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Defense Primer: Regular Military Compensation

Congress sets compensation levels for members of the armed forces through statutory authorizations and appropriations.

When people talk about military pay, they are often only referring to “basic pay.” Although basic pay is normally the largest component of cash compensation that a servicemember receives, there are other types of military pay and allowances that add significantly to it, and tax benefits as well. *Regular Military Compensation* (RMC) is a statutorily defined measure of the cash or in-kind compensation elements which all servicemembers receive every payday. It is widely used as a basic measure of military cash compensation levels and for comparisons with civilian salary levels.

For 2018, a mid-grade enlisted servicemember (E-5) received an annual average of \$35,169 in basic pay, but an average of \$63,423 in RMC.

Regular Military Compensation (RMC)

RMC, as defined in law, is “the total of the following elements that a member of the uniformed services accrues or receives, directly or indirectly, in cash or in kind every payday: basic pay, basic allowance for housing, basic allowance for subsistence, and federal tax advantage accruing to the aforementioned allowances because they are not subject to federal income tax.” Military compensation is structured much differently than civilian compensation, making comparison difficult. RMC provides a more complete understanding of the cash compensation provided to all servicemembers and therefore is usually preferred over simple basic pay when comparing military with civilian compensation, analyzing the standards of living of military personnel, or studying military compensation trends over time.

Basic Pay

For most servicemembers, basic pay is the largest element of the compensation they receive in their paycheck and typically accounts for about two-thirds of an individual’s RMC. All members of the Armed Forces receive basic pay, although the amount varies by pay grade (rank) and years of service (also called longevity). **Table 1** provides illustrative examples of basic pay rates.

Basic Allowance for Housing

All servicemembers are entitled to either government-provided housing or a housing allowance. About 40% of servicemembers receive government-provided housing (in the form of barracks, dormitories, ship berthing, or government-owned family housing). The remainder receive

a housing allowance to offset the costs of the housing they rent or purchase in the civilian economy. For those living in the United States, this allowance is known as Basic Allowance for Housing (BAH).

The amount of BAH a servicemember receives is based on three factors: paygrade (rank), geographic location, and whether the servicemember has dependents. Paygrade and dependency status are used to determine the type of accommodation—or “housing profile”—that would be appropriate for the servicemember (for example, one-bedroom apartment, two-bedroom townhouse, or three-bedroom single family home). Geographic location is used to determine the average costs associated with each of these housing profiles in a given locality. The average costs of these housing profiles are the basis for BAH rates, with some additional adjustments made on the basis of paygrade (that is, an E-7 without dependents will receive more than an E-6 without dependents, even though the appropriate housing profile for both of them is “two bedroom apartment”). As a result of this methodology, BAH rates are much higher in some areas than others. The intention is that servicemembers of similar paygrade and dependents status are able to pay for roughly comparable housing regardless of their duty location. **Table 1** provides illustrative examples of annual BAH.

Basic Allowance for Subsistence

Nearly all servicemembers receive a monthly payment to defray their personal food costs, known as Basic Allowance for Subsistence (BAS). BAS is provided at a flat rate. In 2018, enlisted personnel received \$369.39 a month, while officers received \$254.39 a month. Those who do not receive BAS—for example, enlisted personnel in basic training—receive government-provided meals.

Federal Tax Advantage

While the various types of military pay—basic pay, special pay, and incentive pay—are considered part of gross income and are usually subject to federal income tax, military *allowances* are generally not subject to federal income tax. The tax advantage generated by the exemption of the housing and subsistence allowances from federal income tax is a part of RMC. **Table 1** provides the estimated tax advantage for the illustrative examples, but the precise value of the federal tax advantage for an individual servicemember will vary depending on his or her unique tax situation.

Compensation Elements Not Included in RMC

Special pays and bonuses, travel reimbursements, educational assistance, deferred compensation (i.e., an economic valuation of future retired pay and benefits), or any estimate of the cash value of non-monetary benefits such as health care, child care, recreational facilities,

commissaries, and exchanges are excluded from RMC. As the value of these forms of compensation can be substantial, RMC should not be considered a measure of *total* military compensation.

Table I. Average Regular Military Compensation for Selected Paygrades
2018 data; assumes all cash pay (e.g., BAH instead of government quarters)

Pay Grade	Rank	Average Annual Basic Pay	Average Annual Housing Allowance	Average Annual Subsistence Allowance	Estimated Average Annual Federal Tax Advantage	Average Annual RMC
E-1	Private (Army and Marine Corps) Seaman Recruit (Navy) Airman Basic (Air Force)	\$19,660	\$14,321	\$4,433	\$2,597	\$41,011
E-5	Sergeant (Army and Marine Corps) Petty Officer Second Class (Navy) Staff Sergeant (Air Force)	\$35,169	\$19,019	\$4,433	\$4,802	\$63,423
E-8	Master Sergeant or First Sergeant (Army and Marine Corps) Senior Chief Petty Officer (Navy) Senior Master Sergeant or First Sergeant (Air Force)	\$63,095	\$23,579	\$4,433	\$4,136	\$95,243
O-1	Second Lieutenant (Army, Air Force and Marine Corps) Ensign (Navy)	\$38,890	\$17,563	\$3,053	\$4,105	\$63,611
O-4	Major (Army, Air Force and Marine Corps) Lieutenant Commander (Navy)	\$89,866	\$27,691	\$3,053	\$7,526	\$128,135
O-6	Colonel (Army, Air Force and Marine Corps) Captain (Navy)	\$131,887	\$32,039	\$3,053	\$10,012	\$176,991

Source: Department of Defense, Selected Military Compensation Tables, 1 January 2018, B3, available at <https://militarypay.defense.gov/Portals/3/Documents/Reports/GreenBook%202018.pdf?ver=2018-01-16-123652-020>. Note that this publication computes the estimated average annual federal tax advantage using the standard deduction and 2011 tax rates, including earned income tax credit. The actual annual tax advantage of servicemembers will vary based on their unique tax situation.

Relevant Statutes

Title 37, *U.S. Code*, Chapter 3—Basic Pay
 Title 37, *U.S. Code*, Chapter 7—Allowances
 26 U.S.C. §134 (Exclusion of qualified military benefits from gross income)

Other Resources

Defense Finance and Accounting Service, 2018 Military Pay Chart
 Defense Travel Management Office, BAH Calculator
 DOD Financial Management Regulations, Volume 7A, Chapter 1 (Basic Pay) and Chapter 25 (Subsistence Allowances).
 Joint Travel Regulations, Chapter 10 (Housing Allowances)
 Military Compensation Background Papers, 7th Edition

CRS Products

CRS Report RL33446, *Military Pay: Key Questions and Answers*, by Lawrence Kapp and Barbara Salazar Torreon

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