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RESERVE AFFAIRS

JUL 24 2006

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (M&RA)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Reserve Income Replacement Program

The attachment to this directive-type memorandum establishes procedures and responsibilities to implement the payment of monthly active duty income differential to certain Reserve component members serving on involuntary active duty as required by section 910 of title 37, United States Code, as added by section 614 of Public Law 109-163, the National Defense Authorization Act for Fiscal Year 2006. In the Department of Defense, this program shall be referred to as the Reserve Income Replacement Program (RIRP).

In accordance with the attached policy and procedures, the Secretaries of the Military Departments shall pay to eligible Reserve component members, on a monthly basis, an amount equal to the negative difference between the member's pre-mobilization average civilian earned income and his or her current total military compensation. According to the guidance in this memorandum, the Services will develop detailed procedures for disseminating information about the RIRP and for effectively and efficiently accepting and processing program eligibility claims.

Questions regarding this policy may be directed to my point of contact for this matter, Mr. Rich Krimmer. He can be reached at Richard.krimmer@osd.mil or (703) 693-7490.

T. F. Hall

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Attachments:
As stated

cc: Director of Reserve & Training, USCG

**Policy Guidance for Implementing**
**the Reserve Income Replacement Program (RIRP)**

**1. Authority** – Section 910 of title 37, United States Code (37 U.S.C. 910), as added by section 614 of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163, 119 Stat. 3292, January 6, 2006).

**2. Policy**

2.1. It is Department of Defense policy that the Secretary of the Military Department concerned shall pay to an eligible member of a Reserve component an amount equal to the monthly active duty income differential of the member as determined by the Secretary concerned. Such payments shall be made to an eligible member on a monthly basis. Within the Department of Defense, this program shall be referred to as the Reserve Income Replacement Program (RIRP).

2.2. The purpose of this program is to provide specific payments to members of the National Guard and Reserve who are serving on involuntary active duty, as defined in paragraph 3.1., below, and who are experiencing a monthly active duty income differential, as defined in paragraph 3.2., below, as a result of extended or frequent mobilizations.

2.3. The RIRP shall be effective on August 1, 2006, the first full month following the 180-day period after enactment of P.L. 109-163. Income replacement payments will be made only for full months of qualifying active duty performed after July 2006, through December 2008.

2.4. The authority under section 910 of title 37, United States Code, is a nondiscretionary entitlement that must be paid to all eligible members. As a result, members who have completed requisite eligibility criteria and any subsequent full month of active duty service, as provided under paragraphs 3.7. and 4.1.2. below, **may** qualify for payment retroactive to August 1, 2006. For example, an issue of retroactive payment may occur if a member continues to serve on involuntary active duty after serving continuously for an 18-month period ending on June 30, 2006, but does not submit an eligibility verification form (DD Form 2919), as described below in paragraph 8.4, until October 2006.

**3. Definitions**

3.1. Involuntary Active Duty – An order to duty under section 12301(a), 12301(g), 12302, or 12304, of title 10, U.S.C., without the consent of the member or order to full-time National Guard duty under section 502(f)(1) of title 32, U.S.C.

3.2. Monthly Active Duty Income Differential – The difference between the average monthly civilian earned income of the member and the member's total monthly military

compensation, when the member's average monthly civilian income exceeds the total monthly military compensation.

3.3. Average Monthly Civilian Income – The amount determined by the Secretary concerned based on either:

3.3.1. the member's total earned income for the 12 full months immediately preceding the member's current mobilization, divided by 12, or

3.3.2. the member's earned income reported on the most recent federal income tax filing that covers a 12-month period prior to mobilization, divided by 12.

3.4. Earned Income – Wages, salaries, tips, professional fees, other compensation received for personal services and employee compensation that is included in gross income for the taxable year, plus any net earnings from self-employment for the taxable year. Earned income includes taxable compensation received by members of the Reserve components (to include the National Guard) for the performance of Reserve duties. Employee pay is earned income if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is not earned income. Generally, earned income is that income reflected in box 1. of an individual's W-2 form and is reported on Internal Revenue Service (IRS) form 1040, lines 7, 12, and 18.

3.5. Regular Military Compensation (RMC) – Regular military compensation is the sum of basic pay, basic allowances for housing, basic allowance for subsistence (BAS) and the Federal income tax advantage that accrues from allowances that are not subject to Federal income tax (i.e. housing allowances and BAS). See section 101(25) of title 37, United States Code. RMC does not include the tax advantage that accrues because of the Combat Zone Tax Exclusion.

3.6. Total Monthly Military Compensation (TMMC) – An amount computed on a monthly basis of the member's regular military compensation and the amount of any special pays, incentive pays and allowances (not included in regular military compensation) that are paid on a monthly basis (e.g., Foreign Language Proficiency annual bonus that may be paid in monthly installments; overseas extension bonus that is paid on a monthly basis). Bonuses paid in lump sum or in anniversary installments, such as enlistments, re-enlistment and affiliation bonuses, shall not be included in the TMMC. Cost of living allowances shall be included in TMMC. Per diem, to include Meals and Incidental Expenses (M&IE), shall not be included in TMMC.

3.7. Month – for the purposes of RIRP, the term "month" has the following meanings:

3.7.1. For the purpose of RIRP eligibility, a period of a month is computed by looking at the calendar and determining the beginning date in a month and the end date in the next month or months, using the number of days for the month with the beginning date. For example, if duty began on February 15, 2007, a one-month period would end on March 14, 2007. As an additional example, if a Reserve Component member serves involuntarily from February 15, 2007, to August 14, 2008 (18 months), the first month period would be counted from August 15, through September 14 (based on the calendar, there are 31 days in August).

The use of months to determine eligibility will only be based on increments of consecutive days that are the equivalent of a month, as described above. Periods of less than a month that involve time gaps between periods will not be used in determining eligibility.

3.7.2. With regard to RIRP payment, a reserve component member is entitled to payment of RIRP on the first day of a full calendar month (January, February, March, etc.) after performing a preceding full calendar month of active duty service after completing the requisite eligibility period described under paragraph 4.1.2., below.

**4. Reserve Income Replacement Eligibility**

4.1. An eligibility period may begin prior to August 1, 2006. A member of the Selected Reserve, Individual Ready Reserve, Standby Reserve or Retired Reserve who is serving on active duty may be eligible for RIRP payments if:

4.1.1. The member was involuntarily mobilized and is currently serving on involuntary active duty, as defined in paragraph 3.1., above.

4.1.2. The member meets one of the following criteria:

4.1.2.1. on or after August 1, 2006, completed 18 continuous months of service on active duty under involuntary orders. Continuous active duty may be accumulated through successive orders to active duty, provided no break in service has occurred. Example: If continuous service on active duty began on February 1, 2005, the 18 months to establish eligibility would end at midnight on July 31, 2006. Under these circumstances, the member will have met the eligibility requirement for RIRP on August 1, 2006, the date of implementation for RIRP, and would be entitled to RIRP payment on September 1, 2006, for the month of August 2006, as described in paragraph 3.7., above, if the member serves on active duty for the entire month of August.

4.1.2.2. completed 24 cumulative months of involuntary active duty during the previous 60 months. Cumulative months shall be determined as described in 3.7., above. The 60-month period used to determine eligibility shall have begun on or after August 1, 2001. The 60 month period will be determined as described in paragraph 3.7., above.

4.1.2.3. is serving on involuntary active duty for a period of 180 days or more which commenced within six months or less following the member's separation from a previous period of involuntary active duty for a period of 180 days or more. See paragraph 3.7.

4.1.3. The member is on active duty for an entire month following completion of the requisite eligibility service requirement under paragraph 4.1.2., above.

4.2. Entitlement to RIRP payments is based on each full month of active duty, as defined in 3.7., above, following the date on which the member meets the eligibility criteria in paragraph

4.1., above. Changes in pay grade, longevity, number of dependents, and special pays will be taken into account in calculating the RIRP payment in the month following the change.

**5. Payment Limitations - Maximum and Minimum Monthly Payment Amount.** A member who realizes a monthly active duty income differential, as defined under paragraph 3.2.,above, that is greater than $50.00 is entitled to reserve income replacement. Notwithstanding the difference in income computed under paragraph 8.2.6., below, the monthly RIRP payment to the member shall not exceed $3,000 per month.

**6. Termination of Income Replacement:**

6.1. Reserve Income Replacement payments shall cease when:

6.1.1. the member is released from a qualifying period of active duty;

6.1.2. the member no longer meets eligibility requirements due to changes in total military monthly compensation.

6.1.3. the monthly active duty income differential decreases to $50 or less due to changes in current military compensation.

6.1.4. the member no longer meets eligibility requirements based on a change in orders or the statutory basis of such orders that changes the status of the duty performed from involuntary to voluntary.

6.2. Unless extended in law, the RIRP will terminate on December 31, 2008, and no payments shall be made after that date.

**7. Program Implementation**

7.1. Service members must provide proper documentation of their civilian earned income in order to qualify for RIRP payments.

7.2. Eligibility for RIRP shall be verified on DD Form 2919 (enclosure 1), Reserve Income Replacement Program Eligibility Verification.

7.3. Members who wish to apply for RIRP payments must complete DD Form 2919 and provide, according to procedures prescribed by the Secretary of the Military Department concerned, their most recent Federal income tax filing form (IRS form 1040 and form(s) W-2 or 1099, as applicable), or pay records that reflect the earned income of the member for the 12 months immediately preceding the date of the member's mobilization. Members who are self-employed shall provide their most recent Federal income tax filing—IRS form 1040; Schedule SE (Form 1040), and other appropriate documents.

7.4. The RIRP eligibility verification form (DD Form 2919) and accompanying federal income tax return or civilian income documentation will be submitted by the member to his/her military personnel administration office or other office specified by the Secretary of the Military Department concerned for processing and final determination of eligibility.

7.5. Eligible RIRP participants shall be paid RIRP payments on a monthly basis.

7.6. RIRP payments will be based on full months of service only. Partial month RIRP payments are not authorized.

7.7. Changes in the member's number of dependents, pay grade or years of service that affect RIRP entitlement amount will be forwarded to DFAS using DD Form 2919 or the Service integrated pay and personnel system.

**8. Responsibilities**

8.1. The Assistant Secretary of Defense for Reserve Affairs, under the Under Secretary for Personnel and Readiness shall:

8.1.1. Provide policy oversight, and establish and maintain policies and procedures for administering and managing the RIRP within the Department of Defense by providing the Secretaries of the Military Departments with instructions, requirements, reviews and other guidance.

8.1.2. Ensure standardization of, and compliance with, the implementing guidance.

8.1.3. Establish reporting requirements for the RIRP for the Secretaries of the Military Departments and monitor reporting compliance.

8.1.4. Serve as primary source for overall compilation of program statistics.

8.1.5. Establish and maintain the Office of the Secretary of Defense RIRP calculator.

8.2. The Secretaries of the Military Departments shall:

8.2.1. Establish procedures to implement RIRP and ensure, to the maximum extent practicable, that the members of their respective Reserve components are fully informed about RIRP.

8.2.2. Establish a communication plan to widely publicize information about RIRP to include providing basic information and material needed to determine if the member meets the eligibility criteria.

8.2.3. Initiate RIRP payments to eligible Reserve component members on August 1, 2006, and ensure that such payments are implemented in accordance with this guidance.

8.2.4. Ensure that members have access to RIRP eligibility verification form (DD Form 2919).

8.2.5. Provide instructions and assistance to members in the completion and submission of the eligibility verification form (DD Form 2919).

8.2.6. Certify eligibility for RIRP.

8.2.6.1. Use DD Form 2919 to certify and record the necessary information to verify that the member qualifies for RIRP payments. See paragraph 4.1., above.

8.2.6.1.1. On DD Form 2919, record the member's current pay grade, years of service, family size (the number of exemptions claimed on line 6d of IRS form 1040), and home of residence zip code. In the case of a member who files Federal income tax jointly with a spouse, record only the earned income and exemption information attributable to the member.

8.2.6.1.2. Use the OSD RIRP Calculator found on the Office of the Assistant Secretary of Defense for Reserve Affairs (OASD/RA) public Web site to calculate the amount of Regular Military Compensation. The results shall be recorded on DD Form 2919.

8.2.6.1.3. Compute the service member's total monthly military compensation by adding together the member's RMC as described in paragraph 3.5., above, and monthly special pays, incentive pays and bonuses. Actual monthly special pays, incentive pays and bonuses shall be used, if known.

8.2.6.1.4. Record total monthly military compensation on DD Form 2919.

8.2.6.1.5. Compute the monthly active duty income differential as defined in paragraph 3.2., above, and record that information on DD Form 2919.

8.2.6.1.6. Obtain appropriate signatures and forward approved eligibility verification data to the respective Service pay system authorities for processing and initiation of RIRP payments. Service personnel and pay officials, or other office specified by the Secretary concerned, will be the final authority in determining income differential eligibility.

8.2.7. Submit the completed DD Form 2919 to DFAS (Services with integrated pay and personnel systems are not required to submit DD Form 2919 and may instead submit full month eligibility dates, verified average monthly civilian earned income, the family size as indicated on federal income tax return line 6d of IRS form 1040, and estimated itemized deductions or the amount on line 40 of IRS form 1040).

8.2.8. Develop and implement procedures to ensure that members receiving RIRP payments remain eligible for such payments and changes affecting the amount of RIRP

payments are considered by the respective personnel and pay officials, or other office specified by the Secretary concerned, and reported to DFAS.

8.2.9. Ensure any changes that will affect RIRP eligibility, and the effective date of such changes, are properly and promptly processed by the respective personnel and pay officials, or other office specified by the Secretary concerned, and submitted to DFAS using DD Form 2919 (Services with integrated pay and personnel systems are not required to submit the DD Form 2919 and may instead submit changes via their integrated pay and personnel systems). Changes such as the member's number of dependents, pay grade, years of service for pay purposes, or demobilization date should be reported.

8.2.10. Provide the Office of the Assistant Secretary of Defense for Reserve Affairs with the name, phone number and email address of the primary Service contact for each Reserve component who is responsible for RIRP verification and certification. Provide updated information, as required, so it remains current. The contact information will be maintained on the OASD/RA public Web site.

8.2.11. Establish procedures and specific points of contact for the prompt reporting of any overpayment or underpayment of RIRP benefits and any factor that affects a member's eligibility for RIRP and the amount of the benefit to which the member may be entitled.

8.2.12. Establish procedures for RIRP under which a member may appeal an eligibility determination.

8.2.13. Establish procedures for determining RIRP eligibility for a past period of qualifying active duty.

8.2.14. Retain information on eligibility verification forms for six years, with identifying information regarding the reasons for determining the member was not eligible.

8.3. The Director, Defense Finance and Accounting Service (DFAS), under the Under Secretary of Defense (Comptroller) shall:

8.3.1. Provide RIRP payments to eligible Reserve component members based on personnel eligibility data provided by the Services in accordance with section 8.2.6., above.

8.3.2. Determine the service member's monthly pays which include special pay, incentive pays and bonuses, if any, paid on a monthly basis.

8.3.3. Review the service member's pay record on a monthly basis and adjust RIRP payments as determined appropriate.

8.3.4. Develop procedures to provide reports on a monthly basis to the Office of the Assistant Secretary of Defense for Reserve Affairs regarding the number of Reserve component members receiving RIRP payments and the dollar amounts paid. The information shall be

reported by Reserve component and by pay grade. The report will provide standard personnel data base elements for RIRP as defined in Department of Defense Instruction 7770.3.

8.3.5. Develop the appropriate procedures for the processing of RIRP.

8.4. Reserve Component Members who wish to provide eligibility verification for RIRP payments shall:

8.4.1. Provide the required documentation to their Service in order to verify that they qualify for income replacement in accordance with paragraph 7.4, above.

8.4.2. Complete the eligibility verification form (DD Form 2919), and submit that form along with the documents listed in paragraph 7.3., above, to their respective military personnel administration office, or other office specified by the Secretary of the Military Department concerned, for processing, verification, and certification.

8.4.3. Promptly report any overpayment or underpayment of RIRP benefits and any factor that affects eligibility for RIRP and the amount of the benefit to which entitled to the servicing personnel and pay official, or other office specified by the Secretary concerned.

9. **Implementation.** This memorandum is effective immediately.