

Who Pays SBP and Who Pays DIC?

When you are receiving direct deposit payments to your bank account, it can be difficult to figure out which agency is paying which deposit.

Dependency and Indemnity Compensation (DIC) from the Department of Veteran's Affairs (VA) is the most common monthly payment Survivor Benefit Plan (SBP) annuitants receive in addition to SBP.

We hope this article will help you identify the differences between the two types of monthly payments.

Survivor Benefit Plan (SBP) – Overview

The Survivor Benefit Plan (SBP) is a Department of Defense program. It provides financial support to military spouses or children when a military member dies while on duty or after retirement (if the retiree chose to participate).

After the service member passes away, the SBP annuity is paid out **monthly** to the surviving spouse, or to the child or children of the member. The monthly payment is known as an **annuity** and the recipient of an SBP annuity is referred to as the **annuitant**.

There is only **one Survivor Benefit Plan (SBP) annuity**. It is paid **either** to the spouse **or** to the child/children. If paid to multiple children, the annuity is split into equal shares.

The Defense Finance and Accounting Service (DFAS) is the DoD agency that processes and makes DoD SBP payments.

SBP - Payments

SBP is paid on the **first of the month**. However, if the first falls on a weekend or holiday, SBP annuitants are paid on the **first business day** of month. For example, for the December 2023 entitlement, SBP annuitants are scheduled to receive payment on January 2, 2024.

A direct deposit of SBP in a bank account will be labeled similar to this:
"DEPOSIT – DFAS-CLEVELAND AR ANN PAY"

If there are multiple children receiving the SBP payment into the parent/guardian's bank account, there will be multiple SBP deposits (one for each child).

SBP annuity payments are subject to **federal income tax**.

SBP – Resources

Find out more about SBP: <https://www.dfas.mil/managesbp>

-more-

VA Dependency and Indemnity Compensation (DIC) - Overview

Dependency and Indemnity Compensation (DIC) is a tax-free monetary benefit paid to eligible survivors of military service members **who died in the line of duty** or eligible survivors of members **whose death resulted from a service-related injury or disease**.

DIC - Payments

There are a number of ways that VA Dependency and Indemnity Compensation payments are different than DOD Survivor Benefit Plan payments.

For example, DIC payments may be made for **BOTH** a surviving spouse and a surviving child or children. The SBP payment is made to either the spouse **OR** a surviving child or children.

DIC payments are **tax-free** for federal income tax purposes, while SBP payments are **subject to federal income tax**.

DIC payments are made **based on tables of standard benefits**, while SBP payments are based on an **individual member's retired pay**.

In addition, **DIC is paid in one monthly deposit**, even if the payment includes a spouse benefit and a benefit for a child or for multiple children.

A direct deposit of DIC in a bank account will be labeled similar to this:

"DEPOSIT – VACP TREAS 310 XXVA BENEF"

Dependency and Indemnity Compensation (DIC) is tax-free for federal income tax purposes.

DIC – Resources

Find out more about DIC:

<https://www.va.gov/disability/dependency-indemnity-compensation>