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MANPOWER AND WELFARE
DIVISION

RELEASED

MAR 7 1974

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at The Honorable Les Aspin
House of Representatives

Dear Mr. Aspin:

In accordance with your request of September 17, 1973, and subsequent agreements with your office, we obtained information regarding disability compensation benefits paid by the Veterans Administration (VA) to general grade officers (pay grades 0-7 through 0-10) who retired from military service between January 1 and September 30, 1973. 16

Entitlement to VA compensation benefits is dependent on many factors including a rating board's decision that disability was incurred in or aggravated by military service. If the veteran is determined eligible, the board then decides on the degree of the disability. To receive compensation benefits, the veteran, or his survivors if he is deceased, must waive an equivalent amount from pensions paid by the military.

We have previously provided a member of your office with the detailed information we obtained pursuant to your request. The following is a summary of this information.

Information furnished by the Department of Defense showed that 274 general grade officers retired between January 1 and September 30, 1973. VA records for 253 of these officers which were available to us at the time of our review showed that 142 or about 56 percent had completed applications for VA compensation benefits. Our review of VA claim folders for these 142 officers showed that:

--40 had waived the required amounts of their military pensions and were receiving VA compensation payments totaling \$3,662 monthly, an average of about \$92 per officer;

--waivers of military pensions were in process for seven who were scheduled to receive monthly VA payments totaling \$634, an average of about \$91 per officer;

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- applications for VA compensation benefits were being processed for 23;
- 51 had been determined eligible by VA for compensation benefits but were not receiving VA payments because they had not waived the required amounts of their military pensions;
- 15 had applied for VA compensation benefits but were not receiving payments because their disabilities were determined by the VA rating board as not sufficiently serious to be compensable;
- the compensation claims of six officers were rejected.

The following shows VA's disability ratings for the 40 retired officers who were receiving VA compensation benefits;

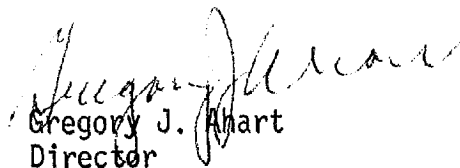
<u>Percent of disability</u>	<u>Number of retired officers</u>
100	-
90	-
80	1
70	1
60	3
50	-
40	11
30	7
20	6
10	11

VA compensation payments, by law (38 U.S.C. 3101), are not subject to Federal income tax whereas military pensions, other than those portions which are based on disability, are taxable (26 U.S.C. 61). Even if a veteran does not waive the required amount of his military pension and VA compensation is not received, there are benefits in having a VA disability rating. For example, the veteran would have access to VA hospitals for treatment of service-connected disabilities on a priority basis over a veteran who does not have a service-connected disability. Also, his widow and children will, and his parents may (depending on their income), be entitled to dependency and indemnity compensation benefits and the resulting tax advantage if he should die of his service-connected disability.

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As requested by a member of your office, we have not obtained comments from VA on the results of our review. We trust that the information furnished meets your needs.

Sincerely yours,


Gregory J. Ahart
Director