types of accessorial costs that may be applicable to FMS shipments include packing, crating, and handling (PC&H); transportation; port loading and unloading; and staging.

7.3.1. PC&H. PC&H includes the costs incurred at DoW facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary material release confirmation documents. For procedures related to PC&H costs and rates, see SAMM, Appendix 10.

7.3.2. Transportation. Transportation costs include DoW-supplied or DoW-financed transportation (land, air, inland and coastwise waterways) within and outside the U.S. and overseas transportation by vessel or air. This includes parcel post via surface or air. For procedures related to Non-DWCF, DWCF, and pricing transportation, see SAMM, Appendix 10.

7.3.3. Port Loading and Unloading Costs. Port loading and unloading costs include DoW-supplied or DoW-financed labor, materials, or services for loading, unloading, and handling at ports of embarkation or debarkation.

7.3.4. For procedures related to staging costs, see SAMM, Appendix 10.

7.4 FMS Administrative Surcharges

FMS Administrative Surcharges must be added to all FMS cases (unless waived pursuant to legal authority, see SAMM 9.6.1.) to recover DoW expenses. SAMM C9.T4 gives further guidance on the current FMS administrative surcharges and how they are applied. For procedures related to standard FMS administrative surcharges, DoW component administrative expenses, FMS administrative surcharge on cases closed at reduced or no value, and waived FMS administrative surcharge, see SAMM, Appendix 10.

7.5 Logistics Support Charge (LSC)

For procedures on charges for LSC, see SAMM, Appendix 10.

7.6 Program Management Services

For procedures related to level of service and cost allocation, see SAMM, Appendix 10.

7.7 CLSSA

For procedures related to CLSSA management, general pricing, FMS administrative surcharges, storage costs, normal operating inventory loss, unusual inventory loss, obsolete material, and purchaser equity, see SAMM, Appendix 10.

7.8 Storage, Repair, or Modification of Purchaser Owned Material

For procedures related to storage, repair, or modification, FMS administrative surcharge, and special instructions applicable to DWCF activities, see SAMM, Appendix 10.

7.9 Use or Expansion of DoW Facilities and Equipment for FMS

7.9.1. All costs of construction, or expansion of facilities, desired by and for the exclusive use of the foreign government must be financed and funded by the foreign government. Charges by the USG for labor, material, or services must be reimbursed in accordance with the provisions of paragraphs 7.14 and 7.19. Any expansion of facilities or equipment required for DoW use, which may also be available for FMS, must be funded through the normal DoW budget process.

7.9.2. For procedures related to reimbursement of proportionate share, work at DoW test facilities and laboratories, and Embedded Computer Software (ECS) facilities, see SAMM, Appendix 10.

7.10 Costs Allocable for Jointly Used Facilities.

For procedures related to joint use of office or storage space and joint use of satellites, see SAMM, Appendix 10.

7.11 Periodic Review and Rates/Surcharge Revision

Procedures related to periodic rate reviews and rate revision, see SAMM, Appendix 10.

7.12 FMS Cost Recoupment Waivers and Exclusions

7.12.1. A cost recoupment waiver is the exercise of legal authority to partially or totally waive the recoupment of incurred costs. A cost recoupment waiver is not an exception to the pricing policy.

7.12.2. Waiver of NC Recoupment Charges

7.12.2.1. 22 U.S.C. § 2761(e)(2)(A) authorizes the President to reduce or waive the NC recoupment charge or charges, which would otherwise be considered appropriate under 22 U.S.C. § 2761(e)(1)(B) for particular sales that would, if made, significantly advance USG interest in North Atlantic Treaty Organization (NATO) standardization; standardization with the Armed Forces of Japan, Australia, the Republic of Korea, Israel, or New Zealand, in furtherance of the mutual defense treaties between the U.S. and those countries; or foreign procurement in the U.S. under coproduction agreements.

7.12.2.2. 22 U.S.C. § 2761(e)(2)(B) authorizes the President to waive NC recoupment charges for a particular sale if it is determined that: (a) imposition of the charge or charges likely would result in the loss of the sale; or (b) the waiver of the charge or charges for MDE would result in savings to the U.S. that substantially offset the revenue due to this waiver.

7.12.2.3. 22 U.S.C. § 2761(e)(2)(C) gives the President the authority to waive, for particular sales of MDE, any increase in a charge or charges previously considered appropriate under 22 U.S.C. § 2761(e)(1)(B). This authority is given if the increase results from a correction of an estimate (reasonable when made) of the production quantity base that was used for calculating the charge or charges for purposes of such paragraph.

7.12.2.4. The authority to waive NC recoupment charges has been delegated to the Director, DSCA. All waiver requests must be coordinated with the Office of the Under Secretary of War (OUSW) for Policy (P) for loss of sale, and OUSW(Comptroller).

7.12.3. Special Waiver Authority for NATO Airborne Warning and Control System (AWACS). Notwithstanding subparagraph 5.4.1, 10 U.S.C. § 2350e authorizes the SecWar in carrying out the NATO AWACS program to:

7.12.3.1. Waive reimbursement for the costs of the following functions performed by personnel other than personnel employed in the U.S. Air Force AWACS program office: Auditing; quality assurance; codification; inspection; contract administration; acceptance testing; certification services; and planning, programming, and management services;

7.12.3.2. Waive any surcharge for administrative services otherwise chargeable; and

7.12.3.3. Assume contingent liability for: (1) any program losses resulting from the gross negligence of any contracting officer of the U.S.; (2) identifiable taxes, customs duties,

and other charges levied within the U.S. on the program; and (3) the U.S. share of unfunded termination liability.

7.12.4. Waiver of CAS and Cataloging Services

22 U.S.C. § 2761(h) authorizes the President to provide (without charge) quality assurance, inspection, CAS, contract audit defense services, cataloging data, and cataloging services. For a list of scenarios where 22 U.S.C. 2761 applies, see SAMM, Appendix 10.

7.12.5. Special Waiver Authority for NATO Cooperative Projects

7.12.5.1. 22 U.S.C. § 2767(e)(1) stipulates that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under 22 U.S.C. § 2761(e) (see subparagraph 13.1.2) for sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

7.12.5.2. Waiver authority of the President under 22 U.S.C. § 2767 has been delegated to the Director, DSCA.

7.12.5.3. For procedures related to administrative surcharges, exclusions of Cost of Military Pay and Entitlements, exchanges of unit training and related support, and fair pricing, see SAMM, Appendix 10.

7.12.6. Special Authorities In accordance with the administration of the European Air Defense Agreements, the SecWar is authorized under the International Security and Development Cooperation Act of 1985, Section 132 (see 22 U.S.C. § 2767(e)) to (1) waive any surcharge for administrative services otherwise chargeable under 22 U.S.C. § 2761(e)(1)(A); and (2) waive any charge not otherwise waived for services associated with contract administration for the sale (under the AECA) of Patriot Air Defense Missile Fire units to the Federal Republic of Germany contemplated in the agreements.

7.13 Exception to Pricing Policies

For procedures related to pricing policy exceptions, see SAMM, Appendix 10.

7.14 Cash Sales of War Articles Issued from Stock

For procedures related to sale of defense articles, excess defense articles, quotation of firm prices, and returns, see SAMM, Appendix 10.

7.15 Cash Sales of War Articles and Services from Procurement for Direct Delivery and New Production

For procedures related to cost principles, nonrecurring RDT&E and nonrecurring production costs, CAS costs incurred in support of new procurements for FMS, CAS costs incurred in support of foreign country commercial contracts, costs for Government Furnished Material (GFM), other DoW-funded services in support of FMS procurements, customization costs, items to be replaced by later production, production by foreign governments, recoupment of interest penalties due to the Prompt Payment Act, and price codes, see SAMM, Appendix 10.

7.16 Leasing of War Articles

For procedures related to the pricing of leased defense articles and replacement costs, see SAMM, Appendix 10.

7.17 Technology Transfer

For procedures related to Technical Data Packages (TDPs) and pricing of TDPs, see SAMM, Appendix 10.

7.18 Publications

For procedures related to publication terms, publication/software pricing factors, development of per-copy selling prices, and other applicable costs, see SAMM, Appendix 10.

7.19 FMS Pricing of Personnel Services

For procedures related to pricing civilian personnel, Military Personnel (MP), foreign national personnel, travel and living allowances, and special instructions applicable to DWCF, see SAMM, Appendix 10.

7.20 Training of International Students

For procedures related to international student training price exceptions, see SAMM, Appendix 10.

7.21 Standard Guidelines for Tuition-Based Training

For procedures related to types of training, courseware development, liability for damages, training obligations, annual publication of tuition rates, adjustments to tuition rates and training obligations, training cancellations, student costs, Field Studies Program (FSP), and Retainable Instructional Materials (RIM), see SAMM, Appendix 10.

7.22 Pricing of Tuition-Based Training

7.22.1. Cost Categories. The pricing of FMS training tuition rates falls under one of two costing schemes – full cost or incremental cost. Within each cost scheme, costs are segregated into three categories: direct costs, indirect costs, and other billable costs.

7.22.1.1. Direct Cost. A direct cost is any cost that is identified specifically with the training of a student. Direct costs also include directly associated costs that would not have been incurred had the other direct costs not been incurred (e.g., costs that are allocated on a specific measurable basis - cost per student week, cost per flying hour/sortie, costs per steaming hour, costs per range hour).

7.22.1.2. Indirect Cost. Indirect costs are costs of resources that are jointly or commonly used by all activities at an installation but are not specifically identifiable with any of the users. These costs are not directly related to training but instead are associated with a variety of activities and services.

7.22.1.3. Other Billable Cost. Other billable costs are those required by legislation or policy that are additive to the cost of training an international student (e.g., FMS administrative surcharge, FSP, attrition, and RIM.

7.22.2. For procedures related to pricing of personnel, pricing of full cost of training (tuition rates A and B), and pricing of additional cost training under SC and SA authorities (rates C, D, and E), see SAMM, Appendix 10.

7.23 Specialized/Dedicated Training Programs

A specialized/dedicated training program is a training program developed or provided solely for the training of international students (one or more countries).

7.23.1. When pricing specialized/dedicated training programs, full cost-pricing principles (refer to subparagraph 7.22.2) must be applied. Appropriate legislative authority and terms of the reciprocal pricing agreements between the United States and foreign partner must be taken into consideration. General guidelines for other types of training events are found in the SAMM Chapter 10.

7.23.2. For procedures related to specialized/dedicated training programs offered by the U.S. Army, Navy, and Air Force, personnel composition, inflation factors, start-up costs, direct costs, indirect costs, and other billable costs, see SAMM, Appendix 10.

7.24 Pricing of Training Teams

See SAMM, Appendix 10 for procedures related to pricing for training teams funded under various SC and SA programs.

8.0 BILLING AND REIMBURSEMENT

This section establishes the standard policies for use when DFAS, SCA Directorate bills foreign governments and international organizations (hereafter referred to as FMS purchasers) for costs related to defense articles and services sold pursuant to the Arms Export Control Act (AECA) under the FMS program (note: AECA starts on page 427 of Legislation on Foreign Relations, Volume 1-A); the DoW Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority; and the DoW Components request reimbursement from the other DoW Components for costs associated with inter-service support of FMS cases.

8.1 Responsibilities

For procedures covering responsibilities of DSCA, DFAS, IAs, and supporting DoW components, see SAMM, Appendix 10.

8.2 FMS Billing Statement

For procedures related to billings for cases with payment upon delivery, case final statements, and FMS delivery listings, see SAMM, Appendix 10.

8.3 FMS Purchaser Requests for Billing and Supply Adjustments

Procedures related to adjustment reply codes and reply listings, see SAMM, Appendix 10.

8.4 IA Performance Reports or Requests for Reimbursement

For procedures related to reporting deliveries, interfund transfers, and DFAS SCA computations, see SAMM, Appendix 10.

8.5 Transportation Cost Look-Up Table

The purpose of the Transportation Cost Look-Up table is to provide DoW Components with estimated transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. This table is in the SAMM, Appendix 2, and is used to compute an estimate of the actual transportation costs for the items listed.

8.6 Billing for Specific Costs

For procedures related to actual administrative costs, actual FMS CAS costs, actual transportation costs, and actual PC&H, see SAMM, Appendix 10.

8.7 Supporting DoW Component Performance Reports/Requests for Reimbursements

For procedures related to processing requisitions, see SAMM, Appendix 10.

8.8 Performance and Delivery Reporting

For procedures related to pertinent DFAS reports, Reject Codes, and reconciling reports, see SAMM, Appendix 10.



DEPARTMENT OF WAR

FINANCIAL MANAGEMENT REGULATION

VOLUME 16: "DEBT MANAGEMENT POLICY"

UNDER SECRETARY OF WAR

(COMPTROLLER)

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VOLUME 16:

DEBT MANAGEMENT POLICY

1.0 GENERAL

1.1 Overview

This volume provides an overview of the policies and requirements for collection and management of debt owed to the DoW by any person, organization, or entity (to include civilian employees, Service members, retired personnel, foreign entities, and contractors). It does not provide policy and requirements for collection and management of debt owed by another Federal agency. Debt Collection Offices (DCO) must follow this volume's policy in the collection of public debts owed to the DoW. This volume also specifically provides policy and requirements pertaining to the submission and processing of petitions for hearings or requests for review in order to dispute debt owed by individuals, as well as waiver and remission/cancellation applications. Furthermore, this volume establishes policy and requirements for the DoW Components for the accounting and reporting of interest, penalties, and administrative charges on delinquent debts and debts repaid via installment agreement or salary offset.

1.2 Purpose

Volume 16 establishes the financial management policy for the collection and management of debt owed to the Department of War by any person, organization, or entity. It states the binding policy only; procedures, implementation guidance, definitions, and data tables reside in the companion documents identified below.

1.3 Authoritative Guidance

Refer to the authoritative guidance document on the FMR webpage.

1.4 Definitions

Refer to the Glossary of terms document on the FMR webpage.

1.5 Procedures

Refer to the Supplemental document listed throughout this volume.

2.0 GENERAL PROVISIONS FOR DOW DEBT MANAGEMENT

2.1 Overview

2.1.1. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoW by any person, organization, or entity except another Federal agency. Policy and requirements regarding debts owed to the DoW by Federal agencies, as well as requirements for recording and reporting accounts receivable, are contained in Volume 4.

2.1.2. This volume does not establish policy for billing and collecting for non-Foreign Military Sales (FMS) fuel debts, foreign fuel exchange agreement debts, foreign direct bills, or FMS fuel debts. Unpaid debts related to fuel agreements, to include Replacement-in-Kind/Equal Value Exchange settlements, foreign direct bills, and FMS, should be billed and elevated through the Defense Logistics Agency - Finance Energy (paragraph 7.2 is not applicable).

2.1.3. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures. For additional information on what this volume does and does not pertain to, review the DFAS Procedures, Guidance, and Instructions (PGI).

2.1.4. Payments of amounts owed to DoW by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

2.1.5. Volume 16 must not be interpreted in a manner that would impair DoW's ability to collect debts under common law using any available statutory authority.

2.1.6. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts 900-904) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoW's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to 31 CFR 900.7-900.8.

2.2 Debt Management Program

2.2.1 Each DoW Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoW Components must clearly designate the DCOs responsible for recovery and collection of debts within the Component. Components must recover debts promptly, using a strategy determined to result in the maximum recovery of debt. DoW Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, per Volume 16 and applicable U.S. Department of the Treasury regulations and guidance. DoW Components must

establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

2.3 Debt Prevention and Monitoring

2.3.1. DoW Components must institute procedures and assign responsibility to designated personnel (including contractors and vendors), as necessary, to ensure that appropriate personnel and organizations (personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could result from an employment or other financial or contractual relationship between DoW and the debtor. DoW Components must maintain continuous communication and follow up to prevent indebtedness from remaining unresolved for an extended period.

2.3.2. DoW officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.

2.4 DCOs must share information concerning debtors. DCOs must cooperate with each other and with other Federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate collection of delinquent debts owed by current and former DoW civilian employees and military members, as well as other debtors.

2.5 DoW officials, including contracting officers, contractor/vendor pay offices, disbursing officers, and AROs, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency's financial statements.

2.6 The DCO must document all debt collection activities, including how the debt was established, due-process procedures, installment payment plan agreements, collection activity, and the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. The DCO should retain documentation in individual debtor files and provide it to the office responsible for recording and reporting the related accounts receivable.

2.7 DoW Components must use automated debt collection and reporting systems to the extent feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end state of debt management through incorporation of Services' and Agencies' ERP systems. Components must use these systems to the fullest extent possible in compliance with the DDMG.

2.8 Internal Controls

2.9 DoW Components involved in the collection and management of debts owed to the DoW must adhere to the basic internal-control standards prescribed in DoW Instruction 5010.40, "Managers' Internal Control Program Procedures." DoW Components will establish and maintain internal controls to ensure that debts owed to DoW are recorded, reported, managed, and aggressively collected.

2.10 Major categories of receivables must be maintained to facilitate clear and full disclosure (disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be reconciled to the control accounts at least monthly. DoW Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Section 3 for guidance on recording and reporting accounts receivables.

3.0 GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DOW

3.1 DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoW and must complete follow-up actions to ensure successful repayment to the DoW. DCOs may use Treasury-designated debt collection centers to pursue collection. For additional information, refer to Fiscal Service's Centralized Receivables Service.

3.2 Statute of Limitations for Collecting Debts

3.2.1. The DoW may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoW. Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. In accordance with 28 U.S.C. § 2415, the statute of limitations for filing a lawsuit to pursue debt collection is generally the later of 6 years from the date the right of action accrues (date of delinquency), or 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals. For additional guidance on referring debts to DOJ for litigation, refer to section 13.0.

3.2.2. Time Limit for Collection by Administrative Offset. Section 14219 of P.L. 110-246 amended 31 U.S.C. § 3716(e) to eliminate the 10-year statute of limitations on collection by administrative offset. In 2016, Section 671 of P.L. 114-328 amended 37 U.S.C. § 1007 and provided a new statute of limitation for the collection of certain debts incurred on or after December 23, 2016, by a member of the uniformed services. As a result, time limits on the collection of debts differ for civilians and members of the uniformed services. Reference the DFAS Implementation Guidance for further instruction.

3.3 Nothing in this volume precludes the DoW from demanding the return of specific Government-furnished property or payment of the value of the property.

3.4 Recovery Tools for Debts

3.4.1. Common Debt Collection Methods Used

3.4.2. Whenever possible, the DoW should collect a debt in a single lump-sum payment from the debtor. A debtor may request to pay by installment agreement or may permit the withholding (offset) of funds payable to the debtor by the United States. Voluntary repayment by direct remittance or offset is the preferred method for collecting debts.

3.5 Due Process

3.5.1 In the context of Federal debt collection, the constitutional right of "due process" requires an agency to provide debtors with written notice of the debt and an opportunity to dispute the debt. Due process is required prior to an involuntary salary offset (5 U.S.C. § 5514) or administrative offset (31 U.S.C. § 3716). Except under certain limited circumstances, debtors must receive due process prior to the initiation of debt collection. Written debt notifications must adhere to the requirements at section 5.0. The requirements for disputing a debt are set out in Section 4.

3.5.2. Due-process requirements do not preclude a debtor from repaying the debt before or during due process, and such payment does not waive any due-process right. A debtor may repay at any time after receiving the initial notification of indebtedness, the DCO's reconsideration or review results, a hearing official's determination, or a decision on a request for waiver or remission of the overpayment. Repayment may also be accepted while any of these actions are pending. If payment is received and the debt is later determined invalid, a full or partial refund (including interest and fees) may be necessary depending on the circumstances.

3.6 Requirements for Routine Pay Adjustments

3.6.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances from Federal employees and Service members through routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. The debtor must be provided with a written notice of the nature and the amount of the adjustment, as well as a point of contact for questions regarding the adjustment, by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. Notice of the routine adjustment is typically provided on the debtor's leave and earnings statement.

3.7 Debt Notification Letter

3.7.1 General Requirements for Debt Notification Letter. The FCCS requires the issuance of one debt notification letter to the debtor. This letter must include the due process notification requirements listed in the Fiscal Service's, "Managing Federal Receivables," Appendix 8. The

requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 CFR 550.1104(b) and (d), 31 CFR 901.2, and 31 CFR 285.7(d)(4).

3.7.2 When to Issue a Debt Notification Letter

3.7.3. DCOs must issue the initial debt notification letter to the debtor within 5 working days after final confirmation of the existence and validity of the debt, the basis of indebtedness, and the amount of the debt. Only one due-process debt notification must be issued. DCOs may issue additional demand-for-payment letters at 30-day intervals after the initial debt notification letter when the DCO deems it appropriate.

3.7.4. DCOs must ensure the debt notification letter is dated the same day it is mailed, via the U.S. Postal Service (USPS), to the debtor's last known address, or hand-delivered to the debtor. The DCO must retain a copy of the debt notification letter in the debtor's file. Salary or administrative offset may begin only after due process has been provided. A DCO may issue a written demand for payment before the more formal due-process debt notification letter; a demand for payment is an abbreviated written request for voluntary repayment and is not sufficient notice of due process. A demand for voluntary repayment may be issued electronically, while the formal debt notification must be delivered by USPS.

3.7.5 Sample debt notification letters are available at Exhibit 2-1 (DFAS Civilian Pay DCO) and Exhibit 2-2 (Military Pay DCO). DCOs outside DFAS may modify the sample letter as needed; however, all debt notification letters must contain the following information.

3.7.6. The debt notification must include an explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.

3.7.7. Request for Lump-Sum Payment. A request for a lump-sum payment is a request that the debt be repaid in a lump sum by check, money order, or electronic funds transfer.

3.7.8. The payment due date is the date by which payment must be made to avoid incurring interest, penalties, administrative (IPA) fees, and enforced collection. The due date must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, or another notice of indebtedness. A due date more than 30 days out may also be allowed based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).

3.7.9. The debt notification must include a statement that, if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), the debtor may do so by submitting a written request for review or hearing petition. See Section 4 to determine whether the debtor is eligible for a hearing or review. The notification must

advise the debtor of the method and period for filing the request, typically 30 days from the date of the debt notification letter. It must also state that timely filing of a request for review or hearing petition stays the beginning of collection proceedings and that interest and penalty charges will not be collected until and unless a determination is issued in favor of collection. This process does not apply to contractor debts; for the contractor debt dispute process, refer to Section 5.

3.7.10. The debt notification must advise the debtor that, if a review or hearing is granted, the debtor has the right to a written decision from the reviewer or hearing official within 60 days after filing the request for review or hearing petition. For a hearing, the hearing official may grant a request to delay the proceedings.

3.7.11. The debt notification must advise the debtor of the right to inspect and copy the DoW records relating to the debt.

3.7.12. The debt notification must advise the debtor of the opportunity to set up a voluntary repayment schedule through an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.

3.7.13. If applicable for individual debtors, the debt notification must include a statement on the right to request a waiver or remission of the indebtedness per the applicable statutory authority for waiving or remitting a debt. Detailed waiver application instructions may be provided to the debtor online.

3.7.14. The debt notification must include a statement that, if the DCO cannot collect a debt, other collection methods may be used, such as referral to a private collection agency, reporting to a credit bureau, garnishment of non-Federal wages, or referral to DOJ for litigation. The notice must inform the debtor that debts delinquent more than 120 days must be transferred to Treasury for collection, and in some cases sooner. Components that follow the Enterprise Delinquent Debt Management Guidance must refer delinquent debts older than 90 days to the Fiscal Services Debt Management Services for further collection action where appropriate.

3.7.15. The debt notification must include a statement that any portion of a debt remaining at separation may be collected from the debtor's final pay and allowances.

3.7.16. The debt notification must contain a statement explaining the requirements under 31 CFR 901.9 to assess interest, penalties, and administrative charges, including:

3.7.16.1. An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable (refer to the Definitions Section for a definition of date of delinquency). Include a statement indicating that the interest rate will be calculated pursuant to 31 CFR 901.9;

3.7.16.2. An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the DCO will assess administrative costs for the processing and handling of the delinquent debt; and

3.7.16.3. An explanation that if the debt is delinquent for more than 90 days, then the DCO will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.

3.7.17. The debt notification must include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact about the debt.

3.7.18. The debt notification must provide the address where payment is mailed or delivered (including Pay.Gov or EFT instructions, where applicable) and state that the check, money order, or wire transfer must be made payable to Treasury.

3.7.19. The debt notification must state the consequences of knowingly providing false or frivolous statements, representations, or evidence, which include:

3.7.19.1. Disciplinary procedures for Federal employees under 5 U.S.C. Chapter 75, 5 CFR 752, or any other applicable statutes or regulations;

3.7.19.2. Penalties under the False Claims Act (31 U.S.C. §§ 3729-3733) or any other applicable statutory authority; or

3.7.19.3. Criminal penalties under 18 U.S.C. §§ 286-287, and 18 U.S.C. §§ 1001-1002, or any other applicable statutory authority.

3.7.20. The debt notification must include a statement that the debtor is responsible for notifying the DCO if the debtor files or has filed for bankruptcy.

3.7.21. The debt notification must include a statement that amounts paid or deducted for the debt that are later waived or found not owed to the Government will be refunded promptly to the debtor, unless prohibited by law.

3.7.22. Tax Filing. Provide notice that for joint income tax filers, the spouse should file Internal Revenue Service (IRS) Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

3.7.23. Where applicable, the debt notification must state the DCO's intent to collect a Federal employee's debt by payroll deduction (salary offset) if payment is not received within 30 days, and must identify the amount, frequency, proposed beginning date, and duration of the deductions.

3.8 When a debtor has previously been provided due process for a debt, the DCO need not duplicate due-process requirements before initiating administrative offset for the same debt, except as provided under 31 U.S.C. § 3716(e). DCOs must implement salary or administrative offset as funds become due and payable to a debtor.

3.9 Responding to Debtor Inquires

The DCO should respond promptly to debtor questions, normally not later than 30 days after receiving the debtor's correspondence. The DCO must provide copies of relevant documents the debtor requests.

3.10 Voluntary Repayment of Indebtedness

3.10.1 Lump-sum repayment in full is the preferred collection method. DCOs must encourage debtors to repay by lump-sum payment through EFT (for military personnel and contractors), personal check, money order, or Pay.Gov. Lump-sum collection by offset from current pay or salary cannot exceed the percentages in subparagraph 9.2.3 or any other applicable regulation, unless the debtor voluntarily agrees.

3.11 Voluntary Repayment by Installment

3.11.1. If the Component determines the debtor is financially unable to pay a debt in a lump sum, the DoW may accept voluntary repayment in regular installments rather than proceed with involuntary salary or administrative offset. Installment agreements must be in writing as specified in paragraph 8.2. DCOs must include a copy of a voluntary repayment agreement in the debt notification issued to the debtor. Refer to Exhibit 2-1 and Exhibit 2-2 for a sample agreement.

3.11.2. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. Installment payments should be at least $50 per month unless the debtor proves financial hardship. Payments should be sufficient to liquidate the debt in 3 years or less, though more time may be appropriate based on the size of the debt and the debtor's ability to repay. An installment plan is typically appropriate only if the total debt is at least 5 percent of the individual's annual disposable pay. Unless the debtor voluntarily agrees, installment payments from current pay or salary must not exceed the offset percentages in subparagraph 9.2.3.

3.11.3. Applying Receivables. When a receivable is collected by installment payment, apply amounts received first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are defined as administrative costs resulting from fees paid by one Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from the debtor.

3.12 Considering and Processing Installment Agreements

3.13 Installment Payment Agreement Terms

3.13.1. Individual Debtors. If the DCO determines a proposed repayment agreement from an individual debtor is unacceptable, the DCO must notify the debtor in writing. The debtor then has 30 days from the date of the written notice to request a special review by the DCO or file a petition for a hearing (or review for military members) to contest the repayment schedule under Section 4, sections 3.0 or 6.0.

3.13.2. Contractor/Vendor Debtors. The DMO must obtain consent from the creditor DoW Component's senior financial manager or designee before denying a contractor's request for an installment agreement. Refer to Section 5 for additional contract debt guidance.

3.14 Installment Payment Delinquency. If a debtor does not make an installment payment by the due date, the entire balance of the debt becomes delinquent from the due date of the missed payment. A debt being repaid under an installment plan is not delinquent if payments under the installment agreement are current. Interest will be assessed on a debt being paid by installment until the debt is paid in full. Penalties may be assessed on any portion of the debt that is outstanding for more than 90 days.

3.15 Involuntary Collection of Debt by Salary and Administrative Offset

3.15.1 General. When a debtor does not pay a debt voluntarily, agencies have the right to offset monies otherwise owed to a debtor in order to extinguish a debt. Where specific statutory authority exists for the collection of a particular debt by offset, the provisions of the statute and its implementing regulations must be used in determining the applicable collection procedures (for example, specific statutory authority exists under 5 U.S.C. § 5705, 5 U.S.C. § 5512, 10 U.S.C. § 2775, and 37 U.S.C. § 1007). However, when a more specific statute does not exist, DCOs must use the general collection authority under 5 U.S.C. § 5514 for salary offset from the current pay of individuals employed by the DoW, or 31 U.S.C. § 3716 (covered in paragraph 9.3) for administrative offset of other payments from the Government that are due a debtor. Refer to Section 3 for more specific instructions on involuntary collection of debt for Service members and civilians.

3.15.2 DCOs may initiate salary offset to collect indebtedness by installment deductions under 5 U.S.C. 5514 for debtors receiving pay from the DoW. This statute authorizes involuntary collection from the current pay or salary accounts of Service members, DoW civilian employees, and Nonappropriated Fund Instrumentality (NAFI) employees. Use 5 U.S.C. 5514 as the salary-offset authority when offset is not authorized or required by a more specific statute. If the debtor is not currently employed by the DoW and owes a DoW debt, the DCO must forward the debt to the DCMO for collection by administrative offset under paragraph 9.3. If the debtor is a separated

Service member and the debt is not subject to salary offset, the DCO must forward the debt to the DCMO for administrative offset under paragraph 9.3.

3.15.2.1. When a debtor has failed to pay the debt in one lump sum, has not agreed to a voluntary one-time payroll deduction, or has not entered an installment agreement, the DCO must recover the debt by involuntary salary offset. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process per section 4.0 and either did not exercise the rights listed in the debt notification letter or, having exercised one or more, was determined to be indebted.

3.15.3. The following debts are not authorized for collection by salary offset:

3.15.3.1. Collection of debts to private creditors, except as authorized by P.L. 103-94, Hatch Act Reform Amendments of 1993;

3.15.3.2. Contributions to charities;

3.15.3.3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;

3.15.3.4. Payment of dues to civic, fraternal, or other organizations; or

3.15.3.5. Collection of state and local/city tax indebtedness.

3.15.4. Disposable pay is the current pay remaining after any legally required deductions from earnings are withheld (see 5 CFR 550.1103 for the definition). All involuntary salary offset under 5 U.S.C. 5514 is limited to a maximum of 15 percent of the debtor's disposable pay unless the debtor gives written consent to a greater percentage. Involuntary salary offset is normally established at this maximum rate. If salary offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to a greater percentage, the DCO must refund the difference upon the debtor's request. DCOs should refer to 5 CFR 550.1103 for instructions on computing the disposable pay available for salary offset.

3.15.5. Debtor Disagrees With Amount to be Withheld. If the debtor contends that the rate of salary offset proposed, or already established by the DCO, would produce an extreme financial hardship, then in accordance with 5 U.S.C. § 5514, the debtor may:

3.15.5.1. Petition for a hearing with a hearing official to contest the amount of the salary offset (civilian debtors) within the timeframe noted on the debt notification. Military members whose debts are collected under 37 U.S.C. § 1007 may request a review of the repayment schedule by the DCO within the noted timeframe. Refer to Section 4 for guidance on hearing or review requests; or

3.15.5.2. Request a special review by the DCO of a proposed or established salary offset amount. The request must be based on the debtor's materially changed circumstances, such as catastrophic illness, divorce, death, or disability.

3.16 Collection by Administrative Offset Under 31 U.S.C. § 3716

3.16.1. Administrative offset under 31 U.S.C. § 3716 allows the Government to withhold or intercept funds from monies payable by the United States to a person, organization, or entity in order to satisfy a debt owed to the Government. Administrative offsets may occur against tax refund payments, salary payments, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments.

3.16.2. Exclusions. Administrative offset under 31 U.S.C. § 3716 does not apply to:

3.16.2.1. Offset against Federal salaries if the FCCS are inconsistent with regulations implementing salary offsets under 37 U.S.C. § 1007 or 5 U.S.C. § 5514;

3.16.2.2. Offset under 31 U.S.C. § 3728 against a judgment obtained by a debtor against the United States;

3.16.2.3. Offset or recoupment under common law, state law, or Federal statutes specifically prohibiting offset or recoupment of particular types of debts; or

3.16.2.4. Offset in the course of judicial proceedings, including bankruptcy.

3.17 Collection Under Common Law. Debts not subject to administrative offset under 31 U.S.C. § 3716 may still be collected by offset under the common law or another applicable statute.

3.17.1. If a DCO cannot collect a debt through salary offset under 5 U.S.C. 5514 (or another statute authorizing offset from pay) and the debtor has not paid in lump sum or by installment agreement, the DCO should refer the debt to the DCMO for administrative offset under 31 U.S.C. 3716. The DCMO offers debt management and collection assistance to DoW Components for delinquent debts owed to the DoW.

3.17.1.1. Due Process Requirements Prior to Administrative Offset Under 31 U.S.C. § 3716. Before initiating administrative offset under 31 U.S.C. 3716, a debtor must receive due process (notice of the debt and an opportunity for review). The DCO must complete all due process requirements under sections 4.0 and 5.0 before sending the debt to the DCMO for collection. If the debtor requested a hearing or review, the DCO must follow Section 4 before transferring the debt to the DCMO.

3.18 Additional Statutory Authority for Offset

3.18.1. Under 5 U.S.C. 5705, a Federal employee entitled to per diem or mileage allowances may receive a travel advance, and any amount not used for allowable expenses must be collected back. DCOs must inform debtors of the requirement for immediate repayment of unearned per diem and mileage advances at the time advances are made.

3.18.2. When collecting unused advanced per diem or mileage allowances, DCOs must give DoW debtors the opportunity to pay the amount due in a lump sum. If the debtor does not pay in a lump sum, salary or administrative offset must be made immediately against accrued pay, retired pay, travel reimbursement, or any other amount due the debtor from the United States. Hearings are not required before salary offset under 5 U.S.C. 5705, but DCOs must give the debtor a notice of the debt and must informally reconsider or review the debt on the debtor's request. If no amount is available for salary offset and the debt must be collected by administrative offset, the DCO must follow the requirements for administrative offset under 31 U.S.C. 3716.

3.18.3. Offset From a Service Member’s Pay for Damage to Military Housing Under 10 U.S.C. § 2775. Under 10 U.S.C. 2775, a debt may be collected from a Service member's pay for the cost of repair, replacement, or cleaning of military housing necessitated by abuse or neglect by the member. Debtors are not entitled to a hearing for debts collected by administrative offset under this statute, but DCOs must give the debtor a notice of the debt and must reconsider or review these debts on the debtor's request. If no amount is available for salary offset and the debt must be collected by administrative offset, the DCO must follow the requirements for administrative offset under 31 U.S.C. 3716.

3.18.4. Offset from a Member’s Pay for Administratively Determined Debts Under 37 U.S.C. § 1007. Under 37 U.S.C. 1007, a debt administratively determined to be owed to a DoW Component by a Service member may be collected by offset from the member's pay.

3.18.5. Administrative Offset to Recover Public Funds Under 5 U.S.C. § 5512. Under 5 U.S.C. 5512, administrative offset is authorized against the pay of an accountable official in arrears to the DoW for all sums for which the official is liable, when the debt results from being held liable for a loss of funds. DCOs must withhold the pay of individuals in arrears to the DoW until the debtor has paid all sums for which the debtor is liable.

3.19 Cooperation With Other Government Agencies

3.19.1. If a non-DoW Federal agency determines a debtor works for a DoW agency, then the non-DoW agency may submit a request directly to the DoW for administrative offset from the debtor’s pay. The non-DoW Federal agency is responsible for determining the validity and amount of the debt. The DoW is not authorized to determine the merits of the debt for which administrative offset is requested. Refer to Volume 8, Section 8 for additional guidance regarding these debts.

3.20 Reporting Debt to Credit Bureaus

3.20.1 Authority to Report Debts. The DCMO (or other DCO as appropriate) must implement procedures for reporting delinquent debts to credit bureaus and other automated databases per the Treasury "Guide to Federal Credit Bureau Reporting." Reporting of any non-delinquent debt must comply with the Bankruptcy Code and the Privacy Act of 1974 (5 U.S.C. 552a). Per 10 U.S.C. 2780(b), debts incurred by Service members must not be reported to credit bureaus while a decision on waiver or remission/cancellation of the debt is pending, unless the Secretary concerned determines that disclosure pending the decision is in the best interest of the United States. Refer to the PGI for information on reporting delinquent debts to credit bureaus.

3.20.2 Maintenance of Debt Records. DCOs must retain records for debts reported to credit bureaus in accordance with guidelines of the National Archives and Records Administration General Records Schedule. Bankruptcy information can be reported for 10 years. The credit bureau will only maintain accurate, negative information on a credit report if it is less than 7 years old.

3.21 Referral to The Treasury

3.21.1. Treasury has broad collection responsibilities for delinquent debts. Unless otherwise authorized by law, pursuant to Treasury Financial Manual (TFM), Volume 1, Part 3, Chapter 5000, Federal agencies are required to refer eligible and legally enforceable debts more than 180 days delinquent to the Treasury Cross-Servicing Program for debt servicing. Agencies are also required to refer any debts more than 120 days delinquent to TOP for recovery by centralized administrative offset. Refer to 31 U.S.C. § 3711(g), 31 U.S.C. § 3716, and the PGI for information on referring debts to TOP.

3.21.2. Components that have implemented the DDMG processes must refer delinquent debt older than 90 days and greater than $25 to the DMS for further collection action where applicable. At the DoW Component's discretion, debts may be referred sooner to protect the DoW's interests.

3.21.3. In most instances, DCOs refer uncollectible debts to the DFAS DCMO for debt servicing first, and the DCMO refers the debts to Treasury for cross-servicing and to TOP. Only those DCOs with specific authority may refer delinquent debts directly to Treasury. Before making a referral directly to Treasury, a DCO must consider the DFAS DCMO debt program and procedures in Section 3 to determine whether referring the debt to DFAS first would offer more cost-effective service, debt management control, and reporting.

3.21.4. DoW Components that do not refer debts to one of the DCOs authorized to make referrals to Treasury must negotiate an agreement with Treasury for debt referrals.

3.22 Cross-Servicing

3.22.1. The DCO must complete all due process procedures before referring a debt to Treasury for cross-servicing. At least 60 days before a debt is referred to Treasury, the DCO must issue the debtor a debt notification that meets the requirements of paragraph 5.5.

3.22.2. Pursuant to Treasury's "Managing Federal Receivables," a debt is not eligible for referral to Treasury for cross-servicing if the debt:

3.22.2.1. Is not past due or legally enforceable;

3.22.2.2. Is owed by a debtor who has died;

3.22.2.3. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

3.22.2.4. Is owed by a Federal agency;

3.22.2.5. Is the subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed; or

3.22.2.6. Is less than $25 (including IPA costs).

3.22.3. A debt may be referred for cross-servicing, but is not required to be referred, if the debt:

3.22.3.1. Is in litigation, meaning the debt has either been referred to DOJ for litigation or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters;

3.22.3.2. Is in foreclosure, which means the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially;

3.22.3.3. Will be disposed of under an approved asset sale program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program;

3.22.3.4. Has been referred to a private collection contractor for a period acceptable to Treasury;

3.22.3.5. Is at a Treasury-designated debt collection center for a period acceptable to Treasury;

3.22.3.6. Will be collected under internal offset procedures within 3 years after the debt first became delinquent;

3.22.3.6. Is exempt from this requirement based on a determination by Treasury that exemption for a certain class of debt is in the best interest of the United States (the DoW may request that Treasury exempt specific classes of debts);

3.22.3.7. Is owed by foreign governments or a NAFI;

3.22.3.8. Is less than $100 and belongs to a debtor without a known TIN; or

3.22.3.9. Is otherwise exempt from the statutory referral requirement by law or official action of Treasury.

3.23 Referral to PCA

3.23.1 Authority to Use PCA. The DCMO is the designated DoW entity that may refer debts to PCAs.

3.23.2 Contracts for PCA Services. To minimize collection costs and avoid duplication, the agency should refer debts to Treasury for cross-servicing to obtain a PCA's services. Under 31 U.S.C. 3711 and the FCCS, an agency may refer a debt directly to a PCA by contract instead of through Treasury; to avoid double submission when a debt is also transferred to Treasury, the agency must make Treasury aware of the direct referral. Agency contracts with PCAs to locate delinquent debtors and recover delinquent debts must define the services and must conform to the following terms.

3.23.3. The DCO retains the final authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation. If the debt was referred to the PCA as part of Treasury's Cross-Servicing Program, then Treasury retains authority to compromise debts.

3.23.4. The PCA must not offer the debtor, as an incentive for repayment, the opportunity to pay the debt minus the PCA's fee, unless the DoW authorizes it in advance.

3.23.5 Debts referred to PCAs are not subject to the requirement to transfer debts to Treasury.

3.24 Referrals to the DOJ for Litigation

3.24.1. Unless an agency has specific statutory authority to litigate its own debts, an agency must refer debts to DOJ for litigation. Debts based on conduct in violation of antitrust laws or involving fraud, or the presentation of a false claim or misrepresentation on the part of the debtor, or any party having an interest in the claim, must be referred to DOJ for action. Before referring a debt to DOJ, the DCO should consult with its Office of General Counsel for guidance. Also, prior to referring a debt to DOJ, a DCO must take aggressive collection action in accordance

with this section for legally enforceable debts and ensure the debt cannot be compromised, suspended, or terminated. Refer to the PGI for additional guidance on referring debts to DOJ.

3.24.2. The Defense Security Cooperation Agency (DSCA) determines whether to forward a Foreign Military Sales (FMS) arrearage to DOJ for litigation. For guidance on referring FMS arrearage, refer to Section 6.

3.25 Debt Compromise, Suspension, and Termination

3.25.1. Under 31 U.S.C. 3711 and the FCCS, an agency keeps the authority to compromise, suspend, or terminate collection action. The DCO, DCMO, DMO, fund holder, or other entity involved in debt collection may prepare a request for compromise, suspension, or termination and submit it to the appropriate authority for approval. The approving authority may be DFAS, the DoW Component, DOJ, or Treasury depending on the debt amount. The referring office submitting the request must keep supporting documentation, and may take no further action on debts referred for approval. Refer to the DFAS Procedures Manual for additional information on processes and determining when to compromise, suspend, or terminate collection action.

3.25.2 Compromise

3.25.2.1. General. Compromise is the acceptance of less than the full amount of the debt in satisfaction of the entire amount of the debt. The debtor is released from liability on the full amount of the debt if the compromise amount is paid in full. The debtor (or debtor's representative) should submit offers of compromise to the agency in writing and should include all additional information requested by the approval authority. Refer to the DFAS Procedures Guide for information on approval authorities.

3.25.3 Suspension of Collection Action

3.25.3.1. General. Pursuant to 31 CFR 903, suspension of collection action is a determination by the agency to temporarily cease collection action. Refer to the DFAS Procedures Guide for information on approval authorities and 31 CFR 903.2 for a list of circumstances under which suspension may be considered.

3.25.3.2. Per 37 U.S.C. 1007(c)(4), if a Service member, through no fault of their own, incurs a wound, injury, or illness in the line of duty in a Presidentially or SecDef-designated combat operation or combat zone and is overpaid pay or allowances while recovering, the DCO must not collect the overpayment from the member's pay until the criteria in Section 3, subparagraph 3.5.3 are met.

3.25.3.3. Per 37 U.S.C. 1007(c)(3)(B), Service members subject to deductions from pay under that section may request a delay in the start of repayment. Before beginning salary offset, the DCO must consider the member's stated reasons, including the member's financial

ability to repay and the hardship that immediate collection would impose on the member and dependents.

3.26 Termination of Collection Action

3.26.1. Termination of collection action is a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, the agency should have pursued all appropriate means of collection and determined the debt is uncollectible.

3.26.2. Termination ceases active collection, but an agency may still pursue passive collection action (for example, when the debt remains secured by a judgment lien or lien interest, or is being collected through TOP). Termination results in the removal of the debt from the active collection files. Termination does not preclude the agency from retaining a record of the account. Refer to the DFAS Procedures Guide for approval authorities. Refer to 31 CFR 903.3 for circumstances under which termination may be considered. Refer to Volume 4, Section 3 for guidance on writing off debts upon termination of active collection.

3.27 Debts Involving Violation of Antitrust Laws or Fraud. The compromise, suspension, and termination policy in this section does not apply to a debt based in whole or in part on conduct violating the antitrust laws, or to a debt involving fraud, a false claim, or misrepresentation by the debtor or any interested party. Only DOJ may compromise, suspend, or terminate collection on such debts. On identifying a debt meeting these criteria, the DCO must promptly refer it to DOJ for action. DOJ may return the debt to the DCO for further handling.

3.28 Debtors Involved in Bankruptcy Proceedings

Debtors Involved in Bankruptcy Proceedings. If the DCO learns that a bankruptcy petition has been filed by a debtor, the DCO must take immediate action to ensure prompt termination of debt collection or processing of bankruptcy orders.

4.0 COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DOW

4.1 Collection of Debt From Current, Separating, Transferring, and Retired DOW Civilian Employees

4.1.1 Reasons for Overpayment of Civilian Pay and Allowances. Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. The head of each PRO maintains overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of the debt is carried out, such as

waiver of the indebtedness. The head of each PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

4.1.2 Procedures for Debt Establishment. Generally, a debt is "established," or comes into existence, when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. PROs should refer to the PGI for information on how to establish a debt and prepare for collection.

4.1.3 Overview of Debt Collection from Current DoW Employees

4.1.3.1. After determining the amount owed to the United States by a current DoW employee and establishing a debt, the PRO must determine if collection may be made using a routine pay adjustment under paragraph 2.5. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Section 2, sections 4.0 and 5.0 for guidance on debt notifications. Also refer to the PGI for additional information on debtor rights.

4.1.3.2. If the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under 5 U.S.C. § 5514, or under other specific statutory authority set out in Section 2, section 9.0. Refer to the PGI for case examples of routine adjustment, voluntary repayment, and salary offset.

4.1.4 Procedures for Routine Pay Adjustments

4.14.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to overpayments attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions. Refer to the PGI for information on notification and collection of routine pay adjustments.

4.2 Processing Debt Repayments

4.2.1. The DCO must record a cash collection (personal check, money order, or other negotiable instrument) on DD Form 1131, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

4.2.2. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in Section 2, Exhibit 2-1 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to two pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

4.2.2. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Section 2 for additional guidance pertaining to requesting and approving installment payment plans.

4.2.3. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary, one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

4.2.3.1. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Section 2, section 4.0, and that the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO's ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to the PGI.

4.3 Collection

4.3.1. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source (such as amounts claimed for travel and transportation) should be applied to the debt.

4.3.2. Due process is not necessary if debt collection is already in process when the employee separates and the employee was previously notified of the debt and given an opportunity for review. For deceased employees, any unpaid compensation due must be applied to liquidate the indebtedness with no limit on the maximum rate of collection. If a debt balance remains after collecting from the deceased employee's final pay, the DCO must forward the debt case to the Debt

and Claims Management Office (DCMO) for collection against the estate. The DCO must not pursue collection of the debt from any of the employee's beneficiaries named under 5 U.S.C. 5514.

4.3.3. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment, and a debt is newly established (not previously established and not already collected under 5 U.S.C. 5514), the DCO must collect it using administrative offset under 31 U.S.C. 3716. The DCO must apply all money payable to the employee with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notice of the debt and an opportunity for review under Chapter 2 (31 CFR 901.3(b)(4)(iii)(C)).

4.3.4. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under 5 U.S.C. § 5595 is permissible under 31 U.S.C. § 3716. If an employee has not previously received notification of the debt and an opportunity for review (due process) under Section 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 CFR 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset.

4.4 Collection of Indebtedness from Transferring DoW Employees

4.4.1. All actions continue when the employee separates. Hearings on the amount of involuntary offset must terminate at separation, but hearings on the validity or amount of a debt must continue and a written determination must be issued. If later events nullify the indebtedness, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from the former employee.

4.4.2. Per 5 CFR Part 550, Subpart K, the losing PRO must ensure the gaining PRO is aware of specific information, which is found in the PGI.

4.4.3. Transfer to Another Federal Agency. When an employee transfers to another federal agency outside of DoW, the PRO/DCO should forward the debt case to the DCMO pursuant to the instructions in section 5.0 and the PGI.

4.5 Collection

4.5.1. General. If an employee is still indebted to DoW at retirement, and the amount withheld from final salary and lump-sum payments under paragraph 2.8 is inadequate to satisfy the debt, the DCO may take the following actions.

4.5.2. Refer the debt to DCMO. In most cases, after providing the employee the due-process rights in Section 2, the PRO must submit the debt to the DCMO for collection action that may offset retirement funds via referral to the U.S. Department of the Treasury (Treasury) Offset Program.

4.5.3. Refer the debt to OPM. The PRO may request that OPM offset the debt against money due the separated employee from CSRS or FERS basic benefits. The request is a debt claim the DCO submits to OPM for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality employees. For collection of debts from retirement funds, refer to 5 CFR Part 831, Subpart R (CSRS retirees) and 5 CFR Part 845, Subpart A (FERS retirees).

4.5.4. Notice to the Employee. Before sending a debt claim to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset the employee's CSRS or FERS basic benefits. The letter must state the debt amount at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that full payment of the balance due stops the debt from transferring to OPM. This notice is in addition to any previous due-process notice.

4.5.5. Due Process. The DCO must provide due process to the debtor before submitting the debt to OPM for collection, unless the DCO submits an incomplete debt claim.

4.6 Collection of Indebtedness from Former DoW Civilian Employees. PROs and DCOs must refer debts of former personnel who are no longer DoW civilian employees (out-of-service debtors) to the DCMO. See section 6.0 for Components using Treasury's Centralized Receivables Service (CRS), as authorized by an appropriate DoW authority.

4.6.1 Collection. Per 5 CFR 550.1109, DoW Component organizations outside the PRO (such as employing agencies) may request the PRO recover debts from current component employees by salary offset. Such debts originate outside the PRO and are not overpayments of pay or allowances. The PRO will generally not review the merit of a debt originating outside the PRO. For information on requesting involuntary salary offset for various types of debts, refer to the PGI.

4.6.2. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense. In addition to 5 U.S.C. § 5514, additional statutes authorize salary offset. The PRO should follow any specific requirements under these statutes for offset. When a statute does not provide other procedures, prior to any involuntary offset, debtors should be provided with notice of the debt and an opportunity for review. See 64 Comptroller General (Comp. Gen.) 142 (1984). For additional guidance on the collection of these travel-related debts, refer to the PGI.

4.6.3. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. A DD 2481 must be issued to the employee's PRO to request collection under 5 U.S.C. § 5724(a)(2). The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed DD 1299, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property. Refer to the PGI for information on the reconsideration of transportation-related debts.

4.6.4. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account is authorized under 5 U.S.C. § 4108. In accordance with 5 CFR 410.309, the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to request a waiver of the activity's right to recover. Refer to the PGI for information on the initiating collection via salary offset.

4.6.5. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee. Refer to the PGI for procedures associated with repayment.

4.6.6. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Section 4.

4.7 Collection of Debt From Active and Reserve Members

4.7.1. General. This section pertains to the collection of debt owed to DoW by active and reserve military members, hereafter referred to as members. Debt collection authority for members exists both under the common law and various statutes. Much of this section discusses the authority for collection under 37 U.S.C. § 1007 and 5 U.S.C. § 5514; however, there are other debt collection authorities listed in Tables 3-1 through 3-6.

4.7.2 Due Process Requirements. The head of the military pay office (typically the DCO) must ensure members receive all legal rights for collection of a debt from overpayment of pay and allowances. Unless a statute directs otherwise, members are entitled to due process, consisting of a notice and an opportunity for review, before debt collection begins. Refer to Section 2 for due-process requirements and to Section 4, section 6.0 for member review opportunities.

4.8 Collection From Member’s Pay

4.8.1. General. General statutory authority for collection by salary offset from a member's pay exists under both 37 U.S.C. 1007(c) and 5 U.S.C. 5514. Debts established by DoW agencies are collected under 37 U.S.C. 1007, and debts a non-DoW agency has administratively determined to be owed the United States are collected under 5 U.S.C. 5514. Routine adjustments are authorized under 5 U.S.C. 5514. Other statutory authority may authorize collection of specific classes of debts (Comp. Gen. B-230865 (1990); United States v. Tafoya, 803 F.2d 140 (1986)).

4.8.2. Voluntary Repayment Encouraged. Members indebted to the United States should be encouraged to discharge the debt through lump-sum cash payments. When a lump-sum payment would create a financial hardship given the member's ability to repay, installment payments may be accepted. Members are encouraged to voluntarily accept liability and to agree

to a repayment schedule that adequately protects both the United States and the member. A member may authorize or request collection in amounts greater than could be collected involuntarily.

4.8.3. Current pay is available to repay a debt by involuntary offset (without the member's consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member's pay.

4.8.4. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the common-law rule of offset, subject to the limitations in subparagraphs 3.3.3.2.1 through 3.3.3.2.3 and Table 3-6. Even debts collectible from current pay only with the member's consent may be collected from final pay and allowances without consent. Amounts owed to a Service relief society (Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or Coast Guard Mutual Assistance) may also be collected from final pay without consent per 37 U.S.C. 1007(c) and (h). Except as specified in Table 3-6, amounts are generally collectible as follows:

4.8.5. Officers of any Service. No limitation applies to the amount that may be deducted from an officer of any Service from his or her final separation pay.

4.8.6. Army and Air Force Enlisted Members. An amount due from an enlisted member of the Army or Air Force may be deducted from final separation pay. Per 37 U.S.C. 1007(d), the appropriate rate of collection in subparagraph 3.5.2 applies to collection from the member's final separation payment.

4.8.7. Navy and Marine Corps Enlisted Members. No limitation applies to the amount that may be deducted from an enlisted member of the Navy or Marine Corps from his or her final separation pay.

4.9 Collections by Salary Offset Under 37 U.S.C. § 1007(c). Section 1007(c) of Title 37 authorizes deducting from a member's current pay an amount that the Secretary of the Military Department concerned administratively determines is owed to the United States, or any of its instrumentalities, due to overpayment of pay and allowances. Debts collected under 37 U.S.C. 1007 are subject to due-process requirements. Two-thirds of the member's disposable pay is the maximum that may be deducted from monthly pay, except as provided in subparagraph 3.5.2 or 3.3.3 for final separation. Collection at two-thirds is not the default rate; it applies only where the overpayment is the fault of the member (see subparagraph 3.5.2.1). Where a member of one Military Service owes a debt to another and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, with certification of compliance with this section, to the military pay office servicing the member for collection. Refer to Section 2, subparagraph 14.5.5 for delaying the start of the repayment requirement.

4.9.1. Due Process Requirements Under 37 U.S.C. § 1007. Debt collection officers must use the procedures in Section 2 for debts that require due process. The field office must initiate due process after receiving a management notice from the pay system, and any subsequent collection must be based on an appropriate repayment schedule.

4.9.2. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the office may recover the debt in monthly installments of up to two-thirds of the member's disposable monthly pay. The member may consent to a greater percentage. Note: two-thirds is not the default rate; it applies only where the overpayment is the fault of the member. In most cases the rate in subparagraph 3.5.2.2 applies.

4.9.3. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, the office is authorized to recover the debt in monthly installments.

4.9.3.1. Overpayments Made On or Before October 28, 2009. If an overpayment was made to a member on or before October 28, 2009, the military pay office recovers it in monthly installments not exceeding 20 percent of the member's disposable pay each month. The office may deduct a greater percentage with the member's consent.

4.9.3.2. Overpayments Made After October 28, 2009. If an overpayment was made to a member on or after October 29, 2009, the military pay office recovers it in monthly installments not exceeding 15 percent of the member's disposable pay each month. The office may deduct a greater percentage with the member's consent.

4.9.3.3. Requests for Delayed Collection. For overpayments in this subparagraph made on or after October 29, 2009, the military pay office must give the member a reasonable opportunity to request a delay in the repayment requirement. Before beginning collection, the

office must consider the member's stated reasons, including the member's financial ability to repay and the hardship that immediate collection would impose on the member and the member's dependents.

4.9.3.4. If a member, through no fault of the member, incurs a wound, injury, or illness in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, any overpayment of pay or allowances made while the member recovers may not be deducted from the member's pay until:

4.9.3.4.1. The member is notified of the overpayment; and

4.9.3.4.2. The later of the following occurs:

4.9.3.4.2.1. The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or

4.9.3.4.2.2. The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

4.9.3.5. After receiving notice of the overpayment, a member may request that collection begin earlier. The military pay office must determine the appropriate rate of collection per subparagraph 3.5.2.2 and follow the due-process requirements in Section 2.

4.10 Collection by Salary Offset Under 5 U.S.C. § 5514

4.10.1. Debt Determination. A federal agency, other than the DoW, may determine that a member is indebted to the United States and that collection action against the member’s monthly pay under the authority of 5 U.S.C. § 5514 is warranted. The collection of a debt owed to departments and agencies other than DoW (including its instrumentalities or other uniformed services) resulting from a court judgment is included under this collection authority. The non-DoW agency must forward the request for offset through Treasury’s Cross-Servicing Program.

4.10.2. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Section 2, paragraph 9.2.

4.10.3. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to the Defense Finance and Accounting Service (DFAS) for collection. For due process procedures, refer to Section 2.

4.10.3.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have either occurred within the four pay periods preceding the adjustment, or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

4.10.3.2. The actual overpayment must have occurred after April 26, 1996.

4.10.3.4. The amount deducted may not exceed 15 percent of disposable pay unless the debtor consents in writing to a higher amount. The servicing military pay office must generate a 'no pay due' management notice when a debt creates a no-pay-due situation.

4.10.4. IPA Costs. Interest will be charged beginning from the date of delinquency. IPA will be assessed and calculated pursuant to Section 7, 31 U.S.C. § 3717, and 31 CFR 901.9.

4.11 Indebtedness Incurred in National Guard or Reserve. When a member re-enters active Military Service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

4.12 Member Dies after Receiving Advance Salary Payment. Advance payday payments made per Volume 7A, Chapter 32 are not considered indebtedness if the member dies before the date through which the pay was computed and paid.

4.13 Centralized Processing

4.13.1. This section governs collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, and the Marine Corps Exchange Command (the Exchange Commands). It applies when active-duty, reserve, and retired military members are delinquent in repaying a dishonored check or their credit plan. Under 37 U.S.C. 1007(c), an amount that a member of the uniformed services is administratively determined to owe the United States may be deducted from the member's pay in monthly installments. For specific procedures related to collection of Exchange Command debts, refer to the PGI.

4.13.2. DFAS collects the amounts requested as long as the total monthly amount collected, including any other debt collected under 5 U.S.C. 5514, does not exceed two-thirds of the member's disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection

is subject to Table 3-5 and to the priority of pay deductions and collections in Volume 7A, Chapter 52.

4.13.3. Exchange Commands must certify that they provided the member due process per Section 2. Exchange Commands must maintain due-process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

4.13.4. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts under subparagraph 3.5.2. DFAS, or the field finance office, must ensure collections do not exceed two-thirds of the member's monthly disposable pay.

4.13.5. Exchange Commands must respond to all member inquiries about debts and deduction amounts.

4.13.6. Exchange Commands may not deduct any amount from a member's pay account to cover a dishonored check written by a dependent without the member's consent.

4.13.7. Exchange Commands must use a listing of basic pay rates, plus income data received from the member, to determine an amount that is equal to or less than two-thirds of the member's pay.

4.13.8. If a member separates from active duty, or if retired pay is suspended, and the debt was not fully collected, the Exchange Command must collect any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree's pay has been suspended.

4.13.9. Exchange Commands are responsible for overpaid debts. When a member overpays a debt, the Exchange Command must immediately refund the overpayment to the member.

4.13.10. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt off-line, the Exchange Command must cancel the offset request and immediately notify DFAS.

4.13.11. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

4.13.12. If the deduction amount input by the Exchange Command exceeds two-thirds of the member's disposable pay (subparagraph 3.4.2), DFAS or the military pay office must change the deduction amount or return the debt to the Exchange Command for adjustment. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

4.13.13. The Exchange Command manages the entire debt amount internally and must notify the member of the debt balance and encourage the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office, where applicable, identifying the member's pay account to which the deduction is charged.

4.14 Collection of Debt from Military Retirees and SBP Annuitants

4.14.1 General. This section pertains to the collection of debt owed to DoW by military retirees, Retired Serviceman's Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree, or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay, Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

4.14.2 Due Process Requirements. The head of the military retiree pay office, DFAS - Retired and Annuitant Pay, must ensure that military retirees receive all legal rights relative to indebtedness arising from overpayments of pay and allowances, including due process under Section 2. This includes giving the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. 1007(c)(3)(B).

4.14.3 Routine Pay Adjustments Under 5 U.S.C. § 5514

4.14.3.1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs (VA) increases that may result in retirement benefit debts. Refer to the PGI for additional information on routine pay adjustments.

4.14.3.2. The actual overpayment must have occurred after April 26, 1996.

4.14.3.3. The amount deducted must not exceed 15 percent of disposable pay unless the debtor consents in writing to a higher amount. The servicing pay office must generate a 'no pay due' management notice when a debt creates a 'no pay due' situation.

4.15 Debt Collection

4.15.1. Authority for Involuntary Collection. A military retiree's pay is available for involuntary offset of indebtedness without the retiree's consent, provided the retiree is afforded due process under Section 2, as follows:

4.15.1.1. Debts to the DoW, or any of its instrumentalities or other uniformed services, will be deducted from pay under 37 U.S.C. § 1007(c);

4.15.1.2. Debts determined to be owed to another federal agency will be collected by salary offset under the authority of 5 U.S.C. § 5514;

4.15.1.3. Debts determined to be owed to another federal agency will be collected by administrative offset under the authority of 31 U.S.C. § 3716; and

4.15.1.4. Routine adjustments are authorized under 5 U.S.C. § 5514.

4.15.2. Limitation on Amount of Deductions. Debt collection amounts are subject to the limitations in the authorizing debt-collection statute. The maximum monthly amount collectible under 37 U.S.C. 1007(c) is subject to the limitations in subparagraph 3.5.2.

4.15.3. "No Pay Due" Notice. To prevent avoidable hardship to the military retiree, the pay office must generate a 'no pay due' RAS when collection of a debt results in 'no pay due.'

4.16 Debts incurred while the military retiree was on active duty must transfer on retirement to the military retiree pay office, and collection resumes from retired or retainer pay. It is not necessary to repeat the due process procedures before resuming collection.

4.17 Debt Owed to Another Military Service. When a military retiree of one Military Service owes a debt to another Military Service and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, with certification of compliance with due process requirements, to DFAS Retired and Annuitant Pay for collection action.

4.18 Priority of Deductions and Collections. When the pay due a military retiree is not enough to cover all authorized deductions and collections, DFAS Retired and Annuitant Pay must use the following priority sequence for deductions and collections from pay:

4.18.1. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

4.18.1.1. Readjustment pay,

4.18.1.2. Separation pay,

4.18.1.3. Severance pay,

4.18.1.4. Variable Separation Incentive,

4.18.1.5. Special Separation Benefit,

4.18.1.6. Reserve Special Separation Pay,

4.18.1.7. Forfeiture of pay, and

4.18.1.8. VA compensation.

4.18.2. Reimbursement to the United States, to include:

4.18.2.1. FITW,

4.18.2.2. TRICARE – Dental Plan,

4.18.2.3. RSFPP premiums,

4.18.2.4. SBP and Supplemental SBP (SSBP) premiums, and

4.18.2.5. Reserve Component (RC) SBP (RCSBP) premiums;

4.18.3. Involuntary repayment of indebtedness to the United States, which includes:

4.18.3.1. Routine adjustments and automatic collections;

4.18.3.2. Other overpayments of retired pay and CRSC;

4.18.3.3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs;

4.18.3.4. Debts arising from active duty;

4.18.3.5. Debts to DoW appropriated fund activities;

4.18.3.6. Hospital rations issued to a member;

4.18.3.7. Excess cost of shipment of household goods;

4.18.3.8. Unpaid hospital bills for medical services furnished a dependent;

4.18.3.9. Court-martial fines; and

4.18.3.10. Debts from other departments or agencies outside DoW, including court judgments.

4.18.4. Garnishment for alimony and child support payments and Uniformed Services Former Spouses' Protection Act payments;

4.18.5. Court-ordered bankruptcy payments under Section 13 of the revised Bankruptcy Code;

4.18.6. Indebtedness to a nonappropriated fund activity; and then

4.18.7. SITW.

4.19 Collection of Debt from SBP Annuitants

4.19.1. Liability. An SBP annuitant is liable for any debt resulting from overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments made based on the presumption of the member's death. If the member dies before such payments are fully recovered, the annuitant who received the annuity payments made under the presumption of death is liable for the indebtedness.

4.19.2. Collection of Debt. Upon discovering an overpayment, the DCO must provide the annuitant due process as required under Section 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. Refer to the PGI for a list of liquidation methods.

4.20 Collection of Debt from Former Employees, Former Members and Other Non-DOW Related Debtors

4.20.1 This section covers debts owed by individuals no longer employed by DoW or no longer on active duty, and by persons who were neither DoW employees nor active-duty members but are indebted to DoW ("out-of-service" debt). If a Component's DCO cannot collect a debt through salary offset because DoW does not pay the debtor, and the debtor has not agreed to pay in a lump sum, the DCO must obtain debt collection services from the DCMO. The DCMO operates the Defense Debt Management System (DDMS) to provide centralized, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoW by individuals DoW no longer pays. For Components using Treasury's CRS, see section 6.0. Refer to the PGI for potential reasons for out-of-service debt.

4.20.2. The DCMO may provide collection assistance for other debts only as specifically agreed in each Service's mission work agreement.

4.20.3. The DCMO must comply with 31 U.S.C. 3701 through 3720E and all applicable laws and regulations, including the FCCS. Per paragraph 5.4, the DCO, not the DCMO, is responsible for all due process requirements under the FCCS.

4.21 Advanced Education Assistance Debts Under 10 U.S.C. 2005

4.21.1. Advanced education assistance, including Reserve Officers' Training Corps scholarships and payments, require the recipient of such assistance to enter into a written agreement with the Secretary concerned. Under 10 U.S.C. 2005, the terms of the agreement must state that if the recipient does not complete the period of active duty, or other such terms as

specified in the agreement, the recipient will be subject to the repayment provisions of 37 U.S.C. 303a(e) or 37 U.S.C. 373, under which the obligation to repay the United States is, for all purposes, a debt owed to the United States.

4.21.2. If a Service cannot collect the repayment debt under the written agreement and the debt becomes delinquent, the Service may transfer the delinquent debt to the DCMO for further collection. The DCMO collects the delinquent debt owed to the United States per 31 U.S.C. 3701 through 3720E, regardless of the terms of the original agreement, and assesses interest, penalties, and administrative costs as stated in the DFAS debt notification, irrespective of the original agreement terms. Interest, penalty, and administrative-charge rates are set by Treasury under 31 U.S.C. 3717. Refer to the PGI for guidance on obtaining service from the DCMO.

4.22 The DCO must:

4.22.1. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice, or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial collection attempt, but bills and invoices generally do not meet due process requirements. The DCO must issue a debt notification letter setting out the debtor's due process rights before submitting the debt to the DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written demands for payment as appropriate. Refer to Section 2 for guidance on issuing the debt notification letter.

4.22.2. Complete any previously initiated actions, such as reclamation, appeal, litigation, or foreclosure, before referring delinquent, individual, out-of-service debts to the DCMO.

4.22.3. Research and verify the military or civilian status of debtors so that only individual out-of-service debts are referred to the DCMO, or ensure other transferred debts comply with established procedures.

4.22.4. Refer delinquent, individual, out-of-service debts of $225 or greater to the DCMO no later than 60 days after the payment due date when the DCO has not collected the debt or established a repayment schedule with the debtor. If an individual has multiple debts all under $225, the DCO may consolidate them and refer them to the DCMO as one debt package. Components that have implemented the Delinquent Debt Management Guidance (DDMG) processes must refer eligible, legally enforceable, delinquent, individual out-of-service debt over $25 to Treasury's Bureau of the Fiscal Service Debt Management Services for further collection where applicable. Refer to Volume 4, Section 3 for guidance on clearing out-of-service debts below the referral threshold.

4.22.5. For manually submitted debts, use a transmittal letter to refer eligible debts to the DCMO and to ensure that the debts are received by the DCMO (refer to paragraph 5.7 for systemic

referral of debts to the DCMO). Prepare the transmittal letter in duplicate and send it to askDFAS, along with all substantiating documentation, or to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, social security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

4.22.5.1. A copy of the original bill, invoice, and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Section 2;

4.22.5.2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;

4.22.5.3. The date the debt became known;

4.22.5.4. The date the debt was due;

4.22.5.5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

4.22.5.6. The amount of accrued IPA;

4.22.5.7. Copies of any follow-up correspondence between the debtor and the DCO;

4.22.5.8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;

4.22.5.9. The debtor's branch of service or agency where formerly employed;

4.22.5.10. The debtor's, sponsor's, or beneficiary's social security number;

4.22.5.11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

4.22.5.12. Copy of DD 139 for military pay debts;

4.22.5.13. Copy of DD 2481 for civilian employee debts; and

4.22.5.14. Any other relevant documentation or information regarding the debt;

4.22.6. Include in each transmittal package a certifying statement that the referred debt amounts are correct and that the debts are delinquent, valid, and legally enforceable, and confirm that the DCO provided the debtor all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Exhibit 3-2 is a sample debt certification statement.

4.22.7. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt, and copies and location of physical evidence relating to the debt, for payroll debts involving fraud, misrepresentation, or credibility, and for all non-payroll debts. Retain all investigative reports. This information is necessary if the debt must be referred to the Department of Justice (DOJ) for litigation.

4.22.8. Mail any payments received from a debtor after the debt was referred to the DCMO to DFAS-IN, Department 3300 (ATTN: Case Management), 8899 East 56th Street, Indianapolis, IN 46249-3300. Include the debtor's name and social security number so the DCMO can credit the proper account.

4.23 The DCMO must:

4.23.1. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to Treasury, reporting, and accounting of debts.

4.23.2. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return.

4.23.3. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return the duplicate copy of the transmittal letter to the DCO;

4.23.4. Pursue collection action once debts are entered in DDMS. Exhibit 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. The DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor; collecting debts via lump sum or agreed-upon installment payments; referring delinquent debts to private collection agencies for collection; reporting debts to credit bureaus; referring uncollectible, delinquent debts to Treasury for offset (see Section 2); and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or termination of collection. In the case of deceased debtors, the DCMO must use DD 2840, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

4.23.5. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices.

4.23.6. Retain all pertinent debt documentation. On request, provide feedback on the status of debt collection to the applicable DoW Component.

4.23.7. Provide PROs the data on collections from former civilian employees so the PRO can make necessary changes to applicable records (for example, SF 2812, Report of Withholdings and Contributions; SF 2806 or SF 3100, Individual Retirement Record; IRS Form W-2, Wage and Tax Statement; and IRS Form 941, Employer's Quarterly Federal Tax Return).

4.24 DFAS Departmental Accounting Offices. DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to the DCMO. These offices must report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, "Reclassified/Adjusted Amounts" on the Treasury Report on Receivables (TROR), with the required footnote. Components that have implemented the DDMG processes must maintain accountability in their systems and submit TROR data directly to Treasury. Volume 4, Section 3, contains more specific reporting requirements.

4.25 Collection Assistance

4.25.1. Uncollected debts over $225 on the Master Military Pay Account of Active and Reserve Component members that are due on separation or retirement, debts for offset from retired or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Referred debts must be correct, valid, and legally enforceable, and the DCO must have provided all due process requirements unless an agreement provides that the DCMO will provide due process. Once entered in DDMS, these system-generated debts are serviced the same as debts referred by the DCOs under paragraph 5.5. Defense Retiree and Annuitant Pay System (DRAS) debts arise when payments are made after entitlement to retired pay has ended and are transferred to the DCMO monthly through a DRAS-DDMS interface.

4.25.2. Components that have implemented the DDMG processes must refer eligible, legally enforceable, delinquent, individual, out-of-service debt over $25 directly to Treasury for further collection where applicable. See Section 2 for guidance on referring delinquent debts to Treasury.

4.26 Refunding Previously Collected Debts and Late Payment Charges

4.27 Refunds of collected debts may be required when a debt is determined invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded when a debt is found not due to the Government, for example when waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. If an offset mistakenly exceeds 15 percent of disposable pay and the debtor has not consented to deductions at a greater percentage, the DCO must refund the difference upon the debtor's request. Refer to the PGI for procedures associated with issuing a refund.

5.0 HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS/CANCELLATIONS OF DEBT OWED BY INDIVIDUALS

5.1 Non-Waiver of Rights By Payment

A debtor's involuntary payment of all or any portion of a debt must not be construed as a waiver of any rights that the debtor may have under 5 U.S.C. § 5514 or any other provision of a contract or law unless there are statutory or contractual provisions to the contrary. 5 CFR 550.1104(o) provides additional information.

5.2 HEARINGS UNDER

5.2.1. Debtors Under This Section. For the purposes of section 3.0, a debtor is an individual, other than an active duty, reserve, or retired Service member (unless otherwise indicated), who owes a debt to DoW, subject to involuntary offset under 5 U.S.C. § 5514 and 31 U.S.C. § 3716.

5.2.2. Requirement for Hearings. Hearings conducted by a hearing official are required prior to salary offset under 5 U.S.C. § 5514. Prior to administrative offset under 31 U.S.C. § 3716, a review by an agency official is legally sufficient, unless a hearing before a hearing official is granted under subparagraph 3.3.3.2.1, pursuant to 31 CFR 901.3(e). Defense Finance and Accounting Service (DFAS), in its sole discretion, may perform hearings in other circumstances, as it deems necessary.

5.2.3. Active Duty, Reserve, and Retired Service Members. Due process review procedures for the debts of active duty, reserve, or retired Service members are set out at section PGI for Financial Liability Investigation of Property Loss (FLIPL) hearing procedures for FLIPL debts involving active duty Service members.

5.2.4. Due Process Requirement. Granting a debtor the opportunity for a hearing is a due process requirement of 5 U.S.C. § 5514 and 31 U.S.C. § 3716. Debtors must be afforded the opportunity to dispute a debt prior to the initiation of involuntary offset to collect indebtedness due

the U.S. Government, except in those instances listed in subparagraph 3.1.8. See 5 CFR 550.1104, 31 CFR 285.5, and 31 CFR 901.3. A debtor who repays a debt in part or in full, either before or after the filing of a timely hearing petition, does not waive their right to a hearing. Debtors may petition for a hearing to contest the validity or amount of the debt, or the involuntary repayment schedule. Generally, all issues requiring a hearing will be consolidated and decided in one hearing.

5.2.6. Hearing Petition. To request a hearing, the debtor must submit a timely hearing petition that meets the requirements of subparagraph 3.2.2. Timely filing of a hearing petition stays the start of collection procedures until the hearing results are rendered, unless collection is needed to protect the Government's interests.

5.2.7. Upon receipt of the hearing petition, the Debt Collection Office (DCO) must perform a reconsideration of the debtor's records to validate the debt. Reconsideration is an informal examination of internal debt records by the DCO to validate the debt without appointing a hearing official and is the first step in the hearing process; it is not the formal hearing (see subparagraph 3.2.3.2). The DCO must issue the written reconsideration results to the debtor. After receiving the results, the debtor must notify the DCO of intent to continue with a formal hearing within 30 days from the date of the reconsideration or by the date in the reconsideration letter. If the debtor proceeds, a hearing official must make a written determination on the validity or amount of the debt or the proposed involuntary repayment schedule.

5.2.8. Exception to Requirement for Formal Notice, Hearing, Reconsideration Results, and Final Decision. Pursuant to 5 CFR 550.1104(c), a debtor is not entitled to a formal notice, hearing, written response, or a final decision under certain circumstances. Refer to the PGI for additional information.

5.3 Hearing Petitions

5.3.1. The debtor must file a written petition to request a hearing to contest the validity or amount of the debt or the involuntary repayment schedule (see 5 CFR 550.1104(e) and 31 CFR 901.2(b)(1)). The debtor must file the petition per the instructions in the DCO's debt notification letter, no later than 30 calendar days from the mailing date of the debt notification or by the date stated in the notification.

5.3.2. A debtor contesting an involuntary repayment schedule must file a hearing petition no later than 30 calendar days from the mailing date of a notice rejecting an unacceptable voluntary repayment agreement, or by the date stated in the notice.

5.3.3. If the debtor first makes a written request for records related to the debt, the debtor must file a hearing petition within 45 days after the date the records are distributed to the debtor by mail, electronically, or in person.

5.3.4. Content of Hearing Petition. A hearing petition must identify and explain, with reasonable specificity, the facts and evidence the debtor believes support the debtor's position. There is no standardized format, but the petition must be in writing and contain the information listed in the PGI.

5.4 The Hearing Process

5.4.1. All hearings are conducted in accordance with 31 CFR 901.3(e) and 5 CFR 550.1104. Refer to the PGI for additional information on the hearing process.

5.5 Hearings for Administrative Wage Garnishment (AWG)

The U.S. Department of the Treasury (Treasury) may request that DCMO hearing officials conduct hearings requested by individuals who owe debts to DoW when the Treasury is attempting to collect from the debtor using AWG procedures pursuant to 31 U.S.C. § 3720D and 31 CFR 285.11. DFAS adopts by reference, and conducts AWG hearings consistent with, 31 CFR 285.11.

5.6 Hearings for Government Travel Charge Card Debts

Inquiries or disputes regarding the debt and the 90-day demand notice received by the travel charge card contractor before the debt is forwarded to DFAS for collection must be handled and resolved by the travel charge card contractor. A debtor who wants to negotiate an installment agreement before referral of the debt for salary offset must make that agreement with the travel charge card contractor. A debtor not satisfied with the contractor's disposition of the dispute may submit a petition for a debt hearing to the DCMO.

5.7 Reviews for Active Duty, Reserve, and Retired Service Members

5.7.1 Due Process Under 37 U.S.C. § 1007 and 5 U.S.C. § 5514. Active duty, reserve, and retired Service members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection unless otherwise required by statute. See Section 2 for due process requirements for routine pay adjustments and Section 3 for debts transferred from other agencies.

5.7.2 Requesting a Review. A Service member who questions the validity or amount of a debt may request review and validation of the debt by the DCO. A Service member may also contest the involuntary repayment schedule.

5.7.2.1. Time Limit For Requesting a Review. The review request must be received no later than 30 days from the mailing date of the debt notification, or by the date the notification indicates. A Service member who fails to submit a timely request waives the right to a review. The DCO may accept a late request if the Service member shows the delay was due to

circumstances beyond the Service member's control. Refer to the PGI for additional information on reviews of Service members' debts.

5.7.3 Written Review Results. Written review results should be provided within 60 calendar days and must contain the following:

5.7.4 Appeal of Final Determination. The DCO's determination on review is final. There are no provisions to review or appeal the DCO's decision on salary or administrative offset. However, Service members may exercise any other waiver, remission/cancellation, or review right provided by other statute or regulation. For example, DOHA considers appeals of claims for uniformed services pay and allowances. Refer to 32 CFR 282.5(b)(2) and 32 CFR 282, Appendix E for appeal-right information.

5.8 Informal Debt Disputes

5.8.1 At the debtor’s request, the DCO may perform an informal courtesy review of a debt. This informal review is typically not intended to satisfy due process requirements and is in addition to such procedures. The informal courtesy review of a debt by the DCO typically occurs when the debtor submits a written “debt protest” or “debt dispute” to the DCO after the time period for filing a hearing petition has expired. The purpose of the courtesy review is to allow the DCO to validate the debt and respond to the debtor’s questions. Section 5 contains guidance on contractor debt disputes.

5.8.2 Processing Informal Debt Disputes

5.8.3. A written request from the debtor is required before a debt may be placed in disputed or protest status. Refer to the PGI for procedures related to debts placed in dispute.

5.9 Waiver of Indebtedness

5.9.1 Title 5 U.S.C. § 5584, 10 U.S.C. § 2774, and 32 U.S.C. § 716 provide the head of an executive agency with the authority to waive an indebtedness that is the result of an erroneous payment of pay or allowances, or an erroneous payment of travel, transportation, or relocation expenses and allowances. Title 10 U.S.C. § 1453 provides authority to waive indebtedness that is the result of an erroneous payment of Survivor Benefit Plan (SBP) annuity.

5.9.2. The Under Secretary of Defense (Comptroller) delegated waiver authority to the DFAS Director by memorandum dated January 29, 1992, upheld in DoW Directive 5118.05, "Defense Finance and Accounting Service (DFAS)." The DFAS Director re-delegated this authority to the DFAS-Indianapolis (IN) Director. The authority is subject to the dollar-value limits in paragraph 8.2, and its exercise must be coordinated with the affected DoW Component where appropriate. The DCMO exercises waiver authority for DoW military and civilian employees,

except authority specifically delegated to the Director, DoWEA; the Director, NSA; and the heads of non-DoW Components.

5.9.3. Policies and Procedures. Policies and procedures for considering applications for waivers of indebtedness resulting from erroneous payments to or on behalf of Service members and civilian DoW employees are set forth in DoWD 1340.22, "Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances," which is codified at 32 CFR 283. Detailed waiver procedures for debts resulting from erroneous pay and allowances are set forth in DoW Instruction (DoWI) 1340.23, "Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances," which is codified at 32 CFR 284. Also refer to the PGI for procedures associated with submitting and reviewing debt waivers.

5.10 The DCMO's, or other designated waiver authority's, authority to grant or deny a waiver depends on the aggregate amount of the debt. The aggregate amount is the total debt before deductions for repayments or withholding for taxes.

5.10.1. Under 5 U.S.C. 5584, the DCMO or other designated waiver authority may grant a waiver of debt aggregating to not more than $1,500 for civilian employees. Under 10 U.S.C. 2774 and 32 U.S.C. 716, the DCMO or designated waiver authority may grant a waiver of debt aggregating to not more than $10,000 for military or National Guard members. There is no threshold limiting the DCMO or designated authority's ability to deny a waiver for civilian employees or military members.

5.10.2. If the aggregate debt is greater than $1,500 for civilian employees or greater than $10,000 for military or National Guard members, authority to grant the waiver resides with the Director, DOHA, or a designee under the DoW OGC. All requests should be submitted to the DCMO, which forwards relevant requests to DOHA for consideration.

5.11 Submission of Request for Waiver

5.11.1. DoWEA and NSA civilian employees must forward waiver applications to the DoWEA and NSA designated waiver approval authorities.

5.11.1.1. Civilian Employees. DoW civilian employees must submit a waiver application within 3 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determines an erroneous payment was made. This timeframe cannot be extended or waived.

5.11.1.2. Military Members. Military members (active, reserve, retired, and National Guard) must submit a waiver application within 5 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determines an erroneous payment was made. This timeframe cannot be extended or waived.

5.11.2. Contesting the Debt. By submitting a waiver application, an individual acknowledges that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest validity or amount; to contest validity or amount, an individual must petition for a hearing under section 3.0. A waiver application that includes arguments about validity or amount may be returned without action or denied.

5.11.3. Application Filed by a Representative. A waiver application submitted by the debtor's agent or attorney must include a duly executed power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

5.11.4. Application Filed by a Guardian for Minor/Incompetent Debtors. If a guardian or committee has been appointed for a debtor who is a minor or incompetent person, the waiver application filed on the debtor's behalf must include a court certificate showing the appointment and qualification of the guardian or committee. If no guardian or committee has been appointed, the application submitted on the debtor's behalf must:

5.11.4.1. State the applicant’s relationship to the minor or incompetent person;

5.11.4.2. Provide the name and address of the person having care and custody of the minor or incompetent person; and

5.11.4.3. Include an affirmation that any money received will be applied to the use and benefit of the minor or incompetent person and that the appointment of a guardian or committee is not contemplated.

5.12 Suspension of Debt Collection Pending Waiver Determination. Collection of a debt should not routinely be suspended pending a waiver determination (refer to 31 CFR 903.2(c)(2)). The DCO must determine, in each case, whether suspension of collection under 31 CFR 903.2, or a delay in collection action, is appropriate based on the following criteria:

5.12.1. Waiver will likely be granted,

5.12.2. Erroneous payment can be recovered if waiver is not granted, or

5.12.3. Collection of the debt would cause undue financial hardship.

5.13 Standards for Reviewing Requests for Waiver. Standards for determining the appropriateness of a waiver are in DoWI 1340.23. Appropriateness depends on the facts of each case. Generally, a person who receives an erroneous payment from the U.S. Government acquires no right to the money and is bound in equity and good conscience to make restitution; if the payment was made by mistake, however careless the Government's act, the recipient must make restitution. A waiver is not a matter of right and is available only as equitable relief when warranted by the individual case. Economic or financial considerations play no role in the determination.

5.13.1. Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may be granted only when collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment resulted, in whole or in part, from the applicant's fraud, misrepresentation, fault, or lack of good faith.

5.13.1.1. Generally, a waiver is precluded when the individual, or another person with an interest in obtaining a waiver, receives a significant, unexplained increase in pay or allowances, or otherwise knows or reasonably should know an erroneous payment occurred and fails to inquire or notify appropriate officials. A waiver may be inappropriate even if the recipient inquires or notifies appropriate officials and is mistakenly advised the payment is proper. A Government administrative error is not, by itself, a sufficient basis for granting a waiver.

5.13.1.2. An individual does not acquire title to amounts paid erroneously and should hold the excess for eventual repayment to the U.S. Government. DOHA has held that a waiver will not be granted if the debtor had records (such as LESs) that, if reviewed, would have indicated an overpayment, and the debtor failed to review them for accuracy or otherwise failed to take corrective action. Such failure renders the debtor partially at fault and ineligible for a waiver.

5.14 Action of the DCMO or Designated Waiver Authority

5.14.1. If the aggregate debt is not more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO may grant or deny part or all of a waiver application.

5.14.2. If the aggregate debt is more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO must do the following:

5.14.2.1. Deny the waiver application in its entirety; or

5.14.2.2. Refer the waiver application to DOHA for its consideration, along with a recommendation that part or all of the debt be waived.

5.15 Appeal of Waiver Denial. Per DoWI 1340.23, a debtor may appeal the denial of a waiver application. The appeal must be submitted to the DCMO, or the designated waiver authority that made the determination, within 30 calendar days of receipt of the written denial. The DCMO may extend this period up to an additional 30 calendar days for good cause; no appeal will be accepted after that time expires. The DCMO must review the appeal and forward it to DOHA, and the debtor must submit the appeal to the DCMO rather than directly to DOHA. DOHA will review the appeal and affirm, modify, or reverse the DCMO's initial determination.

5.16 Waiver of SBP Overpayments

5.16.1. Authority. Recovery of debts resulting from erroneous SBP payments may be waived under 10 U.S.C. 1453. The Under Secretary of Defense (Comptroller) delegated this waiver authority to the DFAS Director by memorandum dated February 1, 1991 (see DoWD 5118.05). The DFAS DCMO exercises this authority on behalf of the Director. Refer to the PGI for information on submitting and reviewing requests for waiver due to SBP overpayment.

5.16.2. Debts Not Eligible for Waiver. Debts resulting from unpaid SBP premium payments are not eligible for waiver under this provision.

5.16.2.1. Time Limit for Filing Application. Debtors must submit a waiver application within 3 years from the date the erroneous payment was discovered. The date of discovery is the date an appropriate official first determined an erroneous payment was made, typically the date the debt notification was issued. This timeframe cannot be extended or waived.

5.16.2.2. Contesting the Debt. By applying for waiver of a debt, an individual acknowledges no intent to dispute the debt's validity or amount. A waiver is not the forum to contest validity or amount; to contest validity or amount, an individual must petition for a hearing under section 3.0. A waiver application that argues validity or amount may be denied as ineligible for consideration.

5.16.2.3. Application Filed by Representative. If an annuitant has a representative payee authorized to receive payments under Volume 7B, Chapter 46, paragraph 2.2, the representative may submit a waiver application if the representative also holds legal authority to act for the annuitant. The representative must submit additional documentation the DCMO requires, such as a power of attorney or other evidence of the right to act for the debtor.

5.16.3. Suspension of Collection Pending Waiver Determination. Collection of a debt should not routinely be suspended pending a waiver determination (see 31 CFR 903.2(c)(2)). The DCO will determine case-by-case whether a formal suspension of collection under 31 CFR 903.2 is necessary or whether an informal delay in collection action is appropriate, based on the following criteria:

5.16.3.1. Whether the waiver will likely be granted,

5.16.3.2. Whether the erroneous payment can be recovered if waiver is not granted, or

5.16.3.3. Whether collection of the debt would cause undue financial hardship.

5.16.4. Standards for Reviewing Requests for Waiver. Waiver of the recovery of an SBP annuity overpayment may be appropriate when the debtor is not at fault, and recovery of the overpayment would be contrary to the purposes of SBP, or against equity and good conscience. The appropriateness of granting a waiver will depend on the facts of each particular case. Pursuant to Comptroller General (Comp. Gen.), B-133142 (1978), B-178696 (1978), the standards for reviewing a request for waiver of SBP annuity overpayment are the same as those used for considering waiver requests under 10 U.S.C. § 2774 and 5 U.S.C. § 5584. DFAS DCMO uses the standards set out in DoWI 1340.23 for considering waiver applications for debts resulting from SBP annuity overpayments. Refer to paragraph 8.5 for a discussion of the standards used in waiver application determinations.

5.16.5. Refund of Amounts Collected. Any amount collected before DFAS-IN receives the debtor's waiver application will not be refunded. A refund is not authorized by law. If a waiver is granted, amounts collected after DFAS-IN received the completed waiver application from the annuitant may be refunded to the annuitant. Refer to Comp. Gen. B-184532 (1975) for information on when refund is appropriate.

5.16.5.1. Who May Appeal. A waiver applicant may appeal the DCMO's denial of all or part of a request to waive SBP annuity overpayments under 10 U.S.C. 1453. An applicant may also appeal the denial of a waiver application not received by DFAS within the required time limit.

5.16.5.2. Determining Official. The determining official on all appeals is a DFAS official assigned to review the DCMO's initial waiver determination. Under subparagraph 8.2.1 and 10 U.S.C. 1453, DFAS has delegated full authority to consider all waivers, including appeals and requests for reconsideration. Refer to the PGI for information on submission and adjudication of appeals.

5.16.5.2.1. Time Limit for Requesting Reconsideration. An applicant may ask the determining official to reconsider the final written determination of the appeal. A request for reconsideration must be received within 30 days from the date of that determination. This period may be extended up to an additional 30 days for good cause. The determining official must review any rebuttal submitted in support of the request and issue a written determination. Refer to the PGI for information on the review of requests for reconsideration.

5.16.5.2.2. The reconsideration response is a final action.

5.17 Other Waiver Authority. Other waiver authority may apply to payments that were not erroneously paid. The agency component generally exercises this authority. A debt from a non-erroneous payment may be eligible for waiver under the following statutory authorities:

5.17.1. Voluntary Separation Incentive Payment and Reemployment (5 U.S.C. § 3524(c)),

5.17.2. Employee Agreements, Service after Training (5 U.S.C. § 4108(c)),

5.17.3. Student Loan Repayments (5 U.S.C. § 5379(c)(3)),

5.17.4. Recruitment and Relocation Bonuses (5 U.S.C. § 5753(e)),

5.17.5. Quarters Allowances (5 U.S.C. § 5922(b)),

5.17.6. Physicians Comparability Allowances (5 U.S.C. § 5948(e)), or

5.17.7. Payments to Dependents of Missing Civilians (5 U.S.C. § 5566(g)).

5.18 Remission or Cancellation of Indebtedness

5.18.1 Remission or Cancellation of Indebtedness Due From Military Members. Title 10 U.S.C. 7837, 10 U.S.C. 8271, and 10 U.S.C. 9837 authorize remission or cancellation of indebtedness due from a military member. Remission or cancellation is limited to debts from overpayments of active duty pay and is not available for debts from overpayments of military retired pay. This authority may be exercised for any debt incurred on or after October 7, 2001. Title 32 U.S.C. 710(c) provides remission or cancellation for National Guard members. Remission or cancellation under these statutes is not available to DoW civilian employees.

5.18.2 Submission of Request for Remission or Cancellation. Requests for remission or cancellation from members of the Army, Air Force, Navy, Marine Corps, National Guard, or Space Force must be submitted on forms the respective Services designate and forwarded to the Service for processing. DFAS does not process remission or cancellation requests for any Service.

5.19 Indebtedness Which May Be Remitted or Cancelled

5.19.1. Debts to the United States. Generally, any indebtedness may be considered for remission or cancellation. Denial of a waiver under 10 U.S.C. 2774 does not preclude a member from applying for remission or cancellation of the debt. Debts arising from an erroneous payment of basic pay due to non-collection of court-martial forfeitures may not be remitted or cancelled.

5.19.2. Debts Within Jurisdiction of Military Service Concerned. The debt must be a debt over which the Military Department concerned has jurisdiction. For example, the Secretary of one

Military Department may not remit a member's indebtedness for liability for damage to property of another Military Department.

5.20 Additional Options for Debt Relief

5.20.1 Claim for Refund. A military member may file a written claim on a DD Form 827, Application for Arrears in Pay, for any amounts considered erroneously collected from the member's pay account. The member must submit the form to the member's pay office or, if separated for more than a year, to DFAS-IN/JFEC, Department 3300 (ATTN: Claims), 8899 East 56th Street, Indianapolis, IN 46249-3300, or submit a ticket. If the claim is denied in whole or in part, the member may appeal to DOHA under 32 CFR 282, Appendix E.

5.20.2 Correction of Military Records. The Secretary of a Military Department, under procedures that Secretary establishes and the Secretary of Defense approves, and acting through boards of civilians of the executive part of that Military Department, may correct any military record of that department when the Secretary concerned considers it necessary to correct an error or remove an injustice. If an individual is owed money from a record correction, any earnings from civilian employment, self-employment, or an income-protection plan for that employment during the period active duty pay and allowances are payable must be deducted from the settlement. To the extent authorized by law and regulation, a settlement must be reduced by the amount of any existing indebtedness the individual owes the Government arising from military service. See Volume 7B, Chapter 10 for additional guidance on correction of records.

6.0 COLLECTION OF DEBTS OWED BY CONTRACTORS

The term Debt Collection Office (DCO), as used in this section, refers to vendor pay offices, contracting offices, and any other office that processes contractor debts. The DCO does not refer to the Defense Finance and Accounting Service (DFAS) Debt Management Office (DMO).

6.1 Collection Actions

6.1.1 Contract Debts. Contract debts result from amounts that have been paid to the contractor, to which the contractor is not entitled under the terms and conditions of the contract, or amounts otherwise due from the contractor. For a list of what is considered a contract debt, refer to the PGI.

6.1.1.1 Once a contractor might be indebted to the DoW, the contracting officer or the payment office must issue a demand for payment to the contractor, provide an opportunity to inspect relevant records, and provide an opportunity to request a review of the debt as set forth in Section 2.

6.1.2. Demand Letters. Demand letters must comply with the requirements in Section 2. The notice of indebtedness to a contractor must state that, per OMB Circular A-123, Appendix C, Part III, high-dollar overpayments may be reported on the Federal Government's improper payment website. Refer to Volume 4, Section 14 for the definition of a high-dollar overpayment.

6.1.2.1. The contracting officer has primary responsibility for determining the debt amount and ensuring collection for most types of contract debts, except debts resulting from payment-office errors. Refer to the PGI for a list of required suppoting documentation, and dollar referral thresholds, for debts referred to the DCO or DMO.

6.1.2.2. When a contracting officer or other authorized official requests that a payment office collect a debt and provides a copy of the contract, including the payment dates and amounts due from the contractor, the payment office must collect the debt.

6.1.2.3. If the contracting officer or other designated official receives the contractor's payment, that official must immediately forward the payment to the disbursing office with a request for confirmation of receipt.

6.1.2.4. The appropriate DoW Component contracting officer, or other designated official, must determine the debt amount and demand repayment for debts pursuant to FAR 32.6 and DFARS 232.6.

6.1.2.5. The contracting officer must send a copy of each demand for payment, and documentation identifying the line of accounting for distribution of the principal amount of the debt, to the payment office cited in the contract so the Accounts Receivable Office (ARO) applies the funds correctly.

6.1.2.6. The contracting officer must periodically follow up with the DCO, ARO, or supporting accounting office to ensure contract debts are collected and credited to the proper appropriations.

6.1.2.1. Payment offices are designated to make payments under a contract and to receive payments for amounts due to DoW. Payment offices must determine the amount of contract debts resulting from overpayments or erroneous payments and initiate collection action on those debts.

6.1.2.2. The payment office must also collect contractor debts when the amounts due and payment dates are in the contract and a copy of the contract has been furnished to the payment office with notice to collect as amounts become due.

6.1.2.3. When a contract modification (downward adjustment) issued after the date of a disbursement causes a contract to be in overpayment status, the result of that modification is not an erroneous payment for purposes of this Section. The payment office must contact the

procuring or administrative contracting officer who issued the modification to ensure a demand letter is sent to the contractor for collection of funds.

6.2 Administrative Offset

6.2.1 To the extent practicable, debts must be collected by voluntary lump-sum repayment or by administrative offset of payments the DoW owes the contractor, unless an installment agreement is in place or a deferment of collection has been approved (FAR 32.607). If 30 days have elapsed since the due date in the demand for payment and no payment has been received, the DCO must offset the contractor's indebtedness against other monies owed to the contractor.

6.2.2. FAR 32.606 allows offsetting contractor payments to liquidate debts owed by the contractor. If additional payments are scheduled under the same contract, the DCO must administratively offset against those payments first. The DCO must coordinate with the payment office to apply administrative offsets against amounts due the contractor under other contracts if offset against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total entitlement amount without regard to the deduction. The DCO must prominently annotate the face of the voucher, or the electronic equivalent, with the amount withheld and the accounting classification credited so that only the net amount is paid to the contractor, and the voucher must adequately inform the payee of the reason for the deduction.

6.2.3. Administrative offsets normally will not be taken when there is a valid assignment of claims, under the Assignment of Claims Act of 1940 (31 U.S.C. § 3727 and 41 U.S.C. § 6305), associated with the contractor. DCO personnel should seek guidance from their legal office, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

6.2.4. Pursuant to 31 U.S.C. § 3716, and in accordance with 31 CFR 901.3(b)(2), a DCO must process an administrative offset to collect a debt when the name and TIN of a payee matches the name and TIN of a debtor, and all other requirements for administrative offset have been met.

6.3 Credit Invoice

6.3.1. A contractor may request to liquidate a debt against existing unpaid bills due to the contractor. As an exception, DCOs may accept a credit invoice only under special circumstances, and only when a current payable invoice exists to which the credit can be applied. On request, the contractor should furnish the DCO an invoice number, date, and the amount of the debt to be offset against the invoice, per the credit invoice.

6.3.3. If a contractor does not state that the credit-invoice amount can be deducted from other amounts due, the DCO must determine the most effective manner to collect the debt. In

making this determination, DCOs must weigh both the relative costs DoW would incur under various options and the method expected to liquidate the debt at the earliest date. That latter factor depends on the expected volume and frequency of incoming invoices susceptible to administrative offset, and whether that option is more effective and efficient than a credit invoice.

6.3.4. DCOs must acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, the acknowledgment must state that DoW cannot accept the document as liquidation of the indebtedness and must ask the contractor to remit a check to the applicable address. The contractor may instead identify an invoice to offset. Receipt of a credit invoice by the due date stated in the demand letter does not preclude charging interest and administrative charges.

6.4 Installment Payment Plans

6.4.1 General. Whenever possible, payment to liquidate a debt, including a deferred payment, must be made in one lump sum. When a contractor establishes sufficient justification, the DCO may approve a series of installment payments to liquidate the debt within a reasonable period. Per 31 CFR 901.8, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. If the contractor requests a repayment term of more than 3 years, the DCO must refer the request to the DMO for a determination.

6.4.2 Installment Payment Approval Authority. The DMO is the approval authority for a contractor's installment-agreement request. The DMO may not deny a request without first obtaining consent from the creditor DoW Component's senior financial manager (FM) or designee. In that case, the DMO must send the request to the creditor Component's senior FM or designee within 3 working days after receiving the request.

6.4.3 Installment Payment Notification. The DMO must make installment agreements available to the office that referred the debt and to the creditor DoW Component's senior FM or designee.

6.5 Referral of Delinquent Debts to DMO

6.5.2 Delinquent Debts

6.5.2.1. DCOs must refer valid and legally enforceable debts that are equal to or greater than the thresholds in paragraph 5.1, individually or in aggregate, to the DMO no later than 90 days after the date on the debt notification. The DCO must validate debts before referral to the DMO. The DMO must annotate acceptance of the debt in the appropriate system, making the information available to the DCO and the supporting accounting office that maintains the official accounting records. Administrative charges may be assessed for the expenses of referring the debt.

Delinquent debts incurred under FAR 51.102 may be referred back to the authorizing agency if not satisfied by the contractor. Refer to the PGI for a list of required supporting documentation.

6.5.2.2. When referring a debt to the DMO, DCOs must submit the documentation listed in the PGI.

6.5.2.3. After referral, the DMO has full responsibility for collecting the delinquent debt. Accounting and reporting do not transfer to the DMO; they remain with the servicing accounting office, which uses status information the DMO provides. The DMO maintains only a memorandum accounts receivable record. Any office other than the DMO that receives a payment after referral must notify the DMO of the receipt and disposition within 3 business days. The ARO must notify the FM representative of the cognizant DoW Component when the debt should be closed. For dual-negotiated checks, the DMO must also notify the accountable payment office.

6.6 Referral of Debts to Treasury

6.6.1. The DMO must refer valid and legally enforceable debts delinquent more than 120 days to Treasury for debt collection and cross-servicing. While a debt is at Treasury, the DMO retains overall responsibility for tracking and monitoring it and must recall any uncollected debt with enough time to refer it to the Department of Justice for potential litigation or to write it off and close it out.

6.6.2. Components that have implemented the DDMG should refer delinquent debt over $25 directly to Fiscal Service, Debt Management Services for further collection action where applicable.

6.7 DISPUTES AND DEFERMENTS UNDER THE CDA

6.7.1 Under the Contract Disputes Act of 1978 (41 U.S.C., Chapter 71), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the U.S. courts. Actions filed under the Disputes Clause do not suspend or delay collection unless the contractor has been granted a deferment under paragraph 6.3 or has entered an installment payment plan under section 4.0. Interest, penalties, and fees continue to accrue on uncollected debts that have been formally disputed.

6.7.2 Crediting Collections in Dispute

6.7.2.1. When an amount, including interest and administrative fees, is collected from a contractor and the contractor formally disputes the debt, DoW must not account for the collected amount as settlement of the debt. The disputed amounts must remain available pending disposition of the dispute, and interest, penalties, and fees no longer accrue because the debt has been collected. The collection must be documented as a disputed contract collection; for example, debts collected by DFAS are coded as disputed in the Contract Debt System.

6.7.2.2. The payment office typically handles collection of a debt. If another office, including the ARO, supporting accounting offices, the DMO, contracting officers, contract administration officers, or legal offices, receives a payment against an existing debt, that office must forward the payment to the relevant DCO immediately.

6.7.2.3. The DCO and the responsible payment office must notify the contracting officer, the contract administration officer if applicable, the Service or agency contract finance officer, or another authority of any matters affecting the disputed collections. Those officers or offices must also inform the responsible payment office and the DCO of any actions taken that affect the disputed collection.

6.8 Deferments

6.8.1. Under the CDA of 1978, a contractor may appeal a decision of indebtedness to the ASBCA or through the U.S. court system. In accordance with FAR 32.607, the contractor may request, in writing, deferment of debt repayment until the appeal is decided.

6.8.2. In accordance with FAR 32.607, the contractor must submit the request for deferment to the contracting office.

6.8.3. The contracting office must promptly forward the deferment request to the appropriate DoW Component's senior FM or designee. The senior FM or designee must approve or deny the request and notify the contracting office and the DMO of the decision.

6.8.4. Collection of the debt must continue until the date the deferment is granted.

6.9 Write-Off and Close-Out of Accounts Receivable

6.9.1. Tax Reporting. The DFAS Tax Office will obtain information on all closed-out, uncollected public contractor debt. Per 26 U.S.C. 6050P, the Tax Office must issue debtors an Internal Revenue Service Form 1099-C, Cancellation of Debt, if the closed, uncollected debt is $600 or more for the calendar year.

6.10 BANKRUPTCY

6.10.1. Within DoW, the DFAS Office of General Counsel (OGC) will file contractor bankruptcy proofs of claim. DFAS-OGC is not responsible for litigating contractor bankruptcies; the litigation function remains with the DoW Component and is accomplished by the Department of Justice through the responsible U.S. Attorney. Per FAR subpart 42.9, the actions detailed in paragraphs 8.1 through 8.6 will be taken when the procuring contracting office or contract administration office receives notice of bankruptcy from the contractor or another source. Refer to the PGI for additional guidance on bankruptcy, to include notification requirements.

7.0 DEBT OWED TO THE DOW BY FOREIGN ENTITIES

7.1 DoW policy is to conduct timely, aggressive debt collection action, with follow-up as necessary, to ensure debt owed to the DoW by a foreign entity is collected and held to the absolute minimum. All collection activities related to foreign-entity indebtedness, including all Acquisition and Cross-Servicing Agreement (ACSA) debt, must comply with the applicable agreement or treaty with the foreign entity.

7.2 For purposes of this section, a foreign entity does not include foreign individuals or foreign vendors and will only refer to the following definitions:

7.2.1. Any government of a foreign country, and any subdivision, agency, or instrumentality thereof, including all foreign "official" institutions, even those located in the U.S.;

7.2.2. Any private relief, philanthropic, or other organization of a multinational or regional character with headquarters abroad; and

7.2.3. Any official multinational organization, defined as any international or regional organization (or affiliated agency thereof), created by treaty or convention between sovereign states.

7.3 Foreign-entity indebtedness means financial obligations owed to the U.S. Government by a foreign entity, as defined for purposes of this section. Foreign-entity indebtedness includes Foreign Military Sales (FMS) arrearages, accounts receivable for goods and/or services provided (where specified, includes goods and/or services provided through the ACSA program), and erroneous payments made to foreign entities. Foreign-entity indebtedness does not include principal payments or interest on short-term and long-term loans and credits.

7.4 This section establishes policy for DoW Components to identify, bill, collect, and manage foreign-entity indebtedness, including FMS and non-FMS. It does not establish policy for non-FMS fuel debts, foreign fuel exchange agreement debts, foreign direct bills, or FMS fuel debts. Unpaid debts related to fuel agreements, including Replacement-in-Kind/Equal Value Exchange settlements, foreign direct bills, and FMS, must be billed and elevated through the Defense Logistics Agency - Finance Energy (subparagraph 3.1.3.2 and paragraph 3.2 do not apply).

7.5 Billing AND FOLLOW-UP ACTIONS

7.5.1 Non-FMS, Foreign-Entity Debt

7.5.2. Due Date. All non-FMS foreign-entity debt is due 30 days from the date of the bill/demand letter, unless otherwise stated in the bill, contract, or agreement between the DoW

Component and the foreign entity. The bill/demand letter must include a 60-day grace period. The debt becomes delinquent 91 days from the date of the bill/demand letter.

7.5.2.1. The ARO must prepare and send initial billings and notifications for goods and services for all non-FMS foreign-entity debt. The ARO must include the information listed in subparagraph 7.5.2.2 in the initial debt notification accompanying the bill.

7.5.2.2. The ARO must prepare and send the initial demand for non-FMS foreign-entity debts (see Exhibit 6-1 for a sample demand letter). The demand letter must include, at a minimum, the following information:

7.5.2.2.1. The basis for and amount of the indebtedness;

7.5.2.2.2. The date by which payment must be made in full;

7.5.2.2.3. The address where payment should be sent or information regarding submission of electronic payment;

7.5.2.2.4. The name, address, and telephone number of a point of contact in the ARO who can discuss alternative methods of payment; and

7.5.2.2.5. Any available documentation that substantiates the debt.

7.6 FMS Accounts Receivable

7.6.1. For sales from stock, AECA Section 21(b) (22 U.S.C. 2761) requires DoW to collect payments from foreign purchasers in advance or, if the President determines it to be in the national interest, upon delivery of a defense article or rendering of a defense service. After such a Presidential determination to bill upon delivery, interest must be charged under AECA Section 21(d) (22 U.S.C. 2761(d)) on any net amount due and payable that is not paid within 60 days after the date of billing.

7.6.2. The President delegated authority to determine if billing upon delivery is in the national interest in Executive Order 13637, and the Secretary of Defense further delegated the authority to the Director, DSCA, in DoW Directive 5105.65. The President may extend the period to 120 days upon determining that emergency requirements of the purchaser will exceed the ready availability of purchaser funds within the 60 days, submitting a determination with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA.

7.6.3. For sales from procurements (items sent directly from the source, not from DoW inventories), when the country is authorized a dependable undertaking, AECA Section 22(a) (22 U.S.C. 2762(a)) requires DoW to collect payments from foreign purchasers in time to meet

contractual payments, including any damages and costs that may accrue from cancellation of such contracts. AECA Section 22(a) requires interest to be charged on any net amount by which a foreign purchaser is in arrears, considering all of its outstanding unliquidated dependable undertakings.

7.6.4. Due Date. Refer to Volume 15, Section 8 for policy regarding FMS billing due dates.

7.6.5. Initial Billing. DFAS SCA is responsible for issuing FMS billing documents. Billings for financial requirements must be initiated using the DD 645 or the special billing statement approved by DSCA. These billings must, at a minimum, identify the financial requirements, amount paid, and amount due. Specific policy on FMS billings is in Volume 15, Section 8.

7.6.5.1. When the amount due per the DoW billing statement is not paid by the due date, that amount is considered delinquent, but that does not necessarily constitute an arrearage.

7.6.5.2. For FMS cases authorized to include a term of sale of "Payment on Delivery," and for FMS purchasers authorized “dependable undertaking” terms of sale, an arrearage occurs when the FMS purchaser’s total cash resources on deposit with the U.S. Government are insufficient to cover all its outstanding, billed amounts, unliquidated dependable undertakings, considered collectively. Reference Volume 15, Section 4, subparagraph 3.1.2 for information on dependable undertaking.

7.6.5.3. FMS purchasers are required to pay in advance of performance unless the President determines it to be in the national interest to collect upon delivery of the defense article or the rendering of the defense service. Refer to 22 U.S.C. § 2761. Therefore, in the FMS program, an arrearage is an unusual event.

7.7 INTEREST, ADMINISTRATIVE CHARGES, AND PENALTIES FOR FMS ARREARAGES

7.7.1 Interest must be charged on FMS arrearages under 22 U.S.C. 2761(d) and 22 U.S.C. 2762(a). The final determination on assessing interest on FMS arrearages resides with DSCA. The interest rate is the rate set by the Secretary of the Treasury under the AECA (not less than a rate based on the current average market yield on outstanding short-term U.S. obligations as of the last day of the month preceding the net arrearage), computed from the date of net arrearage; the applicable rate is published by Treasury (see the FMM). For disposition of interest collected, refer to Volume 4, Section 3. Non-FMS foreign debts owed by any sovereign state are exempt from interest, administrative charges, and penalties. Refer to the PGI for additional information on assessing interest.

7.8 REFERRAL OF FMS INDEBTEDNESS

7.8.1 Authority to Refer FMS Indebtedness. DSCA must determine if an FMS arrearage will be forwarded to DOJ for litigation.

7.9 Preservation of Evidence. The ARO, DFAS PM, DoW Component, and DSCA must retain all files and records that may be needed by DOJ to prove the case in court. Refer to Volume 1, Section 9 for additional information on record retention.

7.10 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS FOR FMS ARREARAGES DFAS SCA,

In cooperation with the DoW Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with DSCA. Refer to Section 2 for policy on compromise, suspension, or termination of collection actions.

7.11 WRITE OFF AND CLOSE OUT OF FMS ARREARAGES DSCA

DSCA is responsible for initiating and coordinating all actions necessary to write off and close out FMS arrearages. Refer to Volume 4, Section 3, paragraph 4.7 for write-off and closeout requirements.

7.12 REPORTING FOREIGN INDEBTEDNESS

7.12.1. Foreign indebtedness must be uniformly and accurately reported through appropriate reporting channels to Treasury and Commerce.

7.12.2. Required Reports

7.12.2.1. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. The TFM, Volume I, Part 2, Chapter 4500 requires electronic submission of several reports on foreign obligors to Treasury by the 45th day following the end of the reporting quarter, if applicable. DFAS Security Assistance Accounting (SAA) Departmental prepares and submits these reports, extracting the data from the DSCA FMS Credit System. The TFM, Volume I, Part 2, Chapter 4500 provides detailed guidance, report formats, and submission instructions.

7.12.2.2. Data Editing. DFAS SAA Departmental must complete the quarterly data editing and approval process using Treasury's Foreign Credit Reporting System (FCRS) within 2 weeks after receiving notification that the reporting period data is available for editing. The FCRS Web Site Overview and Data Editing Guide for Agency Users contains instructions for the quarterly data editing and approval process. A list of the required reports may be found in the PGI.

7.12.3. Preliminary Case Analysis Report of FMS Arrearages. The National Advisory Council (NAC) monitors major foreign arrearages. A major foreign arrearage is any country-program arrearage involving the sum of $250,000 or more. Periodically, DSCA will request a Preliminary Case Analysis Report (PCAR) from DFAS to satisfy NAC requirements. DFAS submits the PCAR directly to DSCA by email. The report must reflect any foreign arrearages so a determination can be made on whether interest should be charged.

7.12.4. Collecting and Reporting Foreign Debts Under Long-Term Loans and Debts. DSCA is responsible for administering FMS long-term loans and credit programs authorized by 22 U.S.C. 2763 and for determining foreign arrearages against these programs.

8.0 INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES

8.1 INTERNAL CONTROLS

All organizations that collect and manage IPA charges must follow the internal-control standards in DoW Instruction 5010.40, "Managers' Internal Control Program Procedures," to ensure IPA charges owed to the DoW are managed and collected per this section and other applicable regulatory and statutory requirements.

8.2 APPLICATION OF CHARGES

Title 31, CFR, section 901.9 contains guidance on assessing IPA charges. Unless prohibited by law, IPA charges will be applied accordingly. Refer to Volume 4, Section 3 for requirements on the disposition of IPA charges.

8.3 All debts owed to the Government and not paid in full by the due date specified in the debt notification letter will accrue IPA charges back to the original date of the debt notification, and in accordance with 31 U.S.C. § 3717. These charges will continue to accrue until the debt is paid in full or otherwise resolved through suspension, compromise, termination, or the IPA charges are waived. Debts owed by any federal agency, or nonappropriated fund instrumentality, are exempt from IPA charges.

8.4 Interest Charges

Per to 31 U.S.C. 3717, interest rates must be established for each loan receivable and overdue debt from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, an occurrence of an event, passage of time, debtor's income level, or federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate, at a minimum, will be the same rate as the Current Value of Funds Rate (CVFR) established by the Secretary of the Treasury. Interest may not be compounded or assessed on administrative costs or penalties.

8.5 Penalty Charges

DoW Components must accrue and assess a penalty charge, not to exceed 6 percent per annum, on any portion of a debt delinquent more than 90 days from the date of the debt notification, including interest and administrative charges. A debt becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. This does not include current payments made under an agreed-upon installment plan or through salary offset. Components may determine what percentage, up to the maximum 6 percent, to apply to delinquent accounts. A Component must document its rationale for charging a lesser amount and make it part of the official debt file.

8.6 Administrative Charges

Components must calculate administrative charges based on the actual costs incurred to process and handle delinquent debt. If actual cost is not available, a Component may base the administrative charge on other historical costs or cost analyses, as long as the method used supports the charge and is documented in the official debt file. An administrative charge will be applied to all delinquent debts with due regard given to the length of time the debts are delinquent.

8.7 WAIVER OF ACCRUAL OF IPA CHARGES

8.7.1 Under 31 U.S.C. 3717(h), the DCO may waive IPA charges in whole or in part, either using the compromise standards in 31 C.F.R. 902.2 or when collecting IPA charges is against equity and good conscience (such as when charging IPA would cause the debtor undue financial hardship) or is not in the best interest of the United States (see also 31 CFR 901.9(g)). A DCO may waive IPA on its own or at a debtor's request, and may waive IPA only in part. For example, circumstances may justify waiving penalties, which penalize untimely payment, but not interest and administrative costs, which compensate the Government. A DCO must make a decision on whether or not to waive IPA charges in accordance with the guidelines in paragraph 4.2.

8.8 Guidelines

8.8.1. IPA charges may be waived only after the DCO determines that a waiver is appropriate, including at the time the debt is terminated or compromised.

8.8.2. DoW Components must decide whether to waive the accrual and assessment of IPA charges on a case-by-case basis. Blanket waivers that waive IPA on an entire class of debts are not appropriate. Decisions on IPA waivers must be documented, include an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

8.8.3. The same organizational level, or the same designee, authorized to approve compromises, write off indebtedness, or approve requests for waiver or remission of indebtedness,

depending on the disposition of the basic debt, is authorized to approve waiver of the accrual of IPA charges.

8.8.4. Accrued IPA charges will be collected, reported, compromised, or written off in the same manner as the basic debt.

8.9 Write-Ooff of Accrued IPA Charges

When a debt is written off, the accrued IPA charges must also be written off. Write-off must be done in accordance with Office of Management and Budget Circular A-129. Volume 4, Section 3 contains additional requirements on debt write-off.