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NAVY PAY - THE BASICS

Basic Pay, Basic Allowance for Housing (BAH), and Basic Allowance for Subsistence (BAS) are the fundamental components of military pay. Members who are married or have legitimate dependents are paid at a higher rate.

An official military resource, myPay, connects active duty, reservists, retirees, and DoD civilians to their pay information and provides access to pay information in a secure, user-friendly environment. The site allows pay items to be viewed and allows some changes to be made without completing paper forms. You are encouraged to familiarize yourself with the Leave and Earning Statement (LES). The LES is a comprehensive statement of a Sailor’s leave and earnings showing entitlements, deductions, allotments, leave information, tax withholding information, and Thrift Savings Plan (TSP) information. Your Sailor’s most recent LES can be found on the myPay website located at https://mypay.dfas.mil. Registration is required.


Basic Pay
Basic Pay is the fundamental component of military pay. All service members receive it and typically it is the largest component of a member’s pay. A member’s grade (usually the same as rank) and years of service determine the amount of basic pay received.

Basic Allowance for Housing (BAH)
BAH is an allowance to offset the cost of housing when you do not receive government-provided housing. The BAH amount depends upon location, pay grade and whether or not there are dependents. BAH rates are set by surveying the cost of rental properties in each geographic location. Therefore, BAH rates in high-cost areas will be much greater than those in low-cost areas.
Basic Allowance for Subsistence (BAS)
BAS is meant to offset costs for a service member’s meals. The BAS amount varies for officers and enlisted members.

Special and Incentive Pay
In addition to basic pay elements, a special, incentive, or critical skills pay is given to qualified personnel who possess specific or unique skills, or ones at a critical shortage. The Navy compensates individuals possessing special talents to retain them for specified periods of time. Military members are also compensated financially for circumstances such as separation from family, hazardous duty, or special duty.

Hostile Fire/Imminent Danger Pay (HFP/IDP) is payable when service members are assigned to a designated Imminent Danger Pay (IDP) area. Service members will receive $7.50 for each day they are on duty in an IDP area up to the maximum monthly rate of $225.

Dislocation Allowance (DLA) is available to service members when changing duty stations, either through orders or due to evacuation. This allowance must be requested and paid in advance. Reserve members are eligible for DLA if they serve on active duty for more than 20 weeks at one location and are authorized Permanent Change of Station (PCS) allowances (not Temporary Duty (TDY) allowances) and move their dependents from your home to your new duty station or a designated place.

Critical Skills Enlistment and Reenlistment Bonuses are given to ensure a complement of skills remain in military service. When any of the critical skills become scarce, the Department of Defense offers a financial incentive in the form of bonuses.

Other Pays: There are additional pays that can be allotted to service members such as Cost of Living Allowance (COLA), Family Separation Pay, various special pays for specific jobs, and moving allowances. Further information on these can be found on the Military Compensation website located at www.militarypay.defense.gov.
Critical Skills Enlistment and Reenlistment Bonuses
The military has established checks and balances to ensure a complement of skills remain in military service. When any of the critical skills become scarce, the Department of Defense offers a financial incentive in the form of bonuses.

Overseas Housing Allowance (OHA)
OHA is paid to service members who live in private housing at their overseas duty station. OHA helps offset housing costs, which are made up of rent, utility, and recurring maintenance expenses, and move-in housing allowance (MIHA).

Clothing Allowances
Enlisted personnel are issued a complete wardrobe when they begin active duty. On each enlistment anniversary, a lump sum replacement/maintenance allowance is paid. Also, those eligible to promote to Chief Petty Officer receive a special allowance to offset the initial expense of purchasing a new wardrobe of uniforms; thereafter, they receive a set annual replacement allowance.

Legacy Retirement Pay
After completing 20 years of honorable service, a military retiree would receive 50% of the permanent basic pay. Each year of service thereafter adds an additional 2.5% until 30 years of service is reached. After completing 30 years of honorable service, a military retiree would receive 75% of the permanent basic pay. Each year of service thereafter adds an additional 2.5%.

Blended Retirement System (BRS)
www.militarypay.defense.gov/BlendedRetirement/
BRS is a new military retirement system that blends the legacy retirement pension with a defined contribution to Service members’ Thrift Savings Plan (TSP) account.

- All members serving as of December 31, 2017, are grandfathered under the legacy retirement system. No one currently-serving will be automatically switched to the Blended Retirement System.
- Though they are grandfathered under the legacy retirement system, Active Component Service members with fewer than 12 years since their Pay Entry Base Date, and Reserve Component Service members who have accrued fewer than 4,320 retirement points as of
December 31, 2017, will have the option to opt into the Blended Retirement System. The opt-in/election period for the Blended Retirement System begins January 1, 2018, and concludes on December 31, 2018.

- All Service members who enter the military on or after January 1, 2018, will automatically be enrolled in BRS.

**TAXES**

While all pays are taxable, most allowances are tax-exempt. The primary allowances for most individuals are BAS and BAH, which are tax-exempt. CONUS COLA is one allowance that is taxable. In addition to being tax-exempt from Federal and State taxes, these allowances are also excluded from Social Security taxes.

Basic pay and any additional pays are taxable by the federal government and are subject to social security taxes. They are also subject to state taxes only in the service member's state of legal residence. BAH and BAS are tax-free allowances. An easy way to remember what is taxable income is that all “pay” is taxable, and all “allowances” are not taxable, except as noted above.

**Combat Zone Tax Exclusion:** All compensation the service member receives while on active duty in a combat zone is subject to the combat zone tax exclusion. Simply put, much of the pay one receives during deployment to a combat zone is not taxed. However, this does not mean that you will not owe any taxes, and you should file your Federal and State tax returns as usual. Military pay under the Tax Exclusion is capped at a certain amount, and not all pay during deployments is excluded from taxes. Refer to www.irs.gov/newsroom/combat-zones for more information about the Combat Zone Tax Exclusion provisions.

**Tax Advantages**

Serving in the military has a huge advantage. When you look at your pay, add into the equation the “invisible” tax advantages sheltering BAH, BAS, and Social Security (FICA) not applied to special pay, and depending on legally declared residency, an absence of state income tax. Additional tax relief is given when you make purchases at a military Exchange, Commissary, Package stores, and veterinarian.
BENEFITS

**Thrift Savings Plan (TSP)** is a federal savings plan available to service members. Participants can invest up to 100 percent of incentive pay, special pay, or bonus pay as long as they are also contributing from their basic pay. The Internal Revenue Code (I.R.C.) places limits on the dollar amount of contributions that can be made to TSP. These contribution limits are posted on the TSP website located at www.tsp.gov. All contributions are the property of the Navy member and are not dependent on military retirement. They can even be transferred to similar retirement programs in civilian jobs.

**Education Benefits** are a major incentive for people to join the military. Family members are also allowed certain education benefits such as the Military Spouse Career Advancement Accounts Program (MyCAA). Counselors at base education centers will be able to provide more information and eligibility requirements.

**Servicemembers Group Life Insurance (SGLI)** is a program that provides low-cost term life insurance coverage to eligible service members. Enrollment with the maximum coverage is automatic for all active duty service members. However, members may reduce or decline coverage. Family SGLI is also available. For current rates and coverage amounts, please see the Information and Assistance section of this book to obtain more information. SGLI is terminated upon retirement or end of active service.

**Death Gratuity** is a lump sum gratuitous payment made by the Navy to eligible beneficiaries of Sailors who die on active duty, active duty for training, or inactive duty for training. This payment is intended to help surviving family members deal with the financial hardships that accompany the loss of a service member.

**Dependency and Indemnity Compensation (DIC)** is a tax-free monetary benefit paid to eligible survivors of military Servicemembers who died in the line of duty or eligible survivors of Veterans whose death resulted from a service-related injury or disease. This is a benefit managed by the Veterans Administration and you can read more about it at [http://benefits.va.gov/compensation/types-dependency_and_indemnity.asp](http://benefits.va.gov/compensation/types-dependency_and_indemnity.asp).
Travel Benefits: When not on active duty, authorized Reservists are eligible for Space Available (Space-A) travel within the continental United States on military and some contracted aircraft at no cost or for a nominal fee. Reserve families are authorized to travel when accompanied by members on active duty in excess of 30 days. Priority for Space-A travel is categorized according to DoD Regulations. Information on these categories and other Space-A travel information can be acquired by visiting www.amc.af.mil or contacting your nearest military air terminal.

There are no Space-A reservations and Space A travelers may be bumped at any point for priority passengers. Space-A seats can also be very limited during peak travel seasons. Therefore, all Space-A travelers should make sure they have alternate means of transportation should it become necessary.