

INCREASING THE ANNUAL INCOME LIMITATIONS GOVERNING THE PAYMENT OF PENSION TO CERTAIN VETERANS AND THEIR DEPENDENTS

MARCH 24, 1952.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 4387]

The Committee on Finance, to whom was referred the bill (H. R. 4387) to increase the annual income limitations governing the payment of pension to certain veterans and their dependents, and to preclude exclusions in determining annual income for purposes of such limitations, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Amend the title of the bill to read:

A bill to increase the annual income limitations governing the payment of pension to certain veterans and their dependents.

Strike out all after the enacting clause and insert the following:

That paragraph II (a), part III, Veterans Regulation Numbered 1 (a), as amended, is hereby amended to read as follows:

"II. (a) Payment of pension provided by part III shall not be made to any unmarried person whose annual income exceeds \$1,200, or to any married person or any person with minor children whose annual income exceeds \$2,600."

SEC. 2. The first sentence of section 1 (c) of the Act of June 28, 1934, as added by section 1 of the Act of July 19, 1939 (53 Stat. 1068), and as amended (38 U. S. C. 503 (c)), is further amended to read as follows:

"Payment of pension under the provisions of this Act shall not be made to any widow without child, or to a child, whose annual income exceeds \$1,200, or to a widow with a child or children whose annual income exceeds \$2,600."

SEC. 3. This Act shall take effect on the first day of the second calendar month after its enactment. Pension shall not be paid for any period prior to the effective date of this Act to any person whose eligibility for pension is established solely by virtue of this Act.

EXPLANATION OF BILL

The bill, as amended and reported by the committee, increased the income limitations applicable to pension for non-service-connected disability paid to veterans and the dependents of veterans of World

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War I, World War II, and Korean service from \$1,000 to \$1,200 for a veteran without dependents, a widow without children or a child, and from \$2,500 to \$2,600 for a veteran with dependents or a widow with children. It retains all other provisions of the existing law.

GENERAL STATEMENT

The bill, as passed the House and referred to the committee, provided increases of the income limitations applicable to non-service-connected disability and death pension cases from the present \$1,000 to \$1,800 for a veteran without dependents, a widow without children, or a child, and from \$2,500 to \$3,000 for a widow with children or a veteran with dependents.

Your committee did not approve that section of the House-passed bill which removed certain exclusions under existing law in determining the annual income of veterans or his dependents. These exclusions include Veterans' Administration payments of Government insurance, payments under World War I Adjusted Compensation Act, and overtime payments to Federal employees.

COST

The Veterans' Administration's report on the bill, as it passed the House, estimates the cost to be \$88,000,000. The bill, as amended by the committee is estimated to cost \$21,000,000.

The report of the Veterans' Administration on the bill is as follows:

August 8, 1951.

HON. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: Further reference is made to your letter of June 23, 1951, requesting a report by the Veterans' Administration on H. R. 4387, Eighty-second Congress, an act to increase the annual income limitations governing the payment of pension to certain veterans and their dependents, and to preclude exclusions in determining annual income for purposes of such limitations.

The bill proposes to increase existing income limitations governing the payment of pension for non-service-connected disability to certain veterans under part III, Veterans Regulation No. 1 (a), as amended, and pension for non-service-connected death to certain widows and children under the act of June 28, 1934 (48 Stat. 1281), as amended and extended, and under the mentioned part III. Further, it would require that income from all sources be included in determining annual income for purposes of such limitations.

Veterans of World War I, World War II, or of service in the Armed Forces of the United States on or after June 27, 1950, and prior to such date as shall thereafter be determined by Presidential proclamation or concurrent resolution of the Congress, as well as veterans of the Spanish-American War, the Boxer Rebellion, and the Philippine Insurrection, are eligible, subject to specified requirements, to pension for permanent-total non-service-connected disability as provided by part III of Veterans Regulation No. 1 (a), as amended. The pension rates are \$60 per month, or \$72 if the veteran has received the basic rate for a continuous period of 10 years or reaches the age of 65. Payment cannot be made if the veteran's annual income exceeds \$1,000, if he is unmarried, or \$2,500 if married or with minor children. Section 1 of the bill would raise the \$1,000 income limitation to \$1,800, and would raise the \$2,500 limitation to \$3,000.

Part III likewise provides pensions, subject to the same income limitations, for a very limited number of Spanish-American War (including Boxer Rebellion and Philippine Insurrection) veterans based on 50-percent disability and widows and children of deceased veterans of that war, members of which groups cannot meet the requirements for the more liberal rates generally extended in such cases by the service pension acts. The bill would similarly modify the income provisions in these part III cases.

In connection with this proposal, your committee will undoubtedly desire to consider the basic purpose of the part III pension. It was intended primarily to afford a modest allowance to seriously disabled veterans who are in limited financial circumstances but whose condition is not the outgrowth of their war service. It was not intended to provide full support. The veteran who receives \$60 monthly pension (\$720 yearly), if subject to the \$1,000 income limitation, may receive an aggregate yearly income (including the pension) of \$1,720. If he is subject to the \$2,500 limitation he could receive as much as \$3,220. If paid the higher rate of \$72 per month his potential aggregate income would be proportionately greater.

Section 2 of the bill would raise the amount of the annual income limitation which qualifies eligibility of widows and children of deceased World War I veterans, World War II veterans, and veterans who served after June 26, 1950, for death pension (nonservice-connected) provided by the act of June 28, 1934, as amended and extended, from \$1,000 to \$1,800 in the case of a widow without child or in the case of a child, and from \$2,500 to \$3,000 in the case of a widow with a child or children.

As in the case of the part III pension, it has been the consistent policy of the Congress to restrict the benefits of the act of June 28, 1934, as amended, to widows and children in limited financial circumstances, the theory of the legislation being to provide some measure of support to those primary dependents who survive the veteran and who are in need. Under the present law an eligible widow with no child receives \$42 monthly pension, or \$504 annually, which when combined with the permissible \$1,000 income could aggregate \$1,504 annually. A widow with one child receives \$54 monthly pension, or \$648 annually, which when combined with the permissible \$2,500 income would aggregate \$3,148 annually. For each additional child the pension increases \$6 per month. Pension rates for children (no widow) are less, being for one child \$21.60 monthly, two children \$32.40, divided equally, three children \$43.20, divided equally, and \$4.80 additional for each additional child, total divided equally.

At the present time, for purposes of the foregoing limitations of \$1,000 and \$2,500, annual income is determined in accordance with Veterans' Administration regulations (R-1228), a copy of which is enclosed for your ready reference. Under such regulations (see R-1228 (B)) certain income is excluded in the computation of annual income as authorized by law. Sections 1 and 2 of the bill would also preclude such exclusions and would require that income received from all sources be considered in determining annual income for purposes of the proposed \$1,800 and \$3,000 limitations. The laws authorizing exclusions would be repealed by section 4 of the bill.

By letter dated July 14, 1951, you requested that this report cover a question relating to the mentioned exclusion provisions which was raised in an enclosed copy of letter dated July 6, 1951, from Mr. Miles D. Kennedy, Director, National Legislative Commission of the American Legion. Mr. Kennedy inquires in substance whether the bill, if enacted, would require the amount of a part III pension to be considered as income in determining eligibility to such pension. It is not indicated that such construction was intended. It would be somewhat anomalous to refuse pension payments on the sole ground that the receipt thereof would render the applicant ineligible to receive them. However, in view of the fact that the question has been raised and in order to preclude any possible misunderstanding, the committee may desire to clarify the intent. This could be accomplished by inserting after the word "sources" in line 2, page 2 of the bill, a comma and either "except pension payable under this part," or "including pension payable under this part," depending upon which is intended. Similar clarification as regards death pension cases could be accomplished by inserting after the word "sources" in line 12, page 2 of the bill, a comma and either "except pension payable under this Act," or "including pension payable under this Act," depending upon which is intended.

Section 3 of the bill is concerned with effective date of awards. It provides that where eligibility for pension is established by virtue of the proposed legislation, pension would be paid from date of receipt of an application in the Veterans' Administration. As regards death pension, however, provision is made, in accordance with existing law, for payment from the day following the date of death of a veteran where claim is filed within 1 year after date of death. The concluding proviso precludes payment of disability or death pension for any period prior to the effective date of the act. Section 5 of the bill provides that the act shall take effect on January 1, 1952.

The subject bill as well as several other bills which have been introduced during the Eighty-second Congress, present a question of broad national policy for the determination by the Congress as to the extent to which the Government should

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undertake to provide pensions for veterans and their dependents. In this connection, it is deemed appropriate to invite attention to the President's budget message for fiscal year 1952. The President in discussing veterans' services and benefits at page M57, among other things, stated:

"In the fiscal year 1952 expenditures for veterans' services and benefits will be under \$5 billion for the first time in 6 years. This results from a further decline in requirements for the readjustment of veterans of World War II.

"During the coming years, because we shall need to maintain larger Armed Forces, virtually all our able-bodied young men may be required to serve their country in its military forces. Before many years, nearly all the population may be veterans or the dependents of veterans.

"This means a profound change in the social and economic import of Government programs which affect veterans. It requires a clear recognition that many of the needs of our veterans and their dependents can be met best through the general programs serving the whole population. Therefore, in legislation directed particularly to the problems of servicemen and their dependents, we should provide only for those special and unique needs which arise directly from military service. We should meet their other needs through general programs of the Government."

With reference to the cost of the bill, if enacted, there is enclosed a cost analysis indicating that, subject to certain assumptions and limitations set forth therein, the enactment of H. R. 4387 would result in an additional cost during the first year of approximately \$88,038,000. It will be noted that this estimate is limited to World War I and World War II cases and does not include cases of veterans of the Spanish-American War or of service after June 26, 1950. As pointed out in the cost analysis, this estimate may be as much as 25 percent too high or too low, in view of the intangible factors involved.

Advice has not been received from the Bureau of the Budget as to the relationship of the proposed legislation to the program of the President.

Sincerely yours,

O. W. CLARK,
Deputy Administrator
(For and in the absence of the Administrator).

Estimated cost of H. R. 4387, 82d Cong.

	Estimated number of cases	Estimated first year's cost
Sec. 1:		
World War II veterans.....	20,300	\$14,679,000
World War I veterans.....	85,800	62,669,000
Total.....	106,100	77,348,000
Sec. 2:		
World War II deceased veterans.....	700	300,000
World War I deceased veterans.....	21,600	10,390,000
Total.....	22,300	10,690,000
Grand total.....	128,400	88,038,000

NOTES

1. This estimate includes veterans of World War I and World War II. A negligible number of veterans of the Spanish-American War are not included, and would not affect the total cost to any appreciable extent.

2. This estimate does not take into consideration the effect of Public Law 28, Eighty-second Congress, approved May 11, 1951, relating to veterans with service after June 26, 1950, for which it is not possible to make any estimate of cost at the present time.

3. It is not possible to determine the effect of the provision that income received from all sources shall be considered in determining annual income. This proposal would tend to decrease the estimated cost but the amount of such decrease is not determinable.

4. It is assumed that the income level of veterans and the dependents of deceased veterans is the same as that for the general population of comparable age and sex.

5. It is assumed that there will be no significant change in income levels from that indicated by the latest available data. This data indicates the income level for the year 1949 as published in Current Population Reports, Consumer Income, Bureau of Census, February 18, 1951, series P-60, No. 7, page 30, table 17.

6. It is assumed that the marital status of veterans is comparable to that of the total male population of comparable age brackets. Marital status data as published in Bureau of Census Release, February 12, 1951, series P-20, No. 33, is accepted as authoritative thereon.

7. Due to the intangible factors involved, these estimates may be as much as 25 percent too high or too low.

1228. COMPUTATION OF ANNUAL INCOME FOR THE PURPOSES OF VETERANS REGULATION NO. 1 (A), PART III, OR SECTION 1 (C) OF PUBLIC, NO. 198, 76TH CONGRESS (ACT OF JULY 19, 1939), AS AMENDED BY SECTION 11, PUBLIC LAW 144, 78TH CONGRESS

(A) *Basic rule.*—Annual income will be computed on the basis of the total income for the entire calendar year. Where the equities indicate, however, such annual income may be computed monthly or proportionately on the basis of the rate of income (Adm. Dec. 282). Under any method of calculation, the question is whether the actual income exceeds the statutory income limitation.

(B) *Benefits excluded from computation.*—In determining annual income, benefits received from the following sources will not be considered:

(1) Any payments by the United States Government because of disability or death under laws administered by the VA.

(2) Mustering-out pay (Adm. Dec. 695).

(3) The 6 months' death gratuity (Adm. Dec. 497).

(4) For the purposes of paragraph II (a), part III, of Veterans Regulation No. 1 (a), as amended, overtime compensation or additional compensation to Government employees under Public Law 49, 78th Congress, or amounts payable under Public Laws 106 and 390, 79th Congress, other than increases in basic rates of compensation, which the act expressly provides, shall be considered a part of basic compensation. For the purposes of section 11, Public Law 144, 78th Congress, this compensation is not excluded from computation of annual income.

(C) *Income included in computation.*—In determining annual income, payments and benefits received from the following sources will be considered:

(1) Total income from sources such as wages, salaries, bonuses (except World War adjusted compensation), earnings, emoluments, investments or rents from whatever source derived, or income from a business or profession.

(a) Salary is not determined by the amount the employee actually receives in cash but includes deductions made under a retirement act or plan and amounts withheld by virtue of income-tax laws. The value of salary received in kind (including a fair value for maintenance) also constitutes income (Adm. Dec. 471).

(b) In computing income from a business or profession, the gross income may be reduced by the necessary expenses of carrying on the same, such as cost of goods sold or expenditures for rent, repairs, taxes, upkeep, and other operating expenses (Adm. Dec. 366). (July 6, 1948.)

(2) Family allowances authorized by service personnel under Public Law 625, [77th] Congress (Adm. Dec. 521) [or Public Law 351, 81st Congress, as amended by Public Law 771, 81st Congress]. (April 13, 1951.)

(3) Subsistence allowance under title II, Public Law 346, 78th Congress (Adm. Dec. 718).

(4) Commercial insurance consisting of lump sum (Adm. Dec. 454) or installments of life, disability, accident, health, or similar insurance. (See subpar. (F) of this paragraph.) (July 6, 1948.)

(5) Compensation paid by the Bureau of Employees' Compensation, Federal Security Agency, or a State compensation or industrial board or commission. There may be excluded from consideration any attorney's fees incurred in obtaining the award in those instances where the fees are to be paid out of the award. (Op. Sol. 6-2-49, C-12 849 672.)

(6) Civil-service retirement benefits (Adm. Dec. 213), Federal Old Age and Survivors' Insurance, or railroad retirement benefits: Provided, That where the benefit is received by a former worker based on his own employment, no part of such payments will be considered "annual income" until the full amount of his personal contribution (as distinguished from amounts contributed by the employer and not by the worker) has been received by him (Adm. Dec. 688): And provided further, That such benefits received by a widow on the basis of her husband's employment will be considered as annual income as received. This subdivision contemplates that the entire amount of the worker's annuity following retirement will be applied each year to amortize the cost of such annuity, after which the entire annuity will be considered as income. (August 31, 1950.)

(7) Social security benefits (Federal Old Age and Survivors' Insurance benefits are subject to the proviso contained in subdivision (6) of this subparagraph).

(8) Gifts.

(9) Proceeds of bequests and inheritances received in the settlement of estates: Provided, That property received by inheritance or otherwise will not be considered as "annual income" until such property, or other property acquired in lieu thereof by exchange or barter, has been converted into cash.

(10) Charitable donations from any source.

(D) *Proportionate computations.*—Income will be computed on a proportionate basis where:

(1) The income of the claimant exceeds \$1,000 (or \$2,500, whichever is applicable).

(a) In the claim of a veteran, from the date he became permanently and totally disabled (Adm. Dec. 705).

(b) In the claim of a widow, from the date of the veteran's death (Adm. Dec. 609).

(2) The income of the veteran or widow exceeds \$1,000 but is not in excess of \$2,500.

(a) From the date the status of a veteran changes in the course of a calendar year from that of a married person (or a person with a minor child or children) to that of an unmarried person (or a person without a minor child or children).

(b) From the date the status of a widow changes in the course of a calendar year from that of a widow with a child so that she becomes a widow without a child.

(c) From the date the status of a widow changes in the course of a calendar year from that of a widow without a child so that she becomes a widow with a child. (Where the change of status arises incident to the birth of a posthumous child, the widow will be considered as a widow without a child for the period prior to the date of the child's birth.)

(d) In determining entitlement under the circumstances outlined in the preceding subdivisions, the proportionate computations will be applied to each period separately and will not be combined to afford an aggregate applicable to the entire calendar year. The amount of income received within each separate period will determine entitlement to pension for that period.

(E) *Total income considered.*—Except as provided in subparagraphs (D) (1) (a) and (D) (2) (c) of this paragraph, where pension is payable from the date of filing claim, the claimant's income will not be determined on a proportionate basis, but the income for the full calendar year will be considered.

(F) *Commercial insurance.*—

(1) Received by purchaser: Where an annuity or payment of endowment insurance is received by the purchaser, no part of the payments received will be considered annual income until the full amount of the consideration has been received, after which the full amount of such payments will be considered income.

(2) Received by beneficiary:

(a) Where the beneficiary received commercial life insurance in a lump sum or had the right to elect settlement in a lump sum, the insurance will be considered to have been received in a lump sum in the calendar year in which the veteran died.

(b) Where insurance is received by a beneficiary in the manner specified by an option elected by the insured, other than in a lump sum, it will be considered income for the calendar year in which the money is actually received.

(3) *Interest on life insurance.*—Where it is considered that life insurance has been received in a lump sum in the calendar year in which the veteran died and payments are actually received in some other manner, no part of the payments received in succeeding years will be considered income until an amount equal to the lump-sum face value of the policy has been received, after which the full amount of such payments will be considered income.

(G) *Income received in installments.*—

(1) Where income is being received at a rate which indicates that the total income for the entire calendar year will not exceed the statutory income limitation, the claim may be allowed.

(2) Where income is being received at a proportionate rate which indicates that the total income for the entire calendar year will exceed the statutory limitation, the claim will be disallowed: Provided, That where such rate will not be received for the entire 12 months (as, for example, in the case of a school teacher paid for 9 months of the year) and the total amount received will not exceed the statutory limitation, the claim may be allowed (Adm. Dec. 460). (July 6, 1948.)

(H) *Deferred determinations.*—Where there is doubt as to whether the anticipated income will exceed the statutory limitation, payment of pension will not be made before the end of the calendar year, when the total income received during such year may be determined (Adm. Dec. 574). Where a determination as to entitlement is deferred in accordance with this subparagraph, pension may be payable from the first of that calendar year if notice (constituting an informal claim) that the claimant's income did not exceed the statutory limitation is received at any time within the succeeding calendar year. Any necessary evidence must be received in the VA within 1 year after the date of request. If notice is

not received within the period prescribed, payments may not be made for any period prior to the date of receipt of a new claim (formal or informal). (November 10, 1950.)

(I) *Reduction of income.*—Where, [because the claimant's annual income is in excess of the statutory limitation,] a claim has been disallowed or payments discontinued [for a particular calendar year or part thereof,] pension may be payable from the first of the [immediately] succeeding calendar year if notice (constituting an informal claim) is received during that year that the claimant's actual or anticipated income will not exceed \$1,000 (or \$2,500, whichever is applicable) and the necessary evidence is furnished within 1 year after the date of request. Otherwise, pension may not be paid for any period prior to the date of receipt of a new claim (formal or informal). (April 13, 1951.)

(J) *Failure to return annual income questionnaire.*—When payments have been discontinued as required by R. & P. R-1292 or R-2586 (G) (2) because of failure to return the annual income questionnaire, pension may be payable, if otherwise in order, from the date of last payment, provided the questionnaire or other evidence that the claimant's income is not in excess of the statutory limitation is received within 1 year from the date of issuance of the questionnaire. Otherwise, pension may not be paid for any period prior to the date of receipt of the questionnaire or a new claim (formal or informal). (November 10, 1950.)

(K) *Community property laws.*—In determining the income of a claimant, the community property laws of the several States are not for application. (November 10, 1950.)

Estimated cost of H. R. 4387, 82d Cong.

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NOTES

1. This estimate includes veterans of World War I and World War II. A negligible number of veterans of the Spanish-American War are not included, and would not affect the total cost to any appreciable extent.
2. This estimate does not take into consideration the effect of Public Law 28, 82d Cong., approved May 11, 1951, relating to veterans with service after June 26, 1950, for which it is not possible to make any estimate of cost at the present time.
3. It is not possible to determine the effect of the provision that income received from all sources shall be considered in determining annual income. This proposal would tend to decrease the estimated cost but the amount of such decrease is not determinable.
4. It is assumed that the income level of veterans and the dependents of deceased veterans is the same as that for the general population of comparable age and sex.
5. It is assumed that there will be no significant change in income levels from that indicated by the latest available data. This data indicates the income level for the year 1949 as published in Current Population Reports, Consumer Income, Bureau of Census, Feb. 18, 1951, series P-60, No. 7, page 30, table 17.
6. It is assumed that the marital status of veterans is comparable to that of the total male population of comparable age brackets. Marital status data as published in Bureau of Census Release, Feb. 12, 1951, series P-20, No. 33, is accepted as authoritative thereon.
7. Due to the intangible factors involved, these estimates may be as much as 25 percent too high or too low.

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 are as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Section 1 of H. R. 4387.

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PARAGRAPH II (A), PART III, VETERANS REGULATION NUMBERED 1 (A), AS AMENDED

II. (a) Payment of pension provided by part III, except as provided in paragraph I (g), shall not be made to any unmarried person whose annual income exceeds ~~[\$1,000]~~ \$1,800, or to any married person or any person with minor children whose annual income exceeds ~~[\$2,500]~~ \$3,000.

Section 2 of H. R. 4387.

(c) Payment of compensation under the provisions of this act shall not be made to any widow without child, or a child, whose annual income exceeds ~~[\$1,000]~~ \$1,200, or to a widow with a child or children whose annual income exceeds ~~[\$2,500]~~ \$2,600. In determining annual income any payments by the United States Government because of disability or death under laws administered by the Veterans' Administration shall not be considered: Provided, That where payments to a widow are disallowed or discontinued hereunder, payment to a child or children of the deceased veteran may be made as though there is no widow.

