**Compensation Offsets: Readjustment, Separation, & Severance Pay (VSR Advanced)**

**Answer Key**

Practical Exercise

**The instructor is to review the questions and scenarios with the trainees and provide the answers to the associated questions during class discussion.**

**Warm-up questions**

1. What regulation covers concurrent payments? **38 CFR 3.700**
2. Name three common types of separation benefits. **readjustment, separation, and disability severance pay and special separation benefit (SSB)**
3. Name two scenarios in which we would **not** withhold for disability severance pay. **Any two of the following: combat-related disability severance pay, if the 10% is based on 38 CFR 3.324 (multiple 0s), if there is a non-severance condition at 100% and severance condition**
4. Where can you verify type and amount of separation pay? **PIES, VIS, finance activity of the service department**
5. The SSB amount recouped must ***always***  be the after-tax or before-tax amount? **After**-**tax**!
6. Does VA or DoD make the determination on whether a disability severance condition is combat-related? **DoD**
7. Name a code you might see on the *DD Form 214* to indication combat-related disability severance pay. **Either JFI or JEA**

**Scenario questions**

***Scenario 1****:* Joe Veteran received $15,287.00 total/gross amount of disability severance pay for lumbosacral strain. Date of receipt of the disability severance pay was April 30, 2015. The lumbosacral strain is service connected at the 10% level. His only other two service connected conditions are 0% for atrioventricular block, and 0% for hypertention. All three conditions were granted effective May 1, 2015. The combined rating is 10% from May 1, 2015.

1. Would withholding for severance pay be the pre-tax or after-tax amount? **After tax**
2. What would the rate of payment be from June 1, 2015? **$0 because we would withhold the 10% for the disability severance condition and the non-severance conditions are at 0% evaluation level.**
3. If the lumbosacral strain is granted an increased evaluation of 20% after a couple of years, what would be the level of withholding? **10% because that was the *initial, compensable* level**

***Scenario 2:*** Jane Veteran received a Special Separation Benefit of $31,845.60 on April 7, 2016. She has now been granted service-connection for several conditions with a combined evaluation of 70%.

1. Would the withholding be for the pre-tax amount of $31,845.60 or the after-tax amount of $23,884.20? **$23,884.20, the after-tax amount**
2. If the SSB payment had been received on December 21, 1995, would the withholding amount been before tax or after tax? **SSB withholding is *always* after-tax**

***Scenario 3:*** Chuck Veteran received $23,932.80 in disability severance pay for a left shoulder injury impingement syndrome with mild degenerative changes on May 8, 2013. He was granted service connection at 100% combined evaluation on July 20, 2015 due to a temporary 100% evaluation for service connected spondylosis of the lumbar spine; a 40% evaluation was assigned for the lumbar spine condition effective September 1, 2015, and on that date the combined evaluation dropped to 50% (comprised of 40% lumbar spine condition and 10% left shoulder injury impingement syndrome disability severance pay condition).

1. Would there be withholding from July 20, 2015? Why or why not? **No, because the non-severance condition is 100% at this time**
2. Would there be withholding from September 1, 2015? **Yes**
3. If there was withholding from September 1, 2015, what would be the rate of withholding? **10% disability payment rate**
4. Would the withholding amount be for the pre-tax or after-tax amount? **After-tax**

***Scenario 4:***  If the Chuck Veteran, from Scenario 3, had the following service-connected conditions on September 1, 2015, 40% lumbar spine condition, 10% chronic bronchitis, and 10% left shoulder injury impingement syndrome disability severance pay condition,

1. Would there be withholding? **No**
2. Why or why not would there have been withholding? **Because the combined evaluation is 50% with or without the disability severance condition and VA may not withhold an amount greater than that to which the Veteran is entitled based on the non-severance pay disability(ies).**

***Scenario 5:*** If Chuck the Veteran, from Scenario 3, had the following service-connected conditions on September 1, 2015, 40% lumbar spine condition, 10% chronic bronchitis, 10% hypertention, and 10% left shoulder injury impingement syndrome disability severance pay condition,

1. Would there be withholding? **Yes**
2. Why or why not would there have been withholding? **Because the combined evaluation isn’t 60% without the disability severance condition; therefore, VA must withhold at the initial, compensable rate.**

***Scenario 6:*** If Chuck the Veteran, from Scenario 5, still has the following service-connected conditions on September 1, 2015, 40% lumbar spine condition, 10% chronic bronchitis, 10% hypertention, and the left shoulder injury impingement syndrome disability severance pay condition increases to 20% on February 8, 2016,

1. Would there be withholding? **Yes**
2. What would be the rate of the withholding? **10%**
3. Why? **Because that was the initial, compensable rate, also because the Veteran would still be entitled to 50% rate based on non-disability severance conditions**