

Executive Branch Legislative Proposals Affecting Veterans Benefits in the FY2018 Budget

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The [FY2018 Budget for the Department of Veterans Affairs \(VA\)](#) contains two legislative proposals which, if enacted, would affect disability and other types of cash benefits payable by the VA to certain veterans. These proposals would affect both current and future beneficiaries. The proposal to restrict eligibility for Individual Unemployability (IU) would reduce the monthly benefits of affected veterans and the proposed change to the calculation of the Cost of Living Adjustment (COLA) would reduce the annual growth in benefits. Savings from both proposals would be used to partially offset costs associated with the [Veterans Choice Program](#).

Individual Unemployability

For the purposes of [veterans Disability Compensation](#), veterans with service-connected disabilities are rated by the VA from 0% to 100%, in 10% increments, based on their level of impairment. Benefits increase with increased ratings.

Under current regulations at [38 C.F.R. §4.16](#), a veteran with one disability rated at least 60%, or with two or more disabilities with at least one disability rated at least 40% and a combined rating of at least 70%, may have his or her disability rating increased to 100% if it is determined that the veteran is unable to maintain substantially gainful employment because of his or her disabilities (referred to as Individual Unemployability, or IU).

A legislative proposal in the FY2018 budget, as described on page 151 of the document [Major Savings and Reforms: Budget of the United States Government, FY2018](#), would reduce the monthly benefit of a veteran who is receiving disability compensation at the 100% disability rate due to IU to the veteran's original disability rating, when the veteran reaches the [minimum Social Security retirement age](#) and is first eligible for Social Security retirement benefits (age 62). Current veterans would be affected if they are receiving Social Security retirement benefits.

The justification for this change, as provided in the budget, is that when a veteran reaches retirement age, he or she is no longer in the labor market and thus, the veteran's unemployment is based on his or her age

rather than his or her disability. [Opponents of the proposal have argued](#) that, because many of these veterans have been out of the workforce due to their disabilities, they may only be eligible for small Social Security benefits at retirement age and may not have other sources of retirement income such as pensions, savings, or 401(k) investment plans.

These issues were discussed at a June 2017 [hearing before the Senate Committee on Veterans' Affairs](#). At that hearing, Secretary of Veterans Affairs David Shulkin [appeared to withdraw his support for the IU proposal](#), saying “I’m not going to support policies that hurt veterans.”

Cost of Living Adjustment

Federal law provides for an automatic annual COLA, equal to the [Social Security COLA](#), for the following types of veterans benefits:

- [Pension](#);
- [Medal of Honor Pension](#);
- [Dependency and Indemnity Compensation \(DIC\) for parents](#);
- benefits for children, with spina bifida, of [Vietnam War veterans](#) and [Korean War veterans](#); and
- benefits for [children, with certain birth defects, of female Vietnam War veterans](#).

For all other types of cash benefits, including veterans Disability Compensation and DIC for spouses and children, there is no automatic COLA and benefits are not adjusted annually except through legislation. Traditionally, Congress has passed such legislation and provided a COLA for these benefits equal to the Social Security COLA and thus also equal to the automatic COLA for Pension and other benefits.

Prior to the enactment of [P.L. 113-52](#), which provided a COLA for benefits payable in 2014, previous COLA authorizations included language providing that the increase in monthly benefits due to the COLA would be rounded down to the nearest dollar. Beginning with P.L. 113-52, this language was omitted.

President Trump’s budget proposal, as described on page 150 of the document [Major Savings and Reforms: Budget of the United States Government, FY2018](#), would reinstate the practice of rounding down veteran benefits adjusted by the COLA passed by Congress (not the automatic COLA provided in law). Because the rounding down would never exceed 99 cents in any given month (i.e., an adjusted benefit of 1,000.99 would be rounded down to 1,000.00), the budget provides an estimate that rounding down the COLA would result in a reduction to veterans of no more than \$12 per year per benefit. However, this effect would be compounded in future years as the reduced COLA would be applied to these reduced benefits.

Speaking to reporters after the June 2017 Senate hearing in which he appeared to withdraw his support for the IU proposal, [Secretary Shulkin indicated that the COLA proposal remains “an active proposal.”](#)

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