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**INSIGHT**

BY MIKE CAUSEY

**Just a short  
intermission**

Many of the world's great religions honor self-sacrifice. And that's one of the things that makes them great.

They teach followers that it is good if they give up things—from their worldly goods to their very lives, in some cases—to benefit or save a fellow human being. That is great in theory and in practice, if we can handle it.



Several years ago, a good friend said that the basis of his faith could be boiled down to a situation in which you (he, or me) give something of value to someone, and the recipient doesn't know who gave it to them, and you don't know who received it. In other words, just a straight act of charity—without any acknowledgment, no thank-you note, no receipt for the IRS. Pure giving. No ego involved. Wonderful...

But for myself (and maybe this is a character flaw), if I give up something important—my wallet, a parking space, my life—I would kind of like knowing that the beneficiary of my self-sacrifice appreciated it. They don't actually have to send flowers or even thank me. I don't need or want a thank-you note. Or a picture of them with what I donated, or a formal acknowledgement. But it would be nice to know they know. You know?

I say this because I saw a survey last week which said that 66 percent of the American adult public has not noticed the payroll tax cut which is supposed to boost their spendable income and end the recession.

Congress extended that tax cut two

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**Larger trends  
positive in workplace  
satisfaction study**

A new analysis of a survey of federal employees' workplace satisfaction reveals ongoing differences in satisfaction by gender, race and ethnicity, but the findings generally bode positive for the federal workforce as a whole.

The research results were drawn from data mined from the Partnership for Public Service's "Best Places to Work in the Federal Government" analysis, which interprets results of the Office of Personnel Management's 2011 Federal Employee Viewpoint Survey. The new Best Places mini-report, released Feb. 15, detailed differences in job satisfaction scores by race, ethnicity and gender.

The analysis, for example, found that female federal employees in 2011 were just a little bit more positive about their federal jobs and workplaces than their male counterparts. That's a change from 2010, when male feds registered a slightly higher workplace satisfaction score.

But the significance of that change can be elusive.

"It's a massive survey," John Palguta, PPS vice president for policy research, told *FEND*, "and the next one, for 2012, is even going to be taken by far more people. But it doesn't really tell you all your answers, rather it tells you more about questions you—and leaders at agencies—should ask."

But Palguta also found the results of the PPS analysis encouraging.

"I'm seeing some good things gov-

ernment-wide, in that I don't have huge differences in most of these categories," Palguta said. "I don't have any one group feeling particularly aggrieved relative to other racial or ethnic groups. And that's a very positive sign. I think if we did this survey 20 or 30 years ago, we'd see a very different pattern. I think this shows progress made here."

**Genders differ on fairness**

While women may have expressed more positive feelings about their jobs and workplace, they still were less satisfied than men when it came to longstanding issues of workplace fairness and empowerment. At the same time, the gap between the fairness and empowerment scores of men and women narrowed from 2010 to 2011.

Government-wide, women's score for fairness lagged 3.4 points behind that of men in 2011.

The top large agency "gender gap" on fairness was at the Small Business Administration, where women registered a score of 47.4 compared to men's 58.8—a gap of 11.4 points. SBA was followed by the Equal Employment Opportunity Commission (a 10.4 point gap), Education Department (8.8 points), Housing and Urban Development Department (8.5 points) and Nuclear Regulatory Commission (8.3 points).

"There are a couple of different things going on, and [they are only slightly changed]. Government-wide, the dif-

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## INSIGHT by Mike Causey

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weeks ago, meaning that the average person will get a 2 percent break on the amount he or she kicks into Social Security each payday. That 2 percent, we are told, will be plowed back into the economy. Politicians hail this as a major stimulus initiative, even though Social Security is going broke, and this could speed its demise.

After years of telling Americans that they didn't save nearly enough money (compared to the Japanese or Germans), politicians and financial experts say that because of the recession (the worst financial jolt Americans have faced since the 1930s), people are now saving too much! IRS refunds that were once plowed back into the economy are now going into piggy banks. Shocking. Horrible.

Maybe the payroll tax cut will help. Maybe not. There is a good chance that it will become permanent. After allowing people to pay less for something—especially something as remote as that someday Social Security payment—it is hard to bring back the old rate. For politicians, the rule in dealing with Social Security is to kick the can down the road. Let a future administration and future Congress take care of it.

There is a reason Social Security is known as the third rail—as in touch it and you die—of American politics.

The real losers in this exercise, this tax cut that 66 percent of the beneficiaries haven't even noticed, are federal workers like you.

Congress decided to finance part of the Social Security payroll tax break by forcing future federal workers (people hired after Dec. 31 of this year) to pay more money into their retirement program. Instead of paying 0.8 percent, like people in the Federal Employees Retirement System do today, those new hires will pay 3.1 percent.

The saving grace is that most people coming into government starting in 2013 won't notice it. The 3.1 percent rate, when fully effective, will be just part of the deal for them.

But the bad news is Congress isn't going to stop with future employees. Congress-watchers predict it is only a matter of time, maybe even weeks, before politicians anxious to "solve" the deficit problem will call upon current federal workers to give up more.

Feds have already gone two years without

a January raise. Maybe Congress will make it three years. Or four or five. There are bills pending in the House that would extend the freeze another one, two or three years. They have a good chance of passing.

Forcing new federal hires to pay more for their pensions will save the government a lot of money. But not for years. The real savings would/will come when Congress has decided to make current workers earn less, or kick in more for various benefits programs.

The proposals come in a variety of shapes and sizes. They include the oft-recommended formula change that would base future retirement benefits on an employee's highest five-year average salary. That's the way it was for years before Congress changed to the high-3. It could just as easily change back, and save a lot of money.

Congress will also consider scrapping the defined benefit program for new hires. FERS employees in the future would not get any form of civil service defined retirement benefit. Instead, they—like most private-sector workers today—would have to make do on Social Security benefits and the earnings from their investments in their 401(k) plan, in this case the Thrift Savings Plan.

Some members of the House are keen to use a less generous formula that would reduce the size and cost of future cost-of-living adjustments for retirees. Others want workers and retirees to pay an increasingly larger portion of their health premiums—at least until they were split evenly between the employee/retiree and the government. Right now you pay about 30 percent of your premium (less if you are a postal employee). And the USPS wants to set up its own health plan, which is likely to mean higher premiums and lower benefits.

Government workers have had it good during the recession, compared to most people. But a politically motivated campaign, kicked off in August 2010 by a national newspaper and helped along since then by other media, is taking its toll. Politicians who don't like "big government" are increasingly looking to the federal workforce as the place to make cuts. And the program is just getting started.

Wouldn't it be awful if, in years to come, you looked back to regard these as the good old days?



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ferences in satisfaction between the genders are not that great—and that’s a good thing,” Palguta told *FEND*.

“The reason it’s a good thing is because you want people to see their world at work the same way—and favorably.

“If it’s not always favorably [at all agencies], then at least the satisfaction between the two is in alignment, there’s some agreement among the genders,” he noted. “At least that’s easier to deal with for management. When you have different groups—gender, or racial or ethnic groups, or management vs. non-management, etc.—seeing the world differently, then you have problems with getting people to talk to each other, with communication.

“Also, we look within agencies—and at large agencies, in their sub-components—to see if there are larger variations, or pockets of different data,” Palguta added. “We look at agencies and the perceptions of men and women, and look for significant gaps—even if government-wide that perception gap is really small. And frankly, I’m not sure, for example, what’s going on at the SBA or EEOC—some agencies where there has been a wider gap—but if I am an agency head, I want to know, take a look, and find out why.”

The data also reveal improvements.

“FDIC has had an interesting story because in 2005 they were in 25th place, but as of 2011, they have been No. 1 in satisfaction,” Palguta said. “It was no surprise [when one sees] all the things they laid out for us that they had done, starting from the head of the agency, investing in people, and other ways of better addressing their mission. The nice thing is that this effort had a big payoff in just two or three years.”

Palguta pointed out that there also can be substantial differences among components of an agency.

“For example, at a larger agency, the Department of Homeland Security, the responses at the Transportation Security Administration and the

Federal Emergency Management Agency tend to be more negative than responses from those who work at the Coast Guard or certain other parts of DHS,” he said.

Many things contribute to trends, Palguta cautioned. Sometimes it’s changes in leadership, or a matter of resources. For instance, a heavy retrenchment in the early-2000s may have caused some of the drop in satisfaction at the EEOC, he said.

And the remedies are often not simple, he said.

“One of my favorite sayings is that when you are looking to turn things around, there is very rarely a silver bullet, but rather it’s silver buckshot that’s needed because of all the moving parts.”

The analysis, “Best Places to Work Snapshot: Gender Gaps and Racial/Ethnic Divides,” is available at: <http://tinyurl.com/6pqr1xj>.

## New feds will pay more into retirement

Congress on Feb. 17 passed a payroll tax cut extension bill that includes a measure requiring new federal employees to pay more into their pensions.

Under the legislation, new federal employees who are hired after Dec. 31, 2012—and who have less than five years of creditable service at hiring—must contribute 3.1 percent of salary to their pensions—2.3 percent more than the 0.8 percent that current feds contribute to the defined benefit under the Federal Employees Retirement System. Existing federal employees will not be affected by the new requirement.

President Obama signed the bill into law on Feb. 22.

The bill, which passed 293-132 in the House, and 60-36 in the Senate, will continue the tax cut and provide funding for unemployment insurance

through the end of the year, as well as prevent cuts to Medicare reimbursements paid to physicians.

Before the vote, Democratic Whip Steny H. Hoyer (D-Md.)—whose district is home to thousands of federal employees—expressed his frustration with the bill in a statement on the House floor.

“Nobody else in this bill, not a millionaire, not a billionaire, not a carried interest beneficiary, not an oil company, nobody in this bill other than federal employees is asked to pay,” Hoyer said in his comments.

“They’ve already paid \$60 billion,” Hoyer told Republicans, “and by the way, your side of the aisle is not going to give them that half-percent [raise] the president asked for, so that will be an additional \$30 billion.”

In the hours before the bill was approved, federal unions also spoke out, united in their condemnation of the bill.

“Now Congress is coming after the next generation of federal employees by asking them to pay a permanent price to solve a temporary problem,” said National Federation of Federal Employees President William Dougan in a statement.

National Treasury Employees Union President Colleen Kelley pointed to the potential financial fallout of the pension measure.

“What will happen with this increased contribution,” Kelley said, “is that employees will not be able to contribute fully to their [Thrift Savings Plan] accounts since they would be paying a lot more toward the defined benefit portion of their pension, essentially eliminating one of the three sources of their retirement income.”

That, she said, will produce “another generation of workers not fully able to fund their retirement. For our nation, this is short-sighted in the extreme.”

Hoyer’s statement is at: <http://tinyurl.com/7eu4k98>.



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## In Brief

### Revised USPS plan details cuts

The U.S. Postal Service this month bolstered its five-year plan with updated legislative recommendations and projections—including a timeline for downsizing the postal workforce by 155,000 full-time positions. USPS said the plan would produce savings of at least \$20 billion a year by 2015.

The updated plan depends on a number of long-discussed changes that rely on the cooperation of Congress—including the elimination of the current requirement that USPS prefund retiree healthcare benefits.

USPS has been arguing for years against the prepayment scheme, and has factored an end to the requirement into the five-year plan. The prepayment costs USPS \$5.5 billion a year.

The plan also includes estimates of the financial impact of a USPS transition to a new employee health benefits program independent of other federal programs. USPS said the plan would include “three distinct categories of participants” — annuitants, current employees and new hires — and that it would be a “tiered program tailored to each category’s needs.”

By shedding the prefunding requirement and running its own health insurance program, USPS said it can save \$7.1 billion per year in health-related expenses.

As part of the plan, USPS also would ask Congress to allow the agency to move to a five-day delivery schedule, which it said will produce \$2.7 billion in annual savings.

USPS said the five-day schedule — together with a proposed lowering of First Class service standards and broad-based network restructuring — would allow USPS to eliminate a total of 155,000 full-time positions by the end of fiscal 2016. The plan calls for cutting as many as 66,000 slots this year, and another 51,000 in 2013.

USPS noted that out of the current complement of 550,000 full-time employees, 283,000 are eligible for retirement — nearly twice the number of posi-

tions slated for elimination in the plan.

To see the plan, go to: <http://tinyurl.com/7926css>.

### Obama asks Congress for reorganization authority

President Obama this month sent Congress a legislative proposal asking members to grant him fast-track authority to reorganize and consolidate federal agencies.

The president had indicated in January that he would seek the streamlined authority. The legislation submitted this week, dubbed the Reforming and Consolidating Government Act, formalizes his request. No president has had fast-track reorganization authority since the 1980s, when lawmakers allowed the authority to expire during the Reagan administration.

Office of Management and Budget acting Director Jeffrey Zients, who is leading the effort, laid out the basic details of the proposed legislation in a Feb. 16 letter to House Speaker John Boehner (R-Ohio).

According to the letter, the new authority would retain procedures contained in the earlier, expired authority. It would include a provision to allow Congress to approve or deny reorganization plans on an expedited basis through an up or down vote, and would allow the president to make amendments to plans pending in committee. The authority would come up for reauthorization by Congress every two years.

A White House press statement noted the addition of one new requirement: that a consolidation or reorganization effort would be permitted to go forward only “if the proposed reorganization reduced the overall number of agencies or achieved cost savings.”

Once the authority is in place, Zients wrote, the administration would launch its first reorganization effort—a previously announced plan to consolidate the core functions of six federal departments and agencies that focus on business and trade, including the Commerce Department and the Small Business Administration.

“There is too much duplication and fragmentation that make it difficult for

firms, and especially small businesses, to get the assistance they need,” the Zients letter said. “Now is the time to consolidate and reorganize these agencies and several other related programs into one department with one website, one phone number, and one mission — helping American businesses succeed.”

To see more, go to: <http://tinyurl.com/87cav6z>.

### DOD notes concerns of Tricare retirees

The chairman of the Joint Chiefs of Staff last week issued a statement that offered a ray of hope to retired military service members who could be affected by proposed hikes in the cost of their Tricare coverage.

While Gen. Martin E. Dempsey noted that there are “no easy answers” to upcoming budget challenges, he said that the Defense Department continues to review solutions to the ballooning cost of military health care — and made special mention of proposals to increase some Tricare fees.

“I want those of you who serve and who have served to know that we’ve heard your concerns, in particular your concern about the tiered enrollment fee structure for Tricare in retirement,” Dempsey said in the Feb. 21 statement. “You have our commitment that we will continue to review our health care system to make it as responsive, as affordable, and as equitable as possible.”

Among other things, the department’s 2013 proposal budget would establish a tiered structure under which Tricare enrollment fees would vary according to a retiree’s retirement pay. The budget also calls for “modest” annual fees for Tricare beneficiaries over age 65 when they transition to Medicare coverage and use Tricare for secondary coverage.

“In forming this budget, we looked at all cost variables,” Dempsey said in the statement. “Many of you will know that pay and benefits account for more than one-third of the budget and that health care costs in particular have increased from \$19 billion in 2001 to \$48 billion today. We had to act to slow this growth.”

To see more, go to: <http://tinyurl.com/7m3u6w>.

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# Feds can doom their careers with the click of a button

By Matthew B. Tully

**W**ith federal agencies desperately looking to cut down on waste, and the presidential campaign heating up, federal employees should be especially mindful of how they use their government computers. Employees may jeopardize their jobs by spending too much time surfing the Internet or sending personal e-mails.

Federal employees accustomed to checking their e-mail or shopping online at their government-issued computer may be deluding themselves if they believe Big Brother is not watching them. Many agencies have their own policies on limited personal use of government office equipment. Most of these policies contain wording such as “the employee does not have any expectation of privacy while using government-owned office equipment.” So anything employees may read, save, download, send or receive on their government desktop computer, laptop or government-issued smartphone is fair game and can be used against them in administrative, or even criminal, proceedings.

Generally, under such a policy, federal employees are only granted limited authorization to use government office equipment for personal reasons. Such “personal use” must not cost the government much money, cannot reduce the employee’s productivity or get in the way of his or her official duties, and must not be illegal or inappropriate. However, individual agencies are authorized to impose additional restrictions on an employee’s personal use of government computers, as needed.

The case of *Lopez v. Dept. of the Navy*, decided by the Merit Systems Protection Board in July of 2011, illustrates just how carefully an agency can and will monitor a federal employee’s use of her office computer and phone. In *Lopez*, the employee, Debra A. Lopez, an IT specialist, was removed for misusing government office equipment. Specifically, the Navy claimed that over a 14-week period Lopez spent 18.7 hours talking on her office phone about non-government business. Additionally, the agency claimed that during a 15-month period Lopez sent 16 personal e-mails and accessed hundreds of Internet sites unrelated to her duties by way of government-owned computers. Although Lopez was eventually returned to duty due to a procedural error made by the Navy in proposing her removal from service, this case clearly demonstrates that agencies are keeping a close eye on employees’ Internet activity.

Termination is a viable option for agencies in cases of computer misuse. For example, in 2003 the Bonneville Power Administration (BPA), a federal power marketing agency, disciplined 18 employees who sent or received e-mails with sexually explicit or other inappropriate content. Two of those employees were ultimately removed from federal service. BPA, which is part of the Energy Department,

removed Thomas Von Muller for conduct unbecoming a federal employee, misuse of government resources, failure to follow supervisory instructions and failure to follow written policy and instructions. Von Muller appealed his removal to MSPB, disputing some of the charges, claiming disparate treatment and that an unreasonable penalty had been imposed by the agency. However, in this case, MSPB ruled that due to the seriousness of the charges sustained, the penalty of removal was fully reasonable and appropriate.

Federal employees should also keep in mind that e-mails with crude and sexually explicit content are not the only type that could lead to discipline. Using government time and equipment to send coworkers an electronic message soliciting political contributions violates the Hatch Act and is considered a “cardinal sin” in the federal workplace.

In May of 2011, MSPB upheld the removal of a National Institutes of Health employee based on her soliciting political contributions and inviting other NIH workers to a political fundraiser at her Maryland home. The employee also used her office computer to make a campaign contribution. The employee committed these Hatch Act violations while at work with her government e-mail account, according to the Office of Special Counsel, which enforces the Hatch Act.

In March of 2011, MSPB similarly upheld the removal of a physician employed by the Department of Veterans Affairs. While on duty at an Arizona VA facility, the doctor e-mailed an invitation for a presidential fundraiser and forwarded an e-mail soliciting political contributions for a state treasury candidate. Both messages were sent to colleagues, according to OSC. Removal actions are common and frequently sustained in cases involving Hatch Act violations.

The lesson to be learned from these cases is that federal employees must not let a capricious click of a button doom their careers. If an employee is under investigation for misusing government office equipment or if his or her employer has proposed disciplinary actions based on such conduct, that employee should contact a federal employment attorney immediately. Depending on the circumstances, the attorney can ensure that the agency does not violate the employee’s due process rights, argue that the employee’s computer usage related to his or her work and prevent the government from taking any e-mails out of context.

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# Guidance on Determining Tax Filing Status: Part II

This is the second of two columns that discuss income tax filing status. Selecting one's tax filing status is an important decision individuals must make when preparing their income taxes. Last week's column discussed single (S), married filing jointly (MFJ) and married filing separately (MFS) filing statuses. This week's column discusses the head of household (HoH) and qualifying widow(er) (QW) filing statuses.

### Head of Household (HoH)

HoH is probably the most confusing and misunderstood filing status. To claim HoH filing status, an individual must: (1) be unmarried or legally separated under a divorce decree or separate maintenance agreement as of the end of the year; (2) have paid more than half of the cost of maintaining the home of the individual and the individual's qualifying child or the individual's qualifying relative who is the individual's tax dependent; and (3) not be a nonresident alien.

There is another individual — the "abandoned" spouse — who may qualify for HoH filing status. An abandoned spouse is an individual who is separated from his or her spouse, and can file as HoH for 2011 rather than MFS provided the individual: (1) considers himself or herself unmarried as of Dec. 31, 2011; (2) files separate from the spouse; (3) has paid more than half the cost of maintaining a household for 2011; (4) maintained the household both for himself or herself and for a qualifying person — a child, foster child, stepchild, brother, sister or a descendent of these — for more than six months of 2011; and (5) did not have a spouse as a member of the household for at least the last six months of 2011.

It should be emphasized how much better the HoH filing status is compared to the MFS filing status. The tax benefits available to an individual who qualifies for HoH that are not available for MFS include: (1) the child care tax credit; (2) the adoption credit, (3) the deduction for qualified education loan interest; and (4) the freedom to use the standard deduction on the individual's taxes even if the individual's separated spouse itemizes his or her own deductions.

There are special rules for a child who wishes to file as HoH by using a parent as a qualifying relative. To qualify for HoH filing status, the child must pay for more than half the cost of keeping up the parent's home. Costs of maintaining or keeping up a home include paying for: (1) property taxes; (2) mortgage interest; (3) rent; (4) utilities; (5) repairs and maintenance; (6) insurance; (7) food and (8) other home



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**Selecting one's tax filing status is an important decision individuals must make when preparing their income taxes.**

expenses. Nursing home or rest care facilities also count if a child pays more than half the cost of the facility.

Some other important facts and IRS rulings regarding the HoH filing status:

Individuals may qualify for HoH filing status without claiming a tax dependent. Consider the following example:

Leon is divorced and has a child, Jennifer, who qualifies as a dependent for tax year 2011. Alice, Leon's ex-wife, claims Jennifer as a tax dependent for tax year 2011. Leon paid more than half the cost of keeping up a home for 2011 and Jennifer lived with her father for eight months. Leon can file as HoH.

Temporary absences. An individual and his or her qualifying child or relative are considered to live together even if one or both of them are temporarily absent from the home due to special circumstances, such as illness, or being away because of college, business, vacation, military service, or detention in a juvenile facility. But it must be reasonable to assume that the absent person will return to the home after the temporary absence. The individual claiming HoH filing status must continue to keep up the home during the child's or relative's absence.

The IRS has ruled that a parent can claim HoH filing status if a qualifying child has been kidnapped. But the child must have lived with the parent for more than half of the year prior to the kidnapping.

### Qualifying Widow(er) (QW)

Qualifying widows and widowers get the benefit of the same tax rates for individuals who file as married filing jointly (MFJ) for two years following the death of a spouse. That means that an individual whose spouse died in 2009 or 2010 and who has not remarried before Jan. 1, 2012, can file as QW for 2011.

To file as QW, an individual must: (1) have been eligible to file as MFJ in the year of the spouse's death; (2) have paid for more than half the cost of maintaining a home that is the principal home for a dependent child — including a stepchild — of the surviving spouse.

A widow(er) whose spouse died during 2011 can file as MFJ for 2011. If the surviving spouse remarried before Jan. 1, 2012, then the individual will file as either MFJ or MFS with the new spouse. In that case, the deceased spouse's final tax return for 2011 will then have to be filed under the MFS status.

## Federal Benefits Q&A

**Question:** “I am told that when you turn 65 and become eligible for Medicare Parts A and/or B, that it is considered a life changing event (LCE) for the Federal Employees Health Benefits program, and that it opens up an opportunity for you to change insurance carriers. Is this correct? My wife turns 65 in April, and I turn 65 in October. I have had FEHB for myself and her under a family plan throughout my career and have carried the same into retirement. Since she turns 65 first, does that create an LCE? Or do we have to wait until I turn 65?”

**Answer:** Enrolling in Medicare is considered to be a life event with respect to enrolling in a different and less costly FEHB plan outside of the open season. In your case, you need to wait until you enroll in Medicare this October before enrolling in a less costly FEHB plan. This is because your wife becomes 65 and enrolls in Medicare six months before you do. During the period between April and the time you enroll in Medicare, you need to have full health insurance under your current FEHB plan.

*Readers are encouraged to ask questions related to general employee benefits—such as CSRS, FERS, the Thrift Savings Plan, tax and estate planning, insurance, Social Security and Medicare—at the “Federal Benefits Q&A” at [www.FederalSoup.com](http://www.FederalSoup.com).*

## Thrift Savings Plan Share Prices

FUNDS	FEB. 22	ONE MONTH AGO	ONE YEAR AGO
G Fund	13.8497	13.8310	13.5442
F Fund	15.4421	15.3376	14.2321
C Fund	16.8191	16.2604	15.9488
S Fund	22.9830	21.8139	22.2208
I Fund	19.4477	18.3967	20.7886
<b>Lifecycle Funds</b>			
L Income	15.3071	15.1568	14.8579
L 2020	17.9149	17.4709	17.4071
L 2030	18.4810	17.9186	17.9582
L 2040	18.9770	18.3170	18.4602
L 2050	10.4444	10.0372	10.2093

*Register free to get rates of return and other TSP info at: [www.FederalDaily.com/pages/resources/thrift-savings-plan.aspx](http://www.FederalDaily.com/pages/resources/thrift-savings-plan.aspx)*

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