



Tax Tips for Survivors

September 2023

The Primary Next of Kin is responsible for the deceased Sailor's last tax return. Know your rights and benefits as a Surviving taxpayer.

What is my tax filing status as a Survivor?

YEAR 1	If you were married at the time your spouse died, you may still file a joint return for the year of your service member's death. This gets you the best tax rate (and the largest standard deduction, if you do not itemize). Survivors filing a joint return may claim the full exemption amount for the decedent regardless of the date during the year when the death occurred.
YEARS 2-3	If you have one or more children, you may file as a "qualifying widow or widower" for the next two tax years, so long as you do not remarry. This status lets you use joint-return tax rates.
YEAR 4	Starting in year four, if you have dependent children, you may file your tax return as a "head-of-household." Tax rates are less favorable than those for joint returns but better than the rates for single taxpayers.

Which of my benefits are taxable?

TAXABLE	Salary income (including the "pay" portion of an unpaid compensation claim).	Life insurance benefits (including Servicemembers Group Life Insurance (SGLI)).	TAX EXEMPT
	Income from Survivor Benefit Plan (SBP) payments.	Dependency and Indemnity Compensation (DIC) payments.	
	Social Security Survivor benefits (up to 85%).	Death Gratuity.	

When will I get my service member's W-2?



The Defense Finance and Accounting Service (DFAS) issues a W-2 for deceased service members who had income during the tax year. The W-2 will be sent to the address on record for the service member after January 1 of the year following the member's death.

How do I replace a lost W-2?

If the address on record is incorrect and the W-2 cannot be delivered, or if the document is lost, you can request a reprint by calling DFAS (Cleveland) at 1-888- 332-7411. Phone tree prompts are 4, 2, 4, then select the branch of service, then 1 and 1.

Are there any special tax provisions for Survivors?



Yes. In certain cases, widows and widowers get a tax break on individual retirement accounts (IRAs) inherited from a spouse and on proceeds from the sale of a home.

If the service member died as a result of active service in a combat zone (according to the definitions provided in the benefit laws), the member's Federal income tax liability may be forgiven. Any taxes paid for the year of death will be refunded, and any tax liability at the date of death will be forgiven.

What about state taxes?



Don't overlook the possibility that your state may offer its own tax benefits. See, for example, <https://marylandtaxes.gov/individual/estate-inheritance/>.

Most states also have income tax forgiveness policies in place for veterans who serve in combat zones; check with your state's revenue department to find out if you qualify.

Parents of an unmarried deceased service member must file a tax return on behalf of their child for the year of the death. See <https://www.irs.gov/publications/p559> or consult a tax professional.