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90TH CONGRESS 2d Session } SENATE { REPORT No. 1009

INCOME LIMITATIONS ON NON-SERVICE-CONNECTED PENSIONS

FEBRUARY 28, 1968.—Ordered to be printed

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

REPORT

[To accompany H.R. 12555]

The Committee on Finance, to which was referred the bill (H.R. 12555) to amend title 38, United States Code, to liberalize the provisions relating to payment of pension, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. PURPOSE

H.R. 12555 is designed to liberalize both the "new law" and the "old law" pension programs and the dependency and indemnity compensation program (DIC) by—

(1) Increasing the monthly amounts payable under the new law pension and DIC programs;

(2) Expanding the income limitations of these programs as well as "old law" pension; and

(3) Phasing-in recipients of the 1967 social security increases to a new multilevel income program.

The bill would also assure that increases in the income of the VA recipient, regardless of the source, or changes in the corpus of a VA recipient's estate do not decrease or terminate a VA benefit until the beginning of the next calendar year. Under present law this sort of deferral applies only with respect to increases in retirement benefits. The major objective of the bill is establishment of a long-range system to protect the veteran from the disproportionate pension losses that could result from increases in other income, particularly retirement income subject to periodic increases such as social security.

II. BRIEF SUMMARY OF MAJOR PROVISIONS

H.R. 12555 makes a number of substantial changes in the veterans pension and survivor compensation programs, particularly with respect to the income limits.

A. Income Limits

The income limits determine a veteran's (or his survivor's) eligibility for benefits and the amount he would receive.

(*1*) *Multilevel limits.*—Under present law there are three income limits which measure the need of a veteran for a pension, and which determine the amount he may receive. (Similar income limits are applied to death pension.) There are five such limits applied to parents under the dependency and indemnity (DIC) program. H.R. 12555 substitutes 18 limits for the three in the pension law applicable to a single veteran. It also substitutes 13 gradations for the five in the DIC program for a widowed parent. The following table illustrates these gradations and monthly amounts in the pension program:

VETERAN, NO DEPENDENTS

Annual income other than pension				Monthly pension	
More than—		But equal to or less than—			
Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
			$300		$110
	$300		400		108
	400		500		106
	500	($600)	600	($104)	104
	600		700		100
	700		800		96
	800		900		92
	900		1,000		88
	1,000		1,100		84
($600)	1,100	($1,200)	1,200	($79)	79
	1,200		1,300		75
	1,300		1,400		69
	1,400		1,500		63
	1,500		1,600		57
	1,600		1,700		51
($1,200)	1,700	($1,800)	1,800	($45)	45
($1,800)	1,800		1,900	(None)	37
	1,900		2,000		29

(*2*) *Monthly benefits.*—Beginning January 1969 these additional gradations permit a more orderly and gradual reduction in monthly benefits required because of slight increases in other income, such as social security. In some instances, this will mean that the recipient will receive increased monthly amounts.

(*3*) *Minimum income limit.*—In the case of a single veteran under the new pension program the minimum $600 annual income limit under present law (which qualifies a veteran for $104 of monthly benefits) would be replaced by a $300 limit (and a monthly benefit of $110). This feature recognizes that the less income a veteran has, the greater his need. And it provides him with a larger pension of up to $72 more per year.

(*4*) *Maximum income limit.*—In the case of a single veteran under the new pension program the maximum amount of outside income a veteran may receive and still qualify for benefits is $1,800. H.R. 12555 would raise this to $2,000, in recognition of the 13-percent increase in social security payments.

(5) *Conforming changes.*—Comparable changes would be made in the schedules under the pension program for veterans with dependents and widows and under the DIC program for parents.

(6) *Old law pensioners.*—Unlike these comprehensive revisions of the new pension program, the only change contemplated by H.R. 12555 in the old program involves a $200 increase in the present $1,400 limit for a single veteran and the $2,700 limit for a married couple. This addition reflects the 13-percent increase in social security payments.

B. Relation to Social Security

(1) *New law and DIC.*—H.R. 12555 would assure that no pensioner under the new pension law and no parent receiving dependency and indemnity compensation (DIC) would have his benefit reduced during 1968 and 1969 solely as a result of an increase under the Social Security Amendments of 1967. However, commencing in 1970 the veteran's (or survivor's) income for purpose of applying the income limitations would be increased in multiples of $100 per year until the full amount of his 1967 social security increases have been reflected.

For example, a single veteran has annual income of $1,200 for pension purposes, including social security of $984. Under the present veterans' law, he would qualify for a monthly pension of $79. Because of the social security increase enacted in 1968 his total income would rise by $144, causing his veteran's pension to drop to $45 per month. In effect, he would forfeit $408 of veterans' benefits for $144 of social security—a net loss of $264.

Under H.R. 12555 for 1968 and 1969 he would not be required to count the 1967 social security increase in measuring his income for pension purposes. His countable income would remain at $1,200 and his pension would continue at $79 per month.

In 1970, however, this veteran must count $100 of the 1967 increase. This would make his income for pension purposes $1,300 and would require his pension to be reduced to $75 per month. In 1971 he would count the remaining portion of his social security increase. His total income would then exceed $1,300 and a further reduction in his pension to $69 per month would occur. The foregoing example takes into consideration the 10-percent exclusion of retirement income from a veteran's annual income for pension purposes. This gradual and more restricted reduction contrasts with the sharp reduction to $45 in 1969 required by existing law.

The net effect of the bill after all social security benefits have been assimilated into the veteran's reportable income is to assure that his aggregate income will generally be greater than it was before the social security increase occurred.

(2) *Old law.*—Presently, the so-called old law program has two levels of income limit determining pension eligibility; namely, $1,400 for a single veteran and $2,700 for a married veteran. To accommodate the 13-percent social security increase enacted in 1968, H.R. 12555 would raise these limits by $200—to $1,600 and $2,900, respectively. This would avoid the otherwise harsh result that would occur to nearly 40,000 pensioners. For example, some pensioners could forfeit up to $78.75 monthly ($945 yearly) resulting from an average $144 a year of social security—a net loss of $801.

C. End-of-Year Reduction

Under present law when there is a change in income of pensioners due to an increase in payments under a public or private retirement program such as social security, the reduction or discontinuance of the pensioner's VA benefit is delayed until the last day of the year in which the income change occurred. H.R. 12555 would extend this same treatment to any increase in the income of the VA recipient, regardless of the source, and to any increase in the corpus of a VA recipient's estate.

III. GENERAL DISCUSSION

A. New Pension Program

(1) *Development of benefit amounts.*—Public Law 86–211, effective July 1, 1960, created a new pension program which has been amended by Public Laws 88–664 and 90–77 and which presently provides the following rates of pension and income limitations:

INCREASES UNDER PUBLIC LAW 86-211 SINCE JUNE 30, 1960

VETERAN, NO DEPENDENTS [1] [2]

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (present)
	$600	$85	$100	$104
$600	1,200	70	75	75
1,200	1,800	40	43	45

[1] Pension reduced to $30 after 2d full month of hospitalization or domiciliary care by the VA.

[2] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blind as to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound because of severe disability.

VETERAN, WITH DEPENDENTS [1]

Annual income other than pension		Monthly pension								
More than—	But equal to or less than—	Veteran and 1 dependent			Veteran and 2 dependents			Veteran and 3 or more dependents		
		Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (present)	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (prosent)	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (present)
	$1,000	$90	$105	$109	$95	$110	$114	$100	$115	$119
$1,000	2,000	75	80	84	75	80	84	75	80	84
2,000	3,000	45	48	50	45	48	50	45	48	50

[1] Applicable rate under current law increased by $100 per month for veterans who are patients in nursing homes or so helpless or blind as to require the regular aid and attendance of another person, or by $40 when veteran is permanently housebound because of severe disability.

WIDOW, NO CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 [1] (present)
	$600	$60	$64	$70
$600	1,200	45	48	51
1,200	1,800	25	27	29

[1] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

WIDOW, 1 CHILD

Annual income other than pension		Monthly pension		
More than—	But equal to or less than—	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 [1] [2] (present)
	$1,000	$75	$80	$86
$1,000	2,000	60	64	67
2,000	3,000	40	43	45

[1] Plus $16 for each additional child.
[2] Payment to widow increased by $50 a month when she is so disabled as to require the regular aid and attendance of another person or is a patient in a nursing home. No similar provision in prior law.

NO WIDOW, 1 OR MORE CHILDREN

Annual income equal to or less than (earned income excluded)—	Monthly pension		
	Public Law 86-211 (1960)	Public Law 88-664 (1965)	Public Law 90-77 (present)
$1,800	$35 for 1 child and $15 for each additional child.	$38 for 1 child and $15 for each additional child.	$40 for 1 child and $16 for each additional child.

(2) *Changes recommended by House bill.*—The following table illustrates the pension provisions of H.R. 12555, as reported, as compared with those in present law:

Income increment	Veteran alone		Veteran with dependent		Widow alone		Widow with 1 child [1]	
	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555	Existing law	H.R. 12555
$100	$104	$110	[2] $109	[2] $120	$70	$74	$86	$90
$200	104	110	[2] 109	[2] 120	70	74	86	90
$300	104	110	[2] 109	[2] 120	70	74	86	90
$400	104	108	[2] 109	[2] 120	70	73	86	90
$500	104	106	[2] 109	[2] 120	70	72	86	90
$600	104	104	[2] 109	[2] 118	70	70	86	90
$700	79	100	[2] 109	[2] 116	51	67	86	89
$800	79	96	[2] 109	[2] 114	51	64	86	88
$900	79	92	[2] 109	[2] 112	51	61	86	87
$1,000	79	83	[2] 109	[2] 109	51	58	86	86
$1,100	79	84	84	107	51	55	67	85
$1,200	79	79	84	105	51	51	67	83
$1,300	45	75	84	103	29	48	67	81
$1,400	45	69	84	101	29	45	67	79
$1,500	45	63	84	99	29	41	67	77
$1,600	45	57	84	96	29	37	67	75
$1,700	45	51	84	93	29	33	67	73
$1,800	45	45	84	90	29	29	67	71
$1,900	---------	37	84	87	---------	23	67	69
$2,000	---------	29	84	84	---------	17	67	67
$2,100	---------	---------	50	81	---------	---------	45	65
$2,200	---------	---------	50	78	---------	---------	45	63
$2,300	---------	---------	50	75	---------	---------	45	61
$2,400	---------	---------	50	72	---------	---------	45	59
$2,500	---------	---------	50	69	---------	---------	45	57
$2,600	---------	---------	50	66	---------	---------	45	55
$2,700	---------	---------	50	62	---------	---------	45	53
$2,800	---------	---------	50	58	---------	---------	45	51
$2,900	---------	---------	50	54	---------	---------	45	48
$3,000	---------	---------	50	50	---------	---------	45	45
$3,100	---------	---------	---------	42	---------	---------	---------	43
$3,200	---------	---------	---------	34	---------	---------	---------	41

[1] Plus $16 for each additional child.
[2] Add $5 for 2 dependents or $10 for 3 or more dependents.

B. DIC Program

Service-connected compensation (DIC) is paid to parents on the basis of income. Existing rates and those proposed are shown by the tables below:

IF THERE IS ONLY 1 PARENT—

Total annual income		Monthly payment (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$87	$87
$800	900	81	69
900	1,000	75	69
1,000	1,100	69	69
1,100	1,200	62	52
1,200	1,300	54	52
1,300	1,400	46	35
1,400	1,500	38	35
1,500	1,600	31	18
1,600	1,700	25	18
1,700	1,800	18	18
1,800	1,900	12	------------------
1,900	2,000	10	------------------

IF THERE ARE 2 PARENTS, BUT THEY ARE NOT LIVING TOGETHER—

Total annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$800	$58	$58
$800	900	54	46
900	1,000	50	46
1,000	1,100	46	46
1,100	1,200	41	35
1,200	1,300	35	35
1,300	1,400	29	23
1,400	1,500	23	23
1,500	1,600	20	12
1,600	1,700	16	12
1,700	1,800	12	12
1,800	1,900	11	------------------
1,900	2,000	10	------------------

IF THERE ARE 2 PARENTS WHO ARE LIVING TOGETHER, OR IF A PARENT HAS REMARRIED AND IS LIVING WITH HIS SPOUSE

Total combined annual income		Monthly payment to each parent (H.R. 12555)	Monthly payment (law)
More than—	But equal to or less than—		
	$1,000	$58	$58
$1,000	1,100	56	46
1,100	1,200	54	46
1,200	1,300	52	46
1,300	1,400	49	46
1,400	1,500	46	46
1,500	1,600	44	35
1,600	1,700	42	35
1,700	1,800	40	35
1,800	1,900	38	35
1,900	2,000	35	35
2,000	2,100	33	23
2,100	2,200	31	23
2,200	2,300	29	23
2,300	2,400	26	23
2,400	2,500	23	23
2,500	2,600	21	12
2,600	2,700	19	12
2,700	2,800	17	12
2,800	2,900	15	12
2,900	3,000	12	12
3,000	3,100	11	------------------
3,100	3,200	10	------------------

C "Old Law" Pension

With regard to those individuals who receive "old law" pension under the first sentence of sec. 9(b) of the Veterans' Pension Act of 1959, the bill protects such persons against loss of pension because of an increase under the Social Security Amendments of 1967 by increasing the annual income limitations to $1,600 for a single veteran or widow and $2,900 for a veteran with dependents or a widow with children—a $200 increase in each instance. $7.3 million in payments will thus be preserved for nearly 35,000 pensioners. Since no more veterans or widows may come on these rolls, there would be no addition to this group of non-service-connected pensioners.

D. Reasons for the Bill

The Committee on Finance and the Senate have long been concerned with the adverse effect an increase in retirement income has on a VA recipient's payment.

Both the pension and DIC programs have income limits used in determining a person's eligibility for VA payments and their monthly amounts. Generally, the VA considers all income of the recipient including social security benefits, in computing his annual income for pension purposes. As reflected in the prior tables on page 4, income levels vary and have commensurate monthly benefits assigned. This is in line with the underlying needs concept of the pension and DIC program whereby the higher the outside income of any person, the lower his VA payments. Thus, a person whose annual income is just below a specific income level can, with a minimal increase in his other retirement income such as social security, be forced over that level into the next income bracket and have his monthly VA benefit greatly reduced, or if his income increase brings him over the maximum level permitted by the VA, his VA payment is stopped.

During both the 88th and 89th Congresses, veteran measures were passed by the Senate to exclude the then proposed social security increase from the VA recipient's income for pension purposes.

The Committee on Finance, together with the Senate, felt that retirement benefit increases, and, in particular, social security increases met the additional need of retirees brought about by changes in wages, prices, and other economic factors that had occurred since the previous increase in such benefits were authorized. Thus, social security benefit increases were generally designed to provide social security recipients with additional necessary funds to meet their everyday needs. They were 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 because of the social security increase. This action 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 in what they were receiving. It was this adverse effect the Senate-passed bills sought to avoid.

None of these measures were adopted by the House of Representatives. The House was persuaded by that feature of law (unchanged by H.R. 12555) which permits any VA beneficiary to exclude 10 percent of social security or other retirement income in establishing his eligibility for monthly VA benefits, that sufficient relief through this 10-

percent exclusion had been given to recipients whose other income was made up of retirement income such as social security.

In 1967, however, the administration began to share the Senate's concern regarding disproportionate reductions in pensions following increases in retirement income.

In his message to Congress on January 31, 1967, relating to America's servicemen and veterans, the President recommended legislation providing safeguards against the reduction or termination of a VA beneficiary's pension benefits because of increases in his retirement income. The President urged similar legislation again in his recent veteran's message of January 30, 1968.

The budget message for fiscal year 1969 pointed out: "Legislation should be enacted to relate veteran's pension payments more closely to individual needs and provide better protection against loss of income." It is also noteworthy that the conference committee on S. 16, the Veteran's Pension and Readjustment Act of 1967, asserted in its managers' report that:

> The conferees wish to make clear that it is their intention to take the necessary action to assure that any increase in social security payments which might result from enactment of H.R. 12080 will not result in a reduction of combined income from VA pension, dependency and indemnity compensation, and social security or in removal of any person from the VA pension or dependency and indemnity compensation rolls.

The committee is of the opinion that H.R. 12555 largely achieves the objective long sought by the Senate (and now concurred in by both the House of Representatives and the administration) by assuring that a VA pensioner shall be protected against large losses in his VA income because of minimal increases in other retirement income such as social security.

The transition from a three-level income increment system for determining monthly VA benefits to a more sophisticated multilevel system coincides in point of time with a substantial social security increase. For this reason, the bill contains a special protection feature assuring no loss in pension to ease the transition to the new pension structure. The Finance Committee agrees with the House committee that this protective feature is a special device and is not intended to serve as a precedent for the future. On the contrary, the rate structure provided by this bill has been carefully designed to assure that pensioners confronted in the future with increases in retirement-type income would never be disadvantaged by a disproportionate decrease in pension. Of course in any system utilizing income limitations there will be those who because of changes in income exceed the top income limit provided by law and thus go off the pension rolls. The provision, while assuring the protection previously described, gives this group of social security beneficiaries protection through the remainder of 1968 and calendar year 1969 at their current non-service-connected pension level. On January 1, 1970, there will be an income adjustment of $100, and on January 1, 1971, there will be another $100 adjustment, thus placing this group, now estimated at approximately 173,500, in their appropriate place in the income limitation schedule.

E. End-of-Year Rule

The bill would extend to all income and to corpus of estate changes the more liberal end-of-the-year rule for reduction or discontinuance of benefits which currently applies only to an increase in retirement income. Thus, the Veterans' Administration will continue to base benefit awards on reports of anticipated annual income made at the beginning of a calendar year, and if thereafter there is an increase in annual income, retirement, or other source, which requires reduction or discontinuance of a benefit, such adjustment would be deferred until the end of the particular calendar year.

F. Overall Benefits

It is noteworthy that enactment of H.R. 12555 would provide additional veterans benefits totaling nearly $138 million for the first full year. This amount combined with the first full year benefits authorized by H.R. 14347 (Public Law 89-730) for DIC parents and children, and by S. 16 (Public Law 90-77) for new and old pensioners, would mean that in less than 1½ years Congress will have authorized nearly a quarter of a billion dollars in additional pension and DIC benefits for veterans and survivors.

G. Veterans' Organizationss Position

The committee has been advised by the major service organizations of veterans that they support H.R. 12555 as passed by the House of Respresentatives.

IV. EFFECTIVE DATE

Sections 1 and 2 of this bill which provide new income levels and make monthly benefit adjustments for the pension and DIC programs are effective January 1, 1969, as is section 4 which increases the maximum income limits of the old pension program.

Section 3, providing a phase-in protection for social security recipients, and section 5, extending the year-end reduction rule to all income and estate cases, are effective April 1, 1968 (March is the first month that social security recipients will receive payment of their increased benefits).

V. COSTS

A. Summary

The estimated costs of the amendments, as furnished by the Veterans' Administration, made by H.R. 12555, are composed of two parts. They are:

(1) *Increase in pension and income limits.*—The costs attributable to the increases in monthly amounts of pension and DIC and expansion of income limits on a yearly basis over a 5-year period is as follows:

[In millions of dollars]

	Pension	DIC	Total
1st year	29.2	0.1	29.3
2d year	121.1	.5	121.6
3d year	125.2	.5	125.7
4th year	129.3	.5	129.8
5th year	133.8	.4	134.2
Total	538.6	2.0	540.6

(2) *Social security increase protection.*—The costs attributable to pensioners remaining on the rolls, or not having their payments reduced because of the phase-in provision of the bill, whose benefits would otherwise have been reduced or terminated from the rolls because of their increased social security benefits, is as follows:

[In millions of dollars]

	New law pensions and DIC	Old law pensions	Total
1st year	2.3	2.1	4.4
2 year	8.8	7.3	16.1
3d year	2.2	6.6	8.8
4th year	0	5.9	5.9
5th year	0	5.2	5.2
Total	13.3	27.1	40.4

These figures do not represent additional Federal outlays. They reflect the continuation of payments to veterans (and survivors) who received social security increases under the 1967 act. The totals represent the savings which would accrue if this bill were not enacted.

B. VA Cost Analysis

The Veterans' Administration, in submitting the foregoing cost data, supplied a further analysis of this information, as follows:

> This estimate assumes effective date of the subject proposal will be April 1, 1968, insofar as the provisions of sections 3 and 5 are concerned. Accordingly, the first-year costs as shown represent the 12-month period from April 1, 1968, through March 31, 1969.
>
> Section 1 would provide for payment of VA pension under sections 521 and 541 of title 38, United States Code, in amounts and by income increments consistent with the restructured pension schedule provided in H.R. 12555. The estimated additional costs and the number of cases on the rolls that benefit, applicable to this section, are as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost (millions)	Number	Additional cost (millions)	Number	Additional cost (millions)
1st year	10,275	$3.9	1,170,743	$25.3	1,181,018	$29.2
2d year	42,719	16.0	1,277,281	105.1	1,270,000	121.1
3d year	44,096	16.4	1,281,784	108.8	1,325,880	125.2
4th year	45,442	16.9	1,337,398	112.4	1,382,890	129.3
5th year	48,861	17.3	1,389,964	116.5	1,436,825	133.8

Section 2 would provide a structure of monthly amounts and income increments for payment of dependency and indemnity compensation under section 415, title 38, United States Code, similar in concept to that proposed by section 1 for pension cases. The approximate costs of this section are estimated as follows:

	New cases		Cases on rolls		Total	
	Number	Additional cost	Number	Additional cost	Number	Additional cost
1st year	75	$10,000	248,000	$115,000	248,075	$125,000
2d year	300	40,000	239,000	443,300	237,300	483,400
3d year	300	40,000	230,000	230,300	230,300	466,600
4th year	300	40,000	221,000	410,000	221,300	450,000
5th year	300	40,000	213,000	395,000	213,300	435,000

Section 3 would provide that if the monthly amount of pension or dependency and indemnity compensation payable to a person under title 38, United States Code, is less, solely because of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967, than was payable for the month immediately preceding the effective date of this act, the Administrator shall continue to pay the benefit at the prior monthly amount during 1968 and 1969. Subsequently, the benefit payable will be reduced annually to the next lower rate in accordance with the rates provided by the tables in sections 1 and 2 until the benefit payable is otherwise in accordance with the amount provided by the tables in sections 1 and 2 or is terminated. The value of this protection is estimated as follows:

	Number of cases	Value of protection (millions)
1st year	173,471	$2.3
2d year	166,390	8.8
3d year	43,386	2.2
4th year	0	0
5th year	0	0

Section 4 would provide an increase in the annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 from $1,400 and $2,700 to $1,600 and $2,900, respectively. The estimated value of increasing the income limitations as provided would be:

	Number of cases	Value (millions)
1st year	39,915	$2.1
2d year	35,025	7.3
3d year	31,575	6.6
4th year	28,400	5.9
5th year	24,900	5.2

Data are not available with which to estimate the effect of the amendment proposed by section 5. However, restricting its application to uncontrollable types of income—i.e., windfalls, unanticipated dividends, unforeseen insurance benefits, etc.—it is believed the cost effects would not be substantial.

All the above estimates are based on the assumption that the social security amendments will provide for a 13-percent increase in benefits payable with a minimum monthly payment fixed at $55 in lieu of the present $44 for a primary beneficiary.

VI. VA REPORT

The favorable report of the Veterans' Administration on H.R. 12555 follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., February 5, 1968.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to respond to your request for a report on H.R. 12555 as passed by the House of Representatives on December 15, 1967.

The bill proposes liberalizations of the rates and annual income limitations governing the payment of pension under the current program and of dependency and indemnity compensation to parents of deceased veterans; and increases in the annual income limitations for persons receiving pension under the prior program. Additionally, the measure provides certain protection against loss of monthly Veterans' Administration benefits solely as a result of increases in monthly insurance benefits provided by the Social Security Amendments of 1967, Public Law 90–248. It would also liberalize the effective date provisions for reduction or discontinuance of Veterans' Administration benefits due to changes in income or corpus of estate.

As revised by Public Law 86–211, effective July 1, 1960, the non-service-connected disability and death pension program relating to World War I and later war periods (ch. 15, title 38, United States Code) provides benefits on a sliding scale of three annual income levels for veterans and their widows. Thereunder, the greatest amount of pension is paid to those in the greatest need. Certain liberalizations in the program, including increased rates, were provided by Public Law 88-664, effective January 1, 1965, and title I of Public Law 90-77, effective October 1, 1967. Additionally, title II of the latter law provided, among other things, for inclusion of the Vietnam era among the periods of war service upon which pension entitlement may be predicated.

A savings provision of Public Law 86-211 permits persons on the pension rolls on June 30, 1960, the day before the effective date of the current program, to continue to receive pension under the provisions of the prior law. The annual income limitations for that earlier program are $1,400 for veterans and widows without dependents, and $2,700 for those with one or more dependents.

For veterans unmarried and without a child, or widows without a child, the income limitations for the current pension program are $600, $1,200, and $1,800 annually; with respective monthly rates of $104, $79, and $45 for veterans, and $70, $51, and $29, for widows. For veterans married or with a child, or widows with a child, the limitations are $1,000, $2,000, and $3,000 annually. For veterans within the $1,000 income level, the monthly rates are $109, $114, and $119 for one, two, or three or more dependents, respectively. For veterans within the $2,000 and $3,000 income levels, the respective monthly rates are $84 and $50 for one or more dependents. Higher rates are provided for those who are permanently housebound or in need of regular aid and attendance. The monthly rates for widows with one child are $86, $67, and $45 (plus $16 for each additional child) related to the $1,000, $2,000, and $3,000 income levels. An additional allowance is payable to widows who are in need of regular aid and attendance. For children of a veteran, where there is no eligible widow, the pension rates are $40 for the first child and $16 for each additional child, in equal shares, subject to a limitation of $1,800 respecting unearned income.

Monthly dependency and indemnity compensation payments provided by chapter 13, title 38, United States Code, for parents of veterans who die of a service-connected or compensable disability are also subject to income limitations. The specified levels vary according to whether there are one or two parents, and in a case of two parents, whether they are living together or apart. There are five limitations and related rates in each category. For a sole surviving parent and for each of two parents living apart, the limitations range from $800 to $1,800. For two parents living together, the combined annual income limitations range from $1,000 to $3,000.

In determining annual income under the described programs, all payments of any kind or from any source are included, except certain payments specifically excluded by 38 U.S.C. 503 or 38 U.S.C. 415(g), respectively. With regard to each of the two benefits there is an exclusion of 10 percent of the amount of retirement payments, applicable to such benefits as social security, among others. Currently, 38 U.S.C. 3012(b)(4) provides that reductions or discontinuances of compensation, dependency and indemnity compensation or pension required by a change in retirement income are effective at the end of the calendar year. With respect to all other income changes and changes in corpus of estate, the required reduction or discontinuance is effective the last day of the month in which the change occurred.

Section 1 of H.R. 12555 would expand the three-level annual income limitations and monthly rates for pension under the current program applicable to veterans of World War I, World War II, the Korean conflict, and the Vietnam era, and their widows. The proposed limitations with corresponding rates are generally fixed at $100 levels, up to new income maximums of $2,000 and $3,200.

For veterans unmarried and without a child, there would be 18 limitations and rates, ranging from $110 per month at income not in excess of $300 per year, to $29 for income of $1,901 to $2,000. For a veteran with dependents, there would be 28 limitations and rates, ranging from $120, $125, or $130, for one, two, or three or more dependents, respectively, at income of not more than $500 per year, to $34, irrespective of the number of dependents, for income of $3,101 to $3,200.

For widows without a child there are also proposed 18 limitations and pension rates, ranging from $74 per month at income not in excess of $300 per year, to $17 for income of $1,901 to $2,000. There would be 27 limitations and rates for widows with one child, ranging from $90 for income not in excess of $600 per year to $41 for income of $3,101 to $3,200. The existing provision for payment of $16 for each additional child would not be changed.

Section 2 of the bill would expand the current five-level annual income limitations and monthly rates for parents' dependency and indemnity compensation. Starting from the current bases of $800 or $1,000, the new limitations and rates would be fixed at $100 levels.

For a sole surviving parent and for each of two parents living apart there would be 13 limitations and rates, up to new annual income maximums of $2,000. With regard to two parents living together, there would be 23 limitations and rates, up to a new combined annual income maximum of $3,200.

Section 3 provides that no person receiving pension under the current law, and no parent receiving dependency and indemnity compensation, shall have his benefit reduced prior to January 1, 1970, solely as a result of an increase in monthly insurance benefits provided by the Social Security Amendments of 1967 (Public Law 90–248). Any required reduction would be made in successive annual stages beginning in 1970.

Section 4 of the bill would increase the income limitations applicable in payment of pension under the prior pension program, in effect on June 30, 1960, from $1,400 and $2,700 to $1,600 and $2,900, respectively.

Section 5 would provide that all reductions or discontinuances of compensation, dependency and indemnity compensation or pension required by a change in income or a change in corpus of estate would be effective the last day of the calendar year in which the change occurred. Currently, this rule applies only in cases of a change in retirement income.

Subsection 6(a) provides that the effective date of the first section and sections 2 and 4 shall be January 1, 1969. Subsection 6(b) relates the effective date for sections 3 and 5 to the initial payment of increases in monthly insurance benefits provided by the Social Security Amendments of 1967, Public Law 90–248. We understand that such payment will be made in March. Accordingly, the effective date specified by subsection 6(b) would be April 1, 1968.

Under the current three-level income limitations and rates system for pension, slight increases in the income of persons at or near the various levels can cause greatly disproportionate losses of benefits. Examples: (*a*) veteran with one dependent whose annual income exceeds $3,000 by as little as $1 loses pension in the amount of $50 a month; and (*b*) a similarly situated widow would lose pension of $45 a month. Reductions of pension as a result of exceeding a particular income limitation by $1 vary from $25 to $34 per month for such veterans and from $19 to $22 for such widows in the less than maximum income categories. In like manner, parents may suffer disproportionate losses of dependency and indemnity compensation by reason of slight increases in income.

The disproportionate reductions in pension which must follow increases in annual income have become well recognized in recent years, particularly with regard to anticipated increases in monthly social security benefits. The President is well aware of the described problem. In his message to the Congress of January 31, 1967, relating to "America's Servicemen and Veterans," he recommended enactment of necessary safeguards. He again urged enactment of such legislation in his message of January 30, 1968, "Our Pride and Our Strength: America's Servicemen and Veterans." Moreover, in his budget message for fiscal year 1969, the President said that "Legislation should be enacted to relate veterans pension payments more closely to individual needs and provide better protection against loss of income."

Additionally, the committee of conference on S. 16, 90th Congress, asserted in its report on that measure, now Public Law 90–77, a purpose of taking timely action with respect to the adverse effect of increases provided by the Social Security Amendments of 1967, on Veterans' Administration pension and dependency and indemnity compensation payments.

The liberalizations proposed by H.R. 12555 would have beneficial results with regard to the impact of increases in annual income on monthly pension and dependency and indemnity compensation payments.

All current law pensioners and all parents receiving dependency and indemnity compensation, independent of the source of income, could benefit from the $100 level annual income limitations and monthly benefits rates proposed by the first and second sections of H.R. 12555. Under those recommended tables, increases in income of up to $100 a year could result in pension reductions of as little as: (*a*) $12 to $72 per year ($1 to $6 a month) for widows; and (*b*) $24 to $96 annually ($2 to $8 a month) for veterans with less than three dependents. Secondly, increases of up to $100 a year could result in dependency and indemnity compensation reductions of as little as $12 to $96 per year ($1 to $8 a month). The contrast between the outlined moderate reductions which could stem from increased income under the proposed tables and those which could occur under present law is obvious.

The proposed restructuring of the annual income limitations and monthly benefits rates would provide more reasonable and equitable treatment of income increases. Moreover, the first and second sections of the bill propose to raise by $200 the maximum annual income limitations for the current pension and dependency and indemnity compensation programs. The new maximum limitations, standing alone, are believed sufficient to preclude any person being removed from the current Veterans' Administration benefit rolls solely as a result of an increase in monthly payments provided by the Social Security Amendments of 1967.

The new income and rate tables would result in higher rates of pension for more than 1.1 million beneficiaries—85 percent of those receiving pension under the current law with the most substantial increases provided for pensioners with the greatest need.

Although the described provisions of the first and second sections of the bill would appear to preclude termination of the monthly benefit of any current law pensioner or parent receiving dependency and indemnity compensation, solely as a result of a social security increase under Public Law 90–248, such an increase could nevertheless require reduction in Veterans' Administration benefits.

The protective provisions proposed by section 3 would defer any such reduction until January 1, 1970. In other words, all affected current law pensioners and parents receiving dependency and indemnity compensation would be assured payment of the monthly rate payable for March 1968 (assuming initial payment of social security increases during that month) for each succeeding month through 1969, if there is no other change in annual income. For the calendar year 1970, there would be an adjustment to the rate payable at the level of the next annual income limitation higher by $100 than the annual income limitation corresponding to the rate previously paid. There will be a similar adjustment the next year—which should place all beneficiaries at the proper rate level for their countable income.

As pointed out in the report of the House Committee on Veterans' Affairs relating to H.R. 12555 (Rept. 1039, p. 9), the $200 increases in maximum annual income limitations proposed by section 4 for persons receiving pension under the prior pension system, in effect June 30, 1960, will protect those persons against loss of pension because of an increase under the Social Security Amendments of 1967. This section would become effective on January 1, 1969. It is expected that initial payment of increased social security benefits under Public Law 90–248 will be made in March 1968. Of course, affected pensioners will be protected against a reduction of pension during the intervening period under existing law (38 U.S.C. 3012(b)(4)). It provides that when a change in income is due to an increase in retirement payments (social security, among others) the effective date of the reduction or discontinuance of pension, or other pertinent benefit, resulting therefrom will be the last day of the calendar year in which the change occurred.

Section 5 proposes uniformity with regard to effective dates for reduction or discontinuance of monthly benefits due to a change in income or a change in corpus of estate. Presently, administrative action respecting a change in corpus of estate or a change in income other than in the form of retirement benefits is effective the end of the month in which the change occurs. Under section 5 the more liberal end-of-the-year rule for reducing or discontinuing benefits, now limited to retirement income changes, would be extended to all income changes as well as to corpus of estate changes. The end-of-the-year rule has been regarded as applying to changes in actual income, that is, changes in what actually happened as opposed to changes from what was estimated or anticipated. Under section 5, if there is an increase in annual income, retirement or other, received after the person has been placed at his proper level in the pension scale for that year (which increase could not have been reasonably anticipated based on the amount that was actually received from that source the year before) any required reduction or discontinuance would be deferred until the end of the year.

It is considered reasonable for effective date purposes to afford the same treatment to increases in nonretirement income as is applied to retirement income changes.

A summary table showing the estimated cost (new obligational authority) for the first 5 years of sections 1, 2, and 5 of H.R. 12555 as passed by the House follows (the years shown are legislative years with the first year representing the period from April 1, 1968, through March 31, 1969. All amounts are in millions of dollars):

	Sec. 1 (current pension)	Sec. 2 (DIC)	Sec. 5 [1]	Total
1st year	$29.2	$0.1		$29.3
2d year	121.1	.5		121.6
3d year	125.2	.5		125.7
4th year	129.3	.5		129.8
5th year	133.8	.4		134.2
Total	538.6	2.0		540.6

[1] No substantial cost.

Also, the estimated cost effects of the protection provided by sections 3 and 4 would be:

	Sec. 3	Sec. 4	Total
1st year	$2.3	$2.1	$4.4
2d year	8.8	7.3	16.1
3d year	2.2	6.6	8.8
4th year	0.0	5.9	5.9
5th year	0.0	5.2	5.2
Total	13.3	27.1	40.4

This bill would establish more reasonable and equitable benefit rate structures as a substantial solution on a permanent basis to the problem of disproportionate losses in Veterans' Administration benefits. The underlying concept of need would be maintained by the new structures, while relating benefit payments more closely to individual needs.

These structures, in conjunction with the proposed protective provisions with regard to beneficiaries receiving increases under the Social Security Amendments of 1967, Public Law 90-248, would provide reasonable safeguards against disproportionate reductions in Veterans' Administration benefits in line with the recommendations of the President and the asserted purpose of the House-Senate conferees on S. 16 (Public Law 90-77).

Because H.R. 12555 substitutes a large number of small income steps for the three-step system of today, it will provide a good base for more closely relating pension to outside income. We are studying, however, further refinements, including the possibility of dropping all income steps and adjusting pension or dependency and indemnity compensation payments more directly to changes of other income, and plan to complete our study as soon as possible.

Under these circumstances, I recommend favorable consideration of H.R. 12555.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely,

W. J. DRIVER, *Administrator.*

VII. 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, UNITED STATES CODE

* * * * * * *

§ 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 (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:

[

Column I		Column II
Total annual income		
More than— but	Equal to or less than—	
	$800	$87
$800	1, 100	69
1, 100	1, 300	52
1, 300	1, 500	35
1, 500	1, 800	18
1, 800	------------	No amount payable.

]

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$87*
$800	*900*	*81*
900	*1, 000*	*75*
1, 000	*1, 100*	*69*
1, 100	*1, 200*	*62*
1, 200	*1, 300*	*54*
1, 300	*1, 400*	*46*
1, 400	*1, 500*	*38*
1, 500	*1, 600*	*31*
1, 600	*1, 700*	*25*
1, 700	*1, 800*	*18*
1, 800	*1, 900*	*12*
1, 900	*2, 000*	*10*

(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 1:

[

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$800	$58
$800	1, 100	46
1, 100	1, 300	35
1, 300	1, 500	23
1, 500	1, 800	12
1, 800	-----------	No amount payable.

]

Column I		*Column II*
Total annual income		
More than—	*but Equal to or less than—*	
	$800	*$58*
$800	*900*	*54*
900	*1, 000*	*50*
1, 000	*1, 100*	*46*
1, 100	*1, 200*	*41*
1, 200	*1, 300*	*35*
1, 300	*1, 400*	*29*
1, 400	*1, 500*	*23*
1, 500	*1, 600*	*20*
1, 600	*1, 700*	*16*
1, 700	*1, 800*	*12*
1, 800	*1, 900*	*11*
1, 900	*2, 000*	*10*

(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	$58
$1, 000	1, 500	46
1, 500	2, 000	35
2, 000	2, 500	23
2, 500	3, 000	12
3, 000	------------	No amount payable.

Column I		Column II
Total combined annual income		
More than—	*but Equal to or less than—*	
	$1,000	$58
$1,000	1,100	56
1,100	1,200	54
1,200	1,300	52
1,300	1,400	49
1,400	1,500	46
1,500	1,600	44
1,600	1,700	42
1,700	1,800	40
1,800	1,900	38
1,900	2,000	35
2,000	2,100	33
2,100	2,200	31
2,200	2,300	29
2,300	2,400	26
2,400	2,500	23
2,500	2,600	21
2,600	2,700	19
2,700	2,800	17
2,800	2,900	15
2,900	3,000	12
3,000	3,100	11
3,100	3,200	10

(e) 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 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;

(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;

(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.

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NON-SERVICE-CONNECTED DISABILITY PENSION

§ 521. Veterans of World War I, World War II, the Korean conflict, or the Vietnam era

(a) The Administrator shall pay to each veteran of World War I, World War II, the Korean conflict, or the Vietnam era, who meets the service requirements of this section, and who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct or vicious habits, pension at the rate prescribed by this section.

(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the veteran's annual income as shown in column I:

[

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$104
$600	1,200	79
1,200	1,800	45

]

Column I		Column II
Annual income		
More than— but	Equal to or less than—	
	$300	$110
$300	400	108
400	500	106
500	600	104
600	700	100
700	800	96
800	900	92
900	1,000	88
1,000	1,100	84
1,100	1,200	79
1,200	1,300	75
1,300	1,400	69
1,400	1,500	63
1,500	1,600	57
1,600	1,700	51
1,700	1,800	45
1,800	1,900	37
1,900	2,000	29

(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid at the monthly rate set forth in columns II, III, or IV of the following table opposite the veteran's annual income as shown in column I:

[

Column I		Column II	Column III	Column IV
Annual income More than— but	Equal to or less than—	One dependent	Two dependents	Three or more dependents
	$1,000	$109	$114	$119
$1,000	2,000	84	84	84
2,000	3,000	50	50	50

]

Column I		*Column II*	*Column III*	*Column IV*
Annual income *More than— but*	*Equal to or less than—*	*One dependent*	*Two dependents*	*Three or more dependents*
	$500	*$120*	*$125*	*$130*
$500	*600*	*118*	*123*	*128*
600	*700*	*116*	*121*	*126*
700	*800*	*114*	*119*	*124*
800	*900*	*112*	*117*	*122*
900	*1,000*	*109*	*114*	*119*
1,000	*1,100*	*107*	*107*	*107*
1,100	*1,200*	*105*	*105*	*105*
1,200	*1,300*	*103*	*103*	*103*
1,300	*1,400*	*101*	*101*	*101*
1,400	*1,500*	*99*	*99*	*99*
1,500	*1,600*	*96*	*96*	*96*
1,600	*1,700*	*93*	*93*	*93*
1,700	*1,800*	*90*	*90*	*90*
1,800	*1,900*	*87*	*87*	*87*
1,900	*2,000*	*84*	*84*	*84*
2,000	*2,100*	*81*	*81*	*81*
2,100	*2,200*	*78*	*78*	*78*
2,200	*2,300*	*75*	*75*	*75*
2,300	*2,400*	*72*	*72*	*72*
2,400	*2,500*	*69*	*69*	*69*
2,500	*2,600*	*66*	*66*	*66*
2,600	*2,700*	*62*	*62*	*62*
2,700	*2,800*	*58*	*58*	*58*
2,800	*2,900*	*54*	*54*	*54*
2,900	*3,000*	*50*	*50*	*50*
3,000	*3,100*	*42*	*42*	*42*
3,100	*3,200*	*34*	*34*	*34*

(d) If the veteran is in need of regular aid and attendance, the monthly rate payable to him under subsection (b) or (c) shall be increased by $100.

(e) If the veteran has a disability rated as permanent and total, and (1) has additional disability or disabilities independently ratable at 60 per centum or more, or, (2) by reason of his disability or disabilities, is permanently housebound but does not qualify for the aid and attendance rate under subsection (d) of this section, the monthly rate payable to him under subsection (b) or (c) shall be increased by $40.

(f) For the purposes of this section—

(1) in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is the greater, $1,200 or the total earned income of the spouse, shall be considered as the income of the veteran, unless in the judgment of the Administrator to do so would work a hardship upon the veteran;

(2) a veteran shall be considered as living with a spouse, even though they reside apart, unless they are estranged.

(g) A veteran meets the service requirements of this section if he served in the active military, naval, or air service—

(1) for ninety days or more during either World War I, World War II, the Korean conflict, or the Vietnam era;

(2) during World War I, World War II, the Korean conflict, or the Vietnam era, and was discharged or released from such service for a service-connected disability;

(3) for a period of ninety consecutive days or more and such period ended during World War I, or began or ended during World War II, the Korean conflict, or the Vietnam era; or

(4) for an aggregate of ninety days or more in two or more separate periods of service during more than one period of war.

* * * * * * *

WORLD WAR I, WORLD WAR II, THE KOREAN CONFLICT, AND THE VIETNAM ERA

§ 541. Widows of World War I, World War II, Korean conflict, or Vietnam era veterans

(a) The Administrator shall pay to the widow of each veteran of World War I, World War II, the Korean conflict, or the Vietnam era who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the rate prescribed by this section.

(b) If there is no child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

[

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$600	$70
$600	1, 200	51
1, 200	1, 800	29

]

Column I		*Column II*
Annual income		
More than—	*but Equal to or less than—*	
	$300	*$74*
$300	*400*	*73*
400	*500*	*72*
500	*600*	*70*
600	*700*	*67*
700	*800*	*64*
800	*900*	*61*
900	*1, 000*	*58*
1, 000	*1, 100*	*55*
1, 100	*1, 200*	*51*
1, 200	*1, 300*	*48*
1, 300	*1, 400*	*45*
1, 400	*1, 500*	*41*
1, 500	*1, 600*	*37*
1, 600	*1, 700*	*33*
1, 700	*1, 800*	*29*
1, 800	*1, 900*	*23*
1, 900	*2, 000*	*17*

(c) If there is a widow and one child, pension shall be paid at the monthly rate set forth in column II of the following table opposite the widow's annual income as shown in column I:

[

Column I		Column II
Annual income		
More than—	but Equal to or less than—	
	$1, 000	$86
$1, 000	2, 000	67
2, 000	3, 000	45

]

Column I		Column II
Annual income		
More than—	*but Equal to or less than—*	
	$600	$90
$600	700	89
700	800	88
800	900	87
900	1,000	86
1,000	1,100	85
1,100	1,200	83
1,200	1,300	81
1,300	1,400	79
1,400	1,500	77
1,500	1,600	75
1,600	1,700	73
1,700	1,800	71
1,800	1,900	69
1,900	2,000	67
2,000	2,100	65
2,100	2,200	63
2,200	2,300	61
2,300	2,400	59
2,400	2,500	57
2,500	2,600	55
2,600	2,700	53
2,700	2,800	51
2,800	2,900	48
2,900	3,000	46
3,000	3,100	43
3,100	3,200	41

(d) If there is a widow and more than one child, the monthly rate payable under subsection (c) shall be increased by $16 for each additional child.

(e) No pension shall be paid to a widow of a veteran under this section unless she was married to him—

(1) before (A) December 14, 1944, in the case of a widow of a World War I veteran, or (B) January 1, 1957, in the case of a widow of a World War II veteran, or (C) February 1, 1965, in the case of a widow of a Korean conflict veteran, or (D) before the expiration of ten years following termination of the Vietnam era in the case of a widow of a Vietnam era veteran; or

(2) for one year or more; or

(3) for any period of time if a child was born of the marriage, or was born to them before the marriage.

* * * * * * *

§ 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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