

INCREASING DEPENDENCY AND INDEMNITY COMPEN- SATION FOR PARENTS AND CHILDREN OF VETERANS WHOSE DEATHS ARE SERVICE CONNECTED

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Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

R E P O R T

[To accompany H.R. 14347]

The Committee on Finance, to which was referred the bill (H.R. 14347) to liberalize the provisions for payment to parents and children of dependency and indemnity compensation, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. PURPOSE

H.R. 14347 is designed to liberalize dependency and indemnity compensation (DIC) to the surviving parents and children of a veteran who died as a result of service-connected causes by increasing the monthly dependency and indemnity compensation rates and the applicable annual income limitation provisions, and by providing for certain exclusions from the computation of annual income in the case of dependent parents. The bill also provides that increases in retirement benefits will not decrease or terminate VA benefits until the beginning of the next calendar year following the year in which the increase is received, and that the monthly DIC benefits of a sole surviving parent will not, under certain circumstances, be reduced upon remarriage.

II. SUMMARY OF COMMITTEE AMENDMENTS

The Committee on Finance added five amendments to the House bill, three of which amend the text of the House version. The three

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amendments to the text of the House bill (1) exclude VA pension payments from DIC annual income; (2) make applicable to the pension program the provision in the House bill which provides that an increase in retirement benefits of a dependent parent under the DIC program will not decrease or terminate DIC benefits until the beginning of the next calendar year; and (3) make a technical correction. The remaining two amendments add new provisions which allow (1) VA beneficiaries, under certain conditions, to receive the 1965 social security increase and all future social security increases without affecting their future VA payment, and (2) payment of \$5,000 death gratuity without the beneficiaries waiver of right to death compensation and DIC benefits. These committee amendments are discussed more fully hereinafter.

III. THE HOUSE BILL

A. Dependency and Indemnity Compensation (DIC) benefits increase

The rates of DIC for parents and children of a veteran who died as a result of service-connected causes were established on January 1, 1957, by Public Law 881, 84th Congress. The rates of payment have been increased only one time since that date. On July 1, 1963, Public Law 88-21 authorized an increase of approximately 10 percent in benefits based on a comparable rise in living costs from 1957 to 1963. Subsequent to this initial benefit increase, there has been an increase in the cost of living in excess of 4 percent. The first section and sections 4 and 5 of the bill would increase monthly DIC rates for parents and children about 4 percent, which would be equivalent to the rise in living costs since 1963. (See tables 1-4.)

B. Annual income limitation levels

DIC benefits payable to parents are provided on a sliding scale of annual income levels. The income limitations and rates vary according to whether there are one or two parents, and, in the case of two parents, whether they are living together or apart. Rates and income limitations for a parent who has remarried are governed by the rules applying to two parents living together. In each instance, there are five income levels providing five rates of monthly payments.

Under present law, an only parent may receive a monthly benefit ranging from \$17 to \$83 a month, depending upon annual income, which may not exceed \$1,750 per year. For two parents living together, the monthly rates for each range from \$11 to \$55 each, depending upon their combined annual income, which may not exceed \$2,400. If two parents are living apart, the rates for each range from \$11 to \$55, with an individual income maximum of \$1,750 a year.

Section 1 of the bill would modify the various levels, with new maximums of \$1,800 and \$3,000 which conform the income limitations for persons receiving DIC to the highest maximum level presently applicable to incomes of persons receiving non-service-connected pensions.

The changes in monthly DIC rates and annual income limitations are shown in the following tables:

Income limitation and DIC rates

TABLE 1. SINGLE PARENT

Present Law			H.R. 14347		
Column I		Column II	Column I		Column II
Total annual income			Total annual income		
More than--	but Equal to or less than--		More than--	but Equal to or less than--	
	\$750	\$83		\$800	\$87
\$750	1,000	66	\$800	1,100	69
1,000	1,250	50	1,100	1,300	52
1,250	1,500	33	1,300	1,500	35
1,500	1,750	17	1,500	1,800	18
1,750		No amount payable.	1,800		No amount payable.

TABLE 2. TWO PARENTS (LIVING APART)

Present Law			H.R. 14347		
Column I		Column II	Column I		Column II
Total annual income			Total annual income		
More than--	but Equal to or less than--		More than--	but Equal to or less than--	
	\$750	\$55		\$800	\$58
\$750	1,000	44	\$800	1,100	46
1,000	1,250	33	1,100	1,300	35
1,250	1,500	22	1,300	1,500	23
1,500	1,750	11	1,500	1,800	12
1,750		No amount payable.	1,800		No amount payable.

TABLE 3 TWO PARENTS (LIVING TOGETHER)

Present Law			H.R. 14347		
Column I		Column II	Column I		Column II
Total combined annual income			Total combined annual income		
More than--	but Equal to or less than--		More than--	but Equal to or less than--	
	\$1,000	\$55		\$1,000	\$58
\$1,000	1,350	44	\$1,000	1,500	46
1,350	1,700	33	1,500	2,000	35
1,700	2,050	22	2,000	2,500	23
2,050	2,400	11	2,500	3,000	12
2,400		No amount payable.	3,000		No amount payable.

TABLE 4. CHILDREN

	Number	Monthly DIC rate	
		Present Law	H. R. 14347
Regular DIC Benefit:			
Child under 18 (no widow entitled)	1	\$77	\$80.
	2	\$110	\$116.
	3	\$143	\$149.
	More than 3.	\$143 + \$28 for each child in excess of three	\$149 + \$29 for each child in excess of three
Supplemental DIC Benefit:			
Helpless child (no widow) †	Each	\$28	\$29.
Helpless child (widow entitled)	Each	\$77	\$80.
Eligible child under 23 attending school (widow entitled).	Each	\$39	\$41.

† Supplemental DIC benefits are payable in addition to regular DIC benefits.

C. Annual income exclusions

In determining the annual income of parents for DIC benefits, all payments of any kind or from any source are considered as income except the following:

1. Payments of 6 months' death gratuity.
2. Donations from public or private welfare or relief organizations.
3. Payments of compensation for disability or death under any law administered by VA.
4. Lump-sum death payments under the Social Security Act.
5. Payments of State bonuses for service in the armed forces. (The Veterans' Administration also may exclude from income certain unusual medical expenses.)

On the other hand, persons eligible for pensions are not only entitled to exclude similar payments from their annual income, but also exclude 10 percent of income received from public or private retirement, annuities, endowments, or similar plans or programs; income from jury duty; national service life insurance; and amounts paid for expenses of last illness and burial of spouse.

The Committee on Finance agrees with the Veterans' Affairs Committee of the House that exclusions comparable to those which apply for pension purposes should, in equity and for the sake of consistency, also apply in determining parents' annual income for dependency and indemnity compensation programs.

To accomplish this, section 2 would expand the DIC program to provide generally the same exclusions for the determination of income as are now applicable to the income limitations of non-service-connected pension.

The Committee on Finance adopted an amendment to section 2 of the bill at the suggestion of the Veterans' Administration, to provide that payments under the VA pension program would be excluded from the DIC annual income computation.

D. Termination or decrease of DIC benefits

Increases in retirement benefits can at times cause a reduction or termination of DIC benefits for parents. This comes about when retirement increases move a parent from a lower income bracket to a higher one. Under present law, it is necessary to make these adjustments effective the last day of the month in which retirement income

is so increased. This present treatment can have harsh results where parents have relied on this additional income to help meet their day-to-day living expenses. The Committee on Finance, like the House Veterans' Affairs Committee, is of the opinion that it would be appropriate to allow these parents a short period of time within which to readjust their living standards to this loss of benefits.

This would be achieved under the bill by providing that increases in public or private retirement plans, such as company pensions over which the parent has no control, shall not serve to reduce benefits during the calendar year in which the increases are received. Instead, adjustments would be made effective the first day of the calendar year following the year in which the increases were received. The Veterans' Administration had suggested in testimony before the House committee that this treatment be afforded to both the DIC and pension programs. However, the House version of the bill failed to contain similar treatment for pensions. For consistency, the Committee on Finance has made this provision equally applicable to the pension program.

E. Remarried parent

Under present law a sole surviving parent who remarries may suffer a reduction in monthly DIC payments even though income remains the same and the new spouse has no income.

For example, a sole surviving father receives DIC of \$83 monthly if his annual income does not exceed \$750. If he should remarry, the \$83 rate would be reduced to \$55 (the present rate for a parent living with his spouse) even though his annual income combined with that of his spouse does not exceed the \$750 limit.

On the other hand, a sole surviving father with lesser need, whose annual income is \$1,600, receives a \$17 monthly rate. In the event he should remarry, the \$17 monthly rate would be increased to \$33 if his annual income, together with that of his spouse, did not exceed \$1,700 or to \$22 if their combined annual income exceeded \$1,700 but did not exceed \$2,050.

The foregoing examples illustrate the incongruities which result in the application of the present law. The total combined annual income of the remarried sole surviving parent and that of his new spouse should be counted in determining the monthly rate of, as dependency and indemnity compensation payable to the parent is done in the case of two parents who are living together.

However, if their total combined annual income is no greater than his income alone or if it is increased so little that it still falls within the same annual income bracket that applies to a single parent, the parent's monthly dependency and indemnity compensation payments should not be reduced merely because of his remarriage.

Section 1 of the bill as passed by the House and approved by the Committee on Finance would permit the sole remarried parent to receive the rate for a single parent or married parent living with his spouse whichever results in the larger benefit.

IV. COMMITTEE AMENDMENTS

In addition to the minor amendments referred to above, the committee added two substantive features, the first of which regards the effect of social security increases on pensions and DIC, and the

second which deals with the problem of reduction of death gratuity payments by death compensation and DIC payments.

A. Social security increases

The Committee on Finance added an amendment to the bill (secs. 2(4) and 6) which provides that increases under the Social Security Amendments of 1965 (Public Law 89-97) or under future social security legislation will not be counted in determining the annual income of persons entitled to both VA payments and social security benefits for the month in which the legislation authorizing the increase is enacted. This provision will prevent the continued loss or reduction of dependency and indemnity compensation or pension payment which would otherwise result from the social security increase.

The committee, in approving the 7 percent social security increase in 1965 recognized the increased need of beneficiaries due to the changes in wages, prices, and other economic factors since the last general social security increase in 1959. Thus, the benefit increase was designed to provide social security recipients with additional necessary funds to meet everyday needs. It was certainly not designed to deny veterans and their surviving widows and parents from continuing to receive their VA benefits. However, many such persons had their VA payments cut back or terminated as a result of the social security increase. This action has nullified the overall effectiveness and purpose of the increase not only by failing to add to their overall purchasing power but also by cutting back on what they were receiving before the social security increase was enacted. Your committee's amendment prevents this adverse effect on future VA payments as a result of the 1965 increase as well as all future social security increases.

The provision will not affect the VA beneficiary's right to have 10 percent of the remaining portion of his social security payment excluded from the appropriate annual income determination. In determining annual income, the Administrator will apply the exclusion of social security increases prior to applying the 10-percent exclusion of retirement program payments. This computation method is illustrated as follows:

VA beneficiary received social security benefits of \$40 monthly prior to the 1965 social security increase of \$4. He now receives \$44 monthly.

Computation:

Annual social security payments.....	\$528
Exclude social security increase (\$4 × 12) (secs. 2(4) and 6 of the bill).....	48
Annual income.....	480
Exclude 10 percent of retirement income (sec. 2 of the bill and sec. 503 of title 38).....	48
Total amount of social security benefits included in annual income....	432

(The 10-percent exclusion for parents receiving DIC benefits becomes effective January 1, 1967.)

A person entitled to social security exclusion benefits will, for the purposes of the annual income test, be permitted to exclude the total increase in social security benefits (made by Public Law 89-97) for the entire calendar year 1966. To be eligible for the relief provided for social security increases, a person must, for the month or for some period thereof in which the legislation increasing social security

benefits was enacted, be entitled to: (1) a monthly retirement, disability, or other benefit under the social security system, and (2) a pension or dependency and indemnity compensation payment from the Veterans' Administration.

A person meeting these requirements and otherwise eligible would have his VA payment which was either terminated or decreased because of the social security increase of 1965, reinstated for periods commencing the month following the month the bill is enacted. Further, all future social security increases would be excluded from an eligible person's annual income computation for purposes of the pension and DIC programs. Under the DIC program the income limitation provisions are applicable only in the case of dependent parents; no income limitation is applicable in the case of widows and children. Thus, the exclusion provision of section 2(4) of the bill will apply only to dependent parents.

B. Death gratuity

The Committee on Finance added an amendment (sec. 7) which eliminates the requirement that the \$5,000 death gratuity available to beneficiaries of certain servicemen who died between January 1, 1957, and September 29, 1965, be reduced for any death compensation or dependency and indemnity compensation already received by them and removes the requirement that they must waive their right to any future compensation payments.

Last year Congress enacted Public Law 89-214 which established a group life insurance program for all active members of the uniformed services. It also provided a death gratuity benefit of \$5,000 payable by the Veterans' Administration to the beneficiaries of a serviceman whose death resulted from action of hostile forces; an accident involving a military or naval aircraft; an explosion of an instrumentality of war; or extrahazardous service, if the death occurred from service performed during the period from January 1, 1957, to September 29, 1965 (the effective date of the servicemen's group life insurance program).

While the \$5,000 death gratuity is payable to the surviving widow, children, or parents of a deceased serviceman, it is required to be reduced by the amount of any death compensation or dependency and indemnity compensation the beneficiary may already have received and, in addition, the beneficiary must waive his right to any future death compensation or dependency and indemnity payment on account of the serviceman's death. The effect of these conditions is to limit the \$5,000 death gratuity to nondependents and to deny it to those who were truly dependent on the deceased serviceman.

Prior to enactment of Public Law 89-214, the Committee on Finance held hearings regarding indemnity insurance coverage for combat soldiers. These hearings demonstrated that commercial insurance coverage was generally unavailable to our servicemen preparing for combat duty. To fill this gap and afford needed insurance protection, the Senate responded by passage of S. 2127 which provided \$10,000 free life insurance coverage for Armed Forces personnel serving in combat. This bill was modified in the House to provide a general group life insurance program for all Armed Forces personnel for which a premium would be charged. In addition, it provided a \$5,000 death gratuity for survivors of certain servicemen who died prior to the effective date of the servicemen's group life insurance. This gratuity

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was considered to be a payment in lieu of insurance which was not available to these boys at the time of their deaths. However, under the House version of the bill which was enacted, the gratuity was treated differently than insurance. Whereas the group life insurance proceeds contained in the same law are payable in addition to DIC benefits, this death gratuity was restricted by the House and required surrender of the survivor benefits before payment of any death gratuity proceeds.

In the opinion of the committee, this result cannot be justified and the committee amendment corrects this inequity. It eliminates the reduction for any death compensation or dependency and indemnity compensation already received by the dependent widow, children, or parents of the deceased serviceman and removes the requirement that they must waive their right to any future compensation payments.

By insuring payment of gratuity benefits to dependents and non-dependents, your committee's amendment provides equity where there was none.

Further, it would provide that any such waivers already executed or reductions of the death gratuity by prior death compensation or DIC benefits shall be of no effect. Thus, persons who surrendered their DIC rights by waiver and suffered reduction of the death gratuity by prior death compensation or DIC payments, would be restored to the benefit rolls and receive a lump-sum VA payment to replace the amounts that they had lost by accepting the death gratuity in place of DIC benefits.

Since the date for timely applications expires on September 29, 1966, the limiting date for filing application for the gratuity would be extended to a date 1 year after enactment of the bill.

V. COSTS—EFFECTIVE DATES

The cost of the House version of the bill is indicated by the chart which follows:

	1st year	2d year	3d year	4th year	5th year
Sec. 1.	\$3,701,000	\$4,031,000	\$4,284,000	\$4,548,000	\$4,830,000
Sec. 2.	200,000	200,000	200,000	200,000	200,000
Sec. 3, no estimate ¹	0	0	0	0	0
Sec. 4.	1,117,000	1,095,000	1,072,000	1,049,000	1,028,000
Sec. 5.	90,000	87,000	87,000	84,000	84,000
Total estimated cost.	5,198,000	5,413,000	5,643,000	5,881,000	6,142,000

¹ Cost could accrue as a result of this section were increases to occur in retirement-type income of affected beneficiaries. However, inasmuch as no such increases are currently foreseeable, an estimate of cost is not now associated with this change.

Based upon available information, the first year cost of the committee amendment (sections 2(4) and 6) regarding social security increases is estimated to be approximately \$8 million which will decline gradually to \$6.9 million in the fifth year. With respect to the payment of death gratuities (sec. 7), the total additional cumulative cost will be about \$57 million with \$37.3 million paid during the first year.

The bill, except for paragraphs 1, 2 and 3 of section 2 would be effective on the first day of the second calendar month following date

of enactment. The provisions of those paragraphs would be effective January 1, 1967.

VI. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

TITLE 38 OF THE UNITED STATES CODE

* * * * *

§ 413. Dependency and indemnity compensation to children

Whenever there is no widow of a deceased veteran entitled to dependency and indemnity compensation, dependency and indemnity compensation shall be paid in equal shares to the children of the deceased veteran at the following monthly rates:

- (1) One child, **[\$77]** *\$80*.
- (2) Two children, **[\$110]** *\$115*.
- (3) Three children, **[\$143]** *\$149*.
- (4) More than three children, **[\$143]** *\$149*, plus **[\$28]** *\$29* for each child in excess of three.

§ 414. Supplemental dependency and indemnity compensation to children

(a) In the case of a child entitled to dependency and indemnity compensation who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the dependency and indemnity compensation paid monthly to him shall be increased by **[\$28]** *\$29*.

(b) If dependency and indemnity compensation is payable monthly to a woman as a "widow" and there is a child (of her deceased husband) who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the widow, in the amount of **[\$77]** *\$80*.

(c) If dependency and indemnity compensation is payable monthly to a woman as a "widow" and there is a child (of her deceased husband) who has attained the age of eighteen and who, while under the age of twenty-three, is pursuing a course of instruction at an educational institution approved under section 104 of this title, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the widow, in the amount of **[\$39]** *\$41*.

§ 415. Dependency and indemnity compensation to parents

(a) Dependency and indemnity compensation shall be paid monthly to parents of a deceased veteran in the amounts prescribed by this section.

(b)(1) Except as provided in subsection **[(d)](b)(2)**, if there is only one parent, dependency and indemnity compensation shall be paid to him at a monthly rate equal to the amount under column II of the following table opposite his total annual income as shown in column I:

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Column I		Column II	
Total annual income			
More than—		but	Equal to or less than—
[\$750]	\$800	[\$750]	\$800
[\$1,000]	1,100	[\$1,000]	1,100
[\$1,250]	1,300	[\$1,250]	1,300
[\$1,500]	1,500	[\$1,500]	1,500
[\$1,750]	1,800	[\$1,750]	1,800
			[\$83] \$87.
			[\$66] 69.
			[\$50] 52.
			[\$33] 35.
			[\$17] 18.
			No amount payable.

(2) If there is only one parent, and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the table in subsection (b)(1) or the table in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate table.

(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each at a monthly rate equal to the amount under column II of the following table opposite the total annual income of each as shown in column I:

Column I		Column II	
Total annual income			
More than—		but	Equal to or less than—
[\$750]	\$800	[\$750]	\$800
[\$1,000]	1,100	[\$1,000]	1,100
[\$1,250]	1,300	[\$1,250]	1,300
[\$1,500]	1,500	[\$1,500]	1,500
[\$1,750]	1,800	[\$1,750]	1,800
			[\$55] \$58.
			[\$44] 46.
			[\$33] 35.
			[\$22] 23.
			[\$11] 12.
			No amount payable.

(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent at a monthly rate equal to the amount under column II of the following table opposite the total combined annual income of the parents, or of the parent and his spouse, as the case may be, as shown in column I:

Column I		Column II	
Total combined annual income			
More than— but Equal to or less than—			
\$1, 000	\$1, 000	[\$55]	\$58.
[\$1, 350] \$1, 500	[\$1, 350] \$1, 500	[\$44]	\$46.
[\$1, 700] \$2, 000	[\$1, 700] \$2, 000	[\$33]	\$35.
[\$2, 050] \$2, 500	[\$2, 050] \$2, 500	[\$22]	\$22.
[\$2, 400] \$3, 000	[\$2, 400] \$3, 000	[\$11]	\$12.
		No amount payable.	

(c) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a parent that such parent file each year with him (on the form prescribed by him) a report showing the total income which such parent expects to receive in that year and the total income which such parent received in the preceding year. The parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a parent under this section, he shall deduct such overpayments (unless waived) from any future payments made to such parent under this section.

(g) (1) In determining income under this section, all payments of any kind or from any source shall be included, except—

- (A) payments of the six-months' death gratuity;
- (B) donations from public or private relief or welfare organizations;
- (C) payments under this chapter (except section 412(a)) and [chapter 11] chapters 11 and 15 of this title;
- (D) lump-sum death payments under subchapter II of chapter 7 of title 42;
- (E) payments of bonus or similar cash gratuity by any State based upon service in the Armed [Forces.] Forces;
- (F) payments under policies of servicemen's group life insurance, United States Government life insurance or national service life insurance, and payments of servicemen's indemnity;
- (G) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs;
- (H) amounts equal to amounts paid by a parent of a deceased veteran for —
 - (i) a deceased spouse's just debts,
 - (ii) the expenses of the spouse's last illness to the extent such expenses are not reimbursed under chapter 51 of this title, and
 - (iii) the expenses of the spouse's burial to the extent that such expenses are not reimbursed under chapter 23 or chapter 51 of this title,
- (I) proceeds of fire insurance policies;

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(J) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) the expenses of the veteran's last illness, and

(ii) the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of this title;

(K) profit realized from the disposition of real or personal property other than in the course of a business;

(L) payments received for discharge of jury duty or obligatory civic duties.

(2) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a parent for unusual medical expenses.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, in determining the annual income of any person for any year there shall not be included in such income the amount of any increase in monthly insurance benefits payable to such person for such year under section 202 or 223 of the Social Security Act, if—

(A) such increase resulted from provisions of law enacted after July 1, 1965, providing increases in the schedule of benefits under either such section with respect to one or more categories of beneficiaries under title II of such Act, and

(B) for the month (or any portion thereof) in which the Act containing such provisions of law was enacted, such person was entitled to (i) a monthly insurance benefit under section 202 or 223 of the Social Security Act, and (ii) dependency and indemnity compensation under the provisions of this section.

§ 503. Determinations with respect to annual income

(a) In determining annual income under this chapter, all payments of any kind or from any source (including salary, retirement or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included except—

(1) payments of the six-months' death gratuity;

(2) donations from public or private relief or welfare organizations;

(3) payments under this chapter, and chapters 11 and 13 (except section 412(a)) of this title;

(4) payments under policies of United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;

(5) lump sum death payments under subchapter II of chapter 7 of title 42;

(6) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs;

(7) amounts equal to amounts paid by a widow or child of a deceased veteran for—

(A) his just debts,

(B) the expenses of his last illness, and

(C) the expenses of his burial to the extent such expenses are not reimbursed under chapter 23 of this title;

(8) proceeds of fire insurance policies.

(9) amounts equal to amounts paid by a veteran for the last illness and burial of his deceased spouse or child;

(10) profit realized from the disposition of real or personal property other than in the course of a business;

(11) payments received for discharge of jury duty or obligatory civic duties;

(12) payments of educational assistance allowance or special training allowance under chapter 35 of this title;

(13) payments of bonus or similar cash gratuity by any State based on service in the Armed Forces.

(b) *Notwithstanding the provisions of subsection (a) of this section, in determining the annual income of any person for any year there shall not be included in such income the amount of any increase in monthly insurance benefits payable to such person for such year under section 202 or 223 of the Social Security Act, if—*

(1) *such increase resulted from provisions of law enacted after July 1, 1965, providing increases in the schedule of benefits under either such section with respect to one or more categories of beneficiaries under title II of such Act, and*

(2) *for the month (or any portion thereof) in which the Act containing such provisions of law was enacted, such person was entitled to (A) a monthly insurance benefit under section 202 or 223 of the Social Security Act, and (B) pension under the provisions of this chapter, or under the first sentence of section 9(b) of the Veterans' Pension Act of 1959.*

* * * * *

§ 3012. Effective dates of reductions and discontinuances

(a) Except as otherwise specified in this section, the effective date of reduction or discontinuance of compensation, dependency and indemnity compensation, or pension shall be fixed in accordance with the facts found.

(b) The effective date of a reduction or discontinuance of compensation, dependency and indemnity compensation, or pension—

(1) by reason of marriage or remarriage, or death of a payee shall be the last day of the month before such marriage, remarriage, or death occurs;

(2) by reason of marriage, divorce, or death of a dependent of a payee shall be the last day of the month in which such marriage, divorce, or death occurs;

(3) by reason of receipt of active service pay or retirement pay shall be the day before the date such pay began;

(4) by reason of change in income or corpus of estate shall be the last day of the month in which the change occurred, *except that when a change in income is due to an increase in payments under a public or private retirement plan or program the effective date of a reduction or discontinuance resulting therefrom shall be the last day of the calendar year in which the change occurred;*

(5) by reason of a change in disability or employability of a veteran in receipt of pension shall be the last day of the month in which discontinuance of the award is approved;

(6) by reason of change in law or administrative issue, change in interpretation of a law or administrative issue, or, for compensation purposes, a change in service-connected or employability status or change in physical condition shall be the last

day of the month following sixty days from the date of notice to the payee (at his last address of record) of the reduction or discontinuance;

(7) by reason of the discontinuance of school attendance of a payee or a dependent of a payee shall be the last day of the month in which such discontinuance occurred;

(8) by reason of termination of a temporary increase in compensation for hospitalization or treatment shall be the last day of the month in which the hospital discharge or termination of treatment occurred, whichever is earlier;

(9) by reason of an erroneous award based on an act of commission or omission by the beneficiary, or with his knowledge, shall be the effective date of the award; and

(10) by reason of an erroneous award based solely on administrative error or error in judgment shall be the date of last payment.

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PUBLIC LAW 89-214 (79 STAT. 886)

SEC. 3. (a) In the case of each veteran who died or dies

(1) as a direct result of actions of hostile forces;

(2) as a direct result of an accident involving a military or naval aircraft or an aircraft under charter to the Department of Defense, Army, Navy, or Air Force;

(3) as a direct result of the extra hazard of military or naval service, as such hazard may be determined by the Administrator; or

(4) while performing service for which incentive pay for hazardous duty or special pay is authorized by section 301, 304, or 310 of title 37, United States Code;

while in the active military, naval, or air service during the period from January 1, 1957, to the date immediately preceding the date on which the Servicemen's Group Life Insurance program is placed in effect pursuant to section 776 of title 38, United States Code, both dates inclusive, the Administrator of Veterans' Affairs shall pay a death gratuity to the widow or widower, child or children, or parent or parents of such veteran, as provided in subsection (b), in an amount not exceeding \$5,000, determined as provided in subsection (c), but only if **[(A)]** application is made for such death gratuity within one year after the date of enactment of this Act **[and (B) the person or persons receiving a death gratuity under this section waive all future rights to death compensation and dependency and indemnity compensation, under title 38, United States Code, on account of the death of such veteran]**.

(b) The death gratuity authorized by this section shall be paid to the following classes of persons and in the order named—

(1) to the widow or widower of the veteran, if living;

(2) if no widow or widower, to the child or children of the veteran, if living, in equal shares;

(3) if no widow, widower, or child, to the parent or parents of the veteran who last bore that relationship, if living, in equal shares.

(c)(1) The death gratuity authorized by this section shall be \$5,000 reduced by the aggregate amount of [(A)] United States Government Life Insurance and National Service Life Insurance paid or payable on account of the death of such veteran [and (B) any death compensation or dependency and indemnity compensation received on account of the death of such veteran by the person or persons who receive such death gratuity].

[(2)] In any case where two or more persons are eligible for a death gratuity under this section on account of the death of the same veteran but one or more of such persons do not waive future death compensation or dependency and indemnity compensation payable under title 38, the Administrator shall pay his or their share of such death gratuity to the person or persons waiving such compensation. However, the death compensation or dependency and indemnity compensation payable to any other person shall not be increased solely as the result of an election and waiver under this section.]

[(3)](2) The right of any person to payment of a death gratuity under this section shall be conditioned upon his being alive to receive such payment. No person shall have a vested right to any such payment and any payment not made during the person's lifetime shall be paid to the person or persons within the permitted class next entitled to priority, as provided in subsection (b).

(d) Any terms used in this section which are defined in section 101 or 102(b) of title 38, United States Code, shall, for the purposes of this section, have the meanings given to them by such section 101 or 102(b), except that (1) the term "veteran", as used in this section, includes a person who dies while in the active military, naval, or air service and (2) the term "child" shall not be limited with respect to age or marital status.

(e) Appropriations made to the Veterans' Administration for "Compensation and Pensions" shall be available for the payment of death gratuities under this section.

For the convenience of Members there is reproduced below section 9 of Public Law 86-211 referred to in section 6 of this bill:

SECTION 9, PUBLIC LAW 86-211

SEC. 9. (a) Any claim for pension which is pending in the Veterans' Administration on June 30, 1960, or any claim for death pension filed thereafter within one year from the date of death of a veteran which occurred prior to July 1, 1960, shall be adjudicated under title 38, United States Code, in effect on June 30, 1960, with respect to the period before July 1, 1960, and except as provided in subsection (c), under such title, as amended by this Act, thereafter.

(b) Nothing in this Act shall affect the eligibility of any person receiving pension under title 38, United States Code, on June 30, 1960, for pension under all applicable provisions of that title in effect on that date for such period or periods thereafter with respect to which he can qualify under such provisions. This subsection shall not apply in any case for any period after pension is granted, pursuant to application, under title 38, United States Code, as amended by this Act.

(c) Subsection (b) shall apply to those claims within the purview of subsection (a) in which it is determined that pension is payable for June 30, 1960.