

## LARSON RELEASES STUDY SHOWING EFFECT OF "DISABLED VETERANS TAX" ON LOCAL VETERANS Concurrent Receipt Problem Robs State Disabled Veterans of \$7.9 Million in Benefits

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Concurrent Receipt Problem Robs State Disabled Veterans of \$7.9 Million in Benefits

HARTFORD- U.S. Congressman John B. Larson (CT-01) today released a study showing that a law preventing disabled veterans from receiving both retirement and disability pay annually costs approximately 1,600 Connecticut veterans \$7.9 million in benefits. The study was prepared by the Special Investigations Division of the House Committee on Government Reform's Minority Staff.

Veterans with 20 years of military service are entitled to receive retirement benefits from the Department of Defense. In addition, veterans who incurred service-related disabilities are entitled to receive disability compensation benefits from the Department of Veterans Affairs (VA). However, due to an 1891 law banning "concurrent receipt" of both benefits, if a veteran has both 20 years of military service and a service-related disability, the veteran's military retirement benefit is reduced on a dollar-for-dollar basis by the amount he or she receives in disability compensation. This reduction in the veteran's retirement benefits is commonly known as the "Disabled Veterans Tax," which essentially taxes the disability compensation eligible veterans receive at a 100% rate.

The study found:

- There are 10,635 veterans in Connecticut who receive military retirement benefits. Of these veterans, 1,597 (15%) also receive disability benefits from the VA and are subject to the Disabled Veterans Tax. In the First Congressional District, there are 1,791 veterans who receive military retirement benefits. Of these veterans, 239 (13%) also receive disability benefits from the VA and are subject to the Disabled Veterans Tax.

- Statewide, the Disabled Veterans Tax costs veterans \$700,000 each month in lost disability benefits. This is equivalent to \$7.9 million annually. In the First District, the tax costs veterans \$80,000 each month in lost disability benefits. This is equivalent to \$1 million annually. On a per-veteran basis, the tax costs each of the 239 eligible veterans an average of \$4,010 annually. The average retired veteran in the First District receives veterans-related benefits of approximately \$14,200 annually. The tax reduces benefits for affected veterans in the district by 22%.

"It is cruel to penalize disabled veterans in Connecticut and across the nation who have served their nation honorably by refusing to allow them to receive the benefits they deserve," said Larson. "These veterans have risked their lives, given decades of service to this nation, and suffer from disabilities. Each and every eligible veteran deserves to be fully compensated."

There is currently legislation in the House - the Retired Pay Restoration Act, H.R. 303 - that would immediately allow disabled veterans that qualify to receive their full benefits. However, despite the fact that 373 House members have co-sponsored it, the House Leadership has failed to schedule a vote. A legislative maneuver called a discharge petition has been introduced, which would force House Leadership to bring the bill to the floor. It must be signed by a majority of the House (218 members). To date, there are 203 signatures on the petition - 201 are Democrats and 2 are Republicans.

There are presently an estimated 560,000 retired service members who qualify for military retirement benefits and VA disability benefits. According to data from the Department of Defense, these veterans annually lose over \$3 billion in benefits. The Congressional Budget Office estimated the cost of solving the concurrent receipt problem in March, 2003 to be \$41 billion. In recent years, Congress has passed more than \$2.5 trillion in tax cuts.

Larson stated: "It will be expensive to give our veterans what they deserve. However, through its inaction, Congress has suggested that the nation has enough money to fund Iraq's military, but not enough for our own disabled veterans. The fact that the Congress will appropriate enough money to fight the nation's wars, but not enough to compensate the

soldiers, sailors, airmen and Marines who that serve in them is a travesty. It is equally staggering that the Majority determined that the federal government has enough money to give the nation's wealthiest one percent of citizens hundreds of billions of dollars in tax cuts, but not enough give disabled veterans the benefits they deserve. Forty-one billion represents only a fraction of the tax cuts Congress has passed in recent years.

“America’s veterans have been waiting patiently for Congress to act on this issue for some time, and even in the face of overwhelming support for the bill in the House, the House leadership has still not scheduled a vote. Members of the Majority did announce an alternative plan that would give some disabled veterans half a loaf, while many would receive nothing at all. The alternative that has been put forward would phase out the disability penalty for some, but would do so over ten years. Unfortunately, more than half of disabled retirees would receive no relief at all,” said Larson.

Congressman Larson held a veterans issues forum on November 3 in Newington Town Hall and discussed the issue of concurrent receipt with participants.

For a full copy of study's findings and methodology, please visit:

[http://www.house.gov/larson/larson\\_disabled\\_veterans.pdf](http://www.house.gov/larson/larson_disabled_veterans.pdf)

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Congressman Larson Serves on the House Armed Services Committee