***Live Pension & Medical Expenses***



**National Contact Center New Hire Challenge Training**

OTED Training

Participant Guide

**Duration:** 2.75 hour(s)

**TMS: #4644621**

**Audience:** This lesson is intended for new hire Public Contact Representatives (PCRs) within VBA’s National Call Centers (NCCs) however, it is also suitable for any new or experienced VA employee desiring information on this subject.

**Purpose:** This lesson provides VA employees assisting the public with an opportunity to enhance their knowledge on this topic. It fulfills the training requirement outlined in the Standard Operating Procedures (SOP) for new hires in the National Training Curriculum (NTC).

**Objectives:** Upon completing this lesson, trainees will:

* Define VA pension
* Understand the three types of VA pension benefits
* Explain the eligibility criteria for VA pension benefits
* Explain VA enhanced special monthly pension
* Define the VA maximum annual percentage rate
* Explain VA pension rate charts
* Define net worth for VA pension purposes
* Understand how income applies to VA pension benefits
* Understand deductible expenses for VA pension
* Understand VA’s pension benefit verification match process
* Locate resources pension related information
* Assist applicants filing for VA pension benefit

**References:**

**KM ARTICLE**

* KM, [VA Pension - General Information](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000046017/VA-Pension-General-Information?query=pension)
* KM, [Net Worth](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000003904/Net-Worth?query=net%20worth)
* KM, [Income Counting Job Aid](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000003274/Income-Counting-Job-Aid)
* KM, [Unreimbursed Medical Expenses](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000003279/Unreimbursed-Medical-Expenses-UME?query=Medical%20expenses)
* KM, [Centralized Mail Processing Initiative - Background Information and FAQs](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000011217/Centralized-Mail-Processing-Initiative-Background-Information-and-FAQs)
* KM, [Fact Sheets - Veterans with Limited Income](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000008818/Fact-Sheets-Veterans-with-Limited-Income)
* KM, [Post Award Audit](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000053958/Pension-Post-Award-Audit)
* KM, [Standard Claims and Appeals Forms - Background Information, Procedural Guidance, Script and FAQs](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000009618/Standard-Claims-and-Appeals-Forms-Background-Information-Procedural-Guidance-Script-and-FAQs)

**Intranet**

* [38 CFR 3.271](http://www.ecfr.gov/cgi-bin/text-idx?SID=da961a95d8a4d6062fe5404d322af1a1&mc=true&node=se38.1.3_1271&rgn=div8" \t "_blank)
* [38 CFR 3.272](http://www.ecfr.gov/cgi-bin/text-idx?SID=da961a95d8a4d6062fe5404d322af1a1&mc=true&node=se38.1.3_1272&rgn=div8)

**CPKM**

* [M21-1, Part IX, Subpart iii, Chapter 1, Section H](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000177523/M21-1-Part-IX-Subpart-iii-Chapter-1-Section-H-Improved-Pension-Adjustments-Based-on-Changes-in-Status?query=IX.iii.1.H)
* [M21-1, Part IX, Subpart iii, Chapter 1, Section E](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000177520/M21-1-Part-IX-Subpart-iii-Chapter-1-Section-E-Pension-Basic-Rate-Determinations?query=IX.iii.1.H)
* [M21-1, Part IX, Subpart iii, Chapter 1, Section A](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000177516/M21-1-Part-IX-Subpart-iii-Chapter-1-Section-A-General-Information-on-the-Effect-Income-and-Net-Worth-Have-on-Pension-and-Parents-Dependency-and-Indemnity-Compensation-DIC?query=IX.iii.1.H)

* [M21-1, Part IX, Subpart iii, Chapter 1, Section I](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000177524/M21-1-Part-IX-Subpart-iii-Chapter-1-Section-I-Counting-Specific-Types-of-Income?query=countable%20income" \l "1" \t "_blank)

**Internet**

* [www.va.gov](file:///C%3A/Users/NCCKPOWE/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/Q4D6W6J1/www.va.gov)

**VA Forms**

* [VA Form 21P-0969, Income And Asset Statement In Support of Claim For Pension or Parents Dependency and Indemnity Compensation (DIC)](https://www.vba.va.gov/pubs/forms/VBA-21P-0969-ARE.pdf)
* VA Form [21P-8416, Medical Expense Report](http://www.vba.va.gov/pubs/forms/VBA-21P-8416-ARE.pdf)
* VA Form [21-22, Appointment of Veterans Service Organization Claimant’s Representative](https://www.vba.va.gov/pubs/forms/VBA-21-22-ARE.pdf)
* VA Form [21-22a, Appointment of Individual as Claimant’s Representative](https://www.vba.va.gov/pubs/forms/VBA-21-22A-ARE.pdf)
* VA Form [21-0966, Intent to File a Claim for Compensation and/or Pension, or Survivors Pension and/or DIC](https://www.vba.va.gov/pubs/forms/VBA-21-0966-ARE.pdf)
* VA Form [21-0845,Authorization To Disclose Personal Information](https://www.vba.va.gov/pubs/forms/VBA-21-0845-ARE.pdf)
* VA Form [21P-527EZ, Veterans Application for Pension](http://www.vba.va.gov/pubs/forms/VBA-21P-527EZ-ARE.pdf%22%20%5Ct%20%22_blank)
* [VA Form 21-2680, Examination of Housebound Status or Permanent Need for Regular Aid and Attendance](http://www.vba.va.gov/pubs/forms/VBA-21-2680-ARE.pdf%22%20%5Ct%20%22_blank)
* VA Form [21-534EZ, Application for DIC, Survivor Pension, and/or Accrued benefits](https://www.vba.va.gov/pubs/forms/VBA-21P-534EZ-ARE.pdf)

# **Pension Overview**

For Department of Veteran Affairs (VA) purposes, pension is a needs-based benefit paid to wartime Veterans based on certain age or non-service connected disability requirements. During the eligibility process, claimants and their dependents’ income and net worth are considered.

## *Eligibility Requirements*

A Veteran may be eligible for VA Pension if:

* Discharged from service under other than dishonorable conditions, **AND**
* Served 90 days or more of active duty\*\* with at least 1 day during a period of war time\*, **AND**
* His/her countable income is below the maximum annual pension rate (MAPR), **AND**
* He/she meets the net worth limitations, **AND**
* He/she is age 65 or older, **OR**, have a permanent and total non-service connected disability, **OR**, is a patient in a nursing home, **OR** is receiving Social Security disability benefits

\*Veterans who entered active duty after September 7, 1980, must also have served at least 24 months of active duty service. If the total length of service is less than 24 months, the Veteran must have completed his/her entire tour of active duty.

\*\*Any amount of time during a period of war and

* was discharged or released for a disability incurred in or aggravated by service, or
* had an SC disability at the time of discharge that would have justified a discharge for disability.

A Veteran's service-connected (SC) disabilities may be combined with his/her non-service-connected (NSC) disabilities for purposes of finding the Veteran permanently and totally disabled for VA pension.

## *Wartime Periods*

VA recognizes the following wartime periods to determine eligibility:

|  |  |
| --- | --- |
| **Wartime Periods** | **Dates** |
| **Mexican Border** **Period** | May 9, 1916 through April 5, 1917(Applies only to Veterans who served in Mexico, on its borders, or in adjacent waters) |
| World War I | April 6, 1917 through November 11, 1918 (Applies to Veterans who served in Russia, extended to April 1, 1920) |
| World War II | December 7, 1941 through December 31, 1946 |
| **Korea Conflict**  | June 27, 1950 through January 31, 1955 |
| **Vietnam Era** | **Before January 5, 2021*** February 28, 1961- May 7, 1975

**(for Veterans who served “in country”)**, **or*** August 5, 1964 - May 7, 1975

(for Veterans who did not serve “in country”)**On or after January 5, 2021*** November 1, 1955 - May 7, 1975

**(for Veterans who served “in country”),** **or*** August 5, 1964 - May 7, 1975

(for Veterans who did not serve “in country”) |
| **Gulf War** | August 2, 1990 through a date to be set by law or Presidential Proclamation  |

**Pension Types**

VA currently pays the following three types of pension:

* Old-Law Pension
* Section 306 Pension per PL 86-211
* Pension (formerly known as Improved Pension)

Old-Law Pension and Section 306 Pension are referred to as “protected” programs. Entitlement to these pension programs is restricted to beneficiaries who were continuously entitled to receive benefits from the dates on which the programs were phased out until the present.

As a Public Contact Representatives (PCR), you will most often receive public inquiries related to current-law pension (also known as Improved Pension or Live Pension).

# Income Requirements

The amount of a beneficiary’s income for VA purposes (IVAP), determines the VA benefit rate payable based off the difference between the IVAP and the maximum annual pension rate (MAPR). A higher IVAP lowers the VA benefit pension rate. Therefore, to qualify for the maximum benefit award the beneficiary must have zero dollars of IVAP. VA income-based programs are not intended to protect substantial assets or increase the beneficiary's estate for the benefit of heirs. For that reason, net worth is a factor when determining eligibility for VA pension.

## Maximum Annual Pension Rate (MAPR)

The maximum annual pension rate (MAPR) is the maximum amount of pension rate to a Veteran based on the number of established dependents and whether the Veteran is eligible for the aid and attendance (A&A) or housebound MAPR.

A claim will be denied for an income-based benefit if a claimant’s IVAP exceeds the applicable income limit or MAPR.

## Rate Tables

Rate tables provide the current VA pension rates for Veterans, including VA Aid and Attendance rates. If the Veteran qualifies for these benefits, VA will base the Veterans payment amount on the difference between his or her countable income and MAPR.

## Net Worth Defined

The sum of a claimant or a beneficiary’s and spouse’s assets and annual income for VA purposes (IVAP)

The bright-line net worth limit is the value that a claimant’s combined assets and annual income cannot exceed in order to qualify for pension benefits.

PCRs must advise the claimant to submit [VA Form 21P-0969, Income And Asset Statement In Support of Claim For Pension or Parents Dependency and Indemnity Compensation (DIC)](https://www.vba.va.gov/pubs/forms/VBA-21P-0969-ARE.pdf) if they have assets.

## Assets

Assets are the fair market value of all property that an individual owns, including all real and personal property, unless excluded.

**Example**:  A Veteran has a joint bank account with her nephew.

**Result**:  Count one half of the joint account value as an asset for the Veteran.

**Note**:  If an asset is jointly owned, count only the claimant’s proportional share while calculating net worth.

Excluded Assets
Assets do not include the value of:

* The claimant’s dwelling (single family unit), including a residential lot area

Residential lot area means the lot on which a residence sits that does not exceed 2 acres, unless the additional acreage is not marketable.

* Personal effects suitable to and consistent with the claimant’s reasonable mode of life (motor vehicles used for family transportation.)

\*However, personal property that is owned primarily as an investment, for example, an antique automobile or a coin collection, is included in determining net worth.

Bright line Net Worth Limits

Effective October 18, 2018, the net worth limit for pension entitlement is $123,600 for all effective dates of payment prior to December 1, 2018.  The current net worth limit for pension entitlement is listed on the [**Veterans Pension Rate Table**](https://www.va.gov/pension/veterans-pension-rates/).  This limit is increased by the same percentage as the COLA in Social Security benefits.

Net worth is assets plus IVAP (assets + IVAP).

Example: The net worth limit is $130,773. A claimant has assets of $116,000, annual retirement income of $8,000, and annual predictable nursing home expenses of $29,000.

Result: Nursing home expenses decreases annual income to $0. Because income is $0, the claimant’s net worth is $116,000; therefore, net worth is not excessive for VA pension.

Example: The net worth limit is $130,773 and the maximum annual pension rate (MAPR) is $13,166. A claimant has assets of $123,000 and annual retirement income of $20,000. The claimant pays reasonably predictable annual medical expenses of $9,000. In this case, medical expenses that exceed $696 (five percent of the MAPR) are deductible from income.

Result: After applying the medical expenses, annual income decreases to $11,696. Adding income to assets produces net worth of $134,696, which is over the bright-line limit. VA must deny the claim for excessive net worth.

**Penalty Period**

* A ***penalty period*** is a period of non-entitlement due to the transfer of a covered asset(s) during the look-back period
* cannot exceed 5 years
* begins on the first day of the month following the date of the last transfer, and
* is calculated by dividing the total covered asset amount by the monthly penalty rate and rounding down.  The resulting whole number is the number of months VA will not pay pension.

**Example***:*  A Veteran applied for pension on October 25, 2018.  The net worth limit was $123,600 at that time.  The Veteran’s total assets were $116,600 and his annual income was $0.  The Veteran transferred $30,000 by giving it to his friend on October 20, 2018.

**Result***:*  If the Veteran had not transferred the $30,000, his net worth would have been $146,600, which exceeds the net worth limit.  The Veteran’s covered asset amount is $23,000, because this is the amount by which the Veteran’s net worth would have exceeded the limit due to the covered asset.

**Income**

Income is annualized for purposes of determining entitlement to current-law pension. This means that all income must generally be counted for at least 12 months. Pension income reporting periods now generally coincide with the calendar year.  However, the initial year for a pension award extends from the effective date of the award to 12 months after the payment date.

If there is a change in recurring income, the award is adjusted effective the first day of the month after the change occurs.

Income can be classified into three separate classifications:

* **One-time** - A lump sum receipt of income. The receipt of income may occur more than once each year, but each receipt is a separate event.
* **Recurring** income - Income that is received on a regular basis and in regular amounts.
* **Irregular** income - Income that is received several times a year but at irregular times or in irregular amounts.

|  |  |
| --- | --- |
| **If the income is ...** | **Then VA determines ...** |
| One-time income | the specific date of receipt |
| Recurring income | * the frequency of payment (monthly, weekly)
* gross amount of payment
* the date the payments started, and
* if applicable, the date the last payment was received.
 |
| Irregular income, such as earnings from:* occasional employment, or
* interest on a savings account
 | the period of time during which the income was received. |

Knowledge Check

**True or False.**

1. VA's income-based programs are intended to protect substantial assets or build up the beneficiary's estate for the benefit of heirs.
2. The lower a beneficiary’s IVAP, the higher the payable VA benefit pension rate.
3. A Veteran's service-connected (SC) disabilities may be combined with his/her non-service-connected (NSC) disabilities for purposes of finding the Veteran permanently and totally disabled for VA pension.
4. The bright-line net worth limit is the value that a claimant’s combined assets and annual income cannot exceed in order to qualify for pension benefits.

1. Pension is a needs-based benefit paid to Veterans based on certain age or non-service-connected disability requirements.

**Income Inclusions/Exclusions**

**Inclusions**

The following types of income are countable income for pension purposes, (not all inclusive):

* income subject to garnishment
* counting individual retirement account (IRA) distributions
* counting non-retirement annuities
* withdrawal of contributions from a retirement fund
* value of room and board
* gifts and inheritances of property or cash
* waived income
* gains from gambling
* United States Government Life Insurance (USGLI), National Service Life Insurance (NSLI), and Total Disability Insurance Payments (TDIP)
* income from joint accounts
* cooperative dividends
* campaign contributions, and
* child support payments.

**Exclusions**

Certain items are not countable for pension purposes because they are:

* Not considered to be income under [38 CFR 3.271](https://www.ecfr.gov/cgi-bin/text-idx?SID=da961a95d8a4d6062fe5404d322af1a1&mc=true&node=se38.1.3_1271&rgn=div8)
* Deemed to fall under one of the specific exclusions in [38 CFR 3.272](https://www.ecfr.gov/cgi-bin/text-idx?SID=da961a95d8a4d6062fe5404d322af1a1&mc=true&node=se38.1.3_1272&rgn=div8)
* Excluded by Federal statute, per [M21-1, Part V, Subpart iii, 1.I.11](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014447/M21-1-Part-V-Subpart-iii-Chapter-1-Section-I-Improved-Pension-Counting-Specific-Types-of-Income?query=M21-1,%20Part%20V,%20Subpart%20iii,%20Chapter%201,%20Section%20I#11).

**Examples of exclusions** (note: this list is not all-inclusive.)

* Welfare, Supplemental Security Income (SSI), SSI Windfall, and drug discounts received under the Medicare Prescription Drug, Improvement, and Modernization Act (MMA)
* income from the Veterans Health Administration (VHA) Work Restoration programs
* income tax refunds
* withheld Social Security
* chore services payments
* examples of chore services payments
* payments to foster parents
* Survivor Benefit Annuity
* timber sales
* mineral royalties
* IRA interest
* loans, including reverse mortgages
* VA pension as an accrued benefit
* month of death (MOD) payment to surviving spouse
* insurance dividends
* joint accounts
* withdrawals from bank accounts and certificates of deposit (CDs)
* AmeriCorps program payments
* scholarships and grants for school attendance
* proceeds of
* cashed-in life insurance policies
* life insurance policies received after December 9, 2004, and
* cashed-in savings bonds
* payments to Veterans from a State or municipality due to injury or disease, and
* payments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

Review KM, [Income Counting Job Aid](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000003274/Income-Counting-Job-Aid) for common income inclusions and exclusions (not all-inclusive).

# Unreimbursed Medical Expenses (UMEs)

Unreimbursed medical expenses (UMEs) paid by a claimant (or by a claimant’s dependent(s) for VA purposes) may be used to reduce the claimant's countable income for current-law pension.

**Determining Deductible Expenses**

UMEs can be used to reduce countable income for current-law pension beneficiaries. UMEs are not deducted from a claimant’s income on a dollar-for-dollar basis.

For UMEs to be deducted, the following rules must apply:

* Expenses actually paid by claimant
* Expenses are unreimbursed
* Expenses for claimant or relative who is a member of household
* Expenses exceed five (5) percent deductible
* Paid on or after date of pension entitlement

Review KM, [Unreimbursed Medical Expenses](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000003279/Unreimbursed-Medical-Expenses-UME?query=Medical%20expenses) (not all-inclusive).

### Continuous Medical Deduction

Medical expenses may be allowed prospectively if the claimant is paying recurring nursing home fees or other reasonably predictable medical expenses. Examples of common recurring medical expenses allowed prospectively on a continuing basis are:

* Nursing home or other care facility expenses
* Payments to an in-home attendant
* Recurring prescriptions
* Health or hospitalization insurance premiums, including Medicaid premiums

### Initial year VS Calendar year

Pension income reporting periods during the current-law pension generally coincide with the calendar year.  However, the initial year for a pension award extends from the effective date of the award (or the date of the Veteran’s death, if later than the effective date) to 12 months after the payment date.

Therefore, the initial year will range in length from 12 months plus the stub month (up to 13 months) and will not coincide with a calendar year.

***Example***:  If a claimant’s date of claim is July 14, 2019. The initial year would be July 14, 2019, to August 1, 2020.

The calendar year is the beginning of any given year, January 1, until the end of the year, December 31.

***Example:*** January 1, 2019 to December 31, 2019.

## UME Reporting

For current-law pension, IVAP is not always computed on a calendar-year basis. The income-reporting period for current-law pension beneficiaries may extend over any 12-month period. In addition, IVAP can be re-computed within a 12-month income-reporting period if there is an intervening income change.

After the initial year, income-counting periods for irregular income and medical expenses coincide with the calendar year.

A claim for a medical expense deduction that will result in increased benefit payments must be supported by a:

* Completed [21P-8416, Medical Expense Report](http://www.vba.va.gov/pubs/forms/VBA-21P-8416-ARE.pdf), or
* A standard form listed in M21-1, Part III, Subpart ii, 2.B that requests information consistent with what is requested on VA Form 21P-8416
* VA Form [21P-527EZ, Veterans Application for Pension](http://www.vba.va.gov/pubs/forms/VBA-21P-527EZ-ARE.pdf)
* VA Form [21-534EZ, Application for DIC, Survivor Pension, and/or Accrued benefits](https://www.vba.va.gov/pubs/forms/VBA-21P-534EZ-ARE.pdf)

PCRs must advise the claimant to submit claims for UMEs in writing and provide the appropriate mailing address per the KM, [Standard Claims and Appeals Forms - Background Information, Procedural Guidance, Script and FAQs](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000009618/Standard-Claims-and-Appeals-Forms-Background-Information-Procedural-Guidance-Script-and-FAQs?query=Standard%20Claims%20and%20Appeals%20Forms%20-%20Background%20Information,%20Procedural%20Guidance,%20Script%20and%20FAQs).

Knowledge Check

1. **True/False:** UMEs can be used to reduce countable income for current-law pension beneficiaries.
2. **True/False:** For current-law pension, IVAP is always computed on a calendar-year basis.
3. **True/False:** UMEs are not deducted from a claimant’s income until the 5% deductible is reached.

# Final Expenses

A claimant’s income for VA purposes may be reduced by deducting amounts paid for certain funeral and other last illness expenses. VA allows deductions only for expenses actually paid by the claimant for which he/she will not be reimbursed.

The term ***last illness*** means the period from the onset of the acute attack causing death up to the date of death.

If death resulted from a lingering or prolonged illness instead of an acute attack, the period of last illness is considered to have begun at the time the person became so ill as to require the regular and daily attendance of another person.

| **the case involves ...** | **Then allowable final expenses, include amounts paid by a ...** |
| --- | --- |
| Veterans Pension benefits | Veteran for expenses of last illness and burial of the Veteran’s deceased spouse or child. |
| Survivors Pension benefits | * surviving spouse for expenses of the Veteran’s last illness and burial (even if paid before the Veteran’s death), and the Veteran’s just debts paid after the Veteran’s death
* surviving spouse for expenses of the last illness and burial of the Veteran’s child, and
* child after the Veteran’s death for expenses of the Veteran’s last illness, burial, and just debts.

**References**:  For more information on* final expenses paid by a surviving spouse before the date of pension entitlement, see [**M21-1, Part V, Subpart iii, 1.G.6.g**](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014430/M21-1%2C-Part-V%2C-Subpart-iii%2C-Chapter-1%2C-Section-G---Pension---Deductible-Medical-Expenses), and
* periods to deduct final expenses, see [**M21-1, Part V, Subpart iii, 1.G.7.a**](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014430/M21-1%2C-Part-V%2C-Subpart-iii%2C-Chapter-1%2C-Section-G---Pension---Deductible-Medical-Expenses).
 |
| Parents’ DIC benefits | * parent for expenses of the deceased Veteran’s last illness and burial, and
* parent for expenses of his/her spouse’s last illness, burial, and just debts.
 |
| Section 306 Pension benefits | * Veteran for expenses of last illness and burial of a deceased child or spouse, or
* surviving spouse for expenses of last illness and burial of the Veteran’s child.

**Note**:  This deduction is used only when needed to keep a beneficiary’s income within the applicable income limit.**Reference**:  For more information on income limitations affecting Section 306 Pension claims, see [**M21-1, Part V, Subpart i, 1.3**](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001034/content/554400000014359/M21-1%2C-Part-V%2C-Subpart-i%2C-Chapter-1---Overview-of-Requirements-and-Development-for-Pension-and-Parents%E2%80%99-Dependency-and-Indemnity-Compensation-%28DIC%29). |

**Just Debt Deduction**

Just Debts is any debt that would be recognized by a probate court, meaning that the debt is legally enforceable and not fraudulent.

VA will allow a deduction *only* for debts that are the debts of

* a Veteran, when paid by the Veteran’s surviving spouse or child, and
* a DIC parent, when paid by his/her surviving spouse.

VA will deny deductions when a surviving spouse or surviving parent pays debts that were incurred jointly with the deceased person for the purchase of real or personal property, including a jointly incurred charge card debt.

**Example**

A surviving spouse claims a deduction for payment of just debts of the Veteran. Evidence of record reveals that the spouse has been making payments on a car note, and Veteran and surviving spouse were joint obligors on the note.

**Result**:

Payments on the car note are not deductible as just debts of the Veteran because the debt was jointly incurred by the survivor and the Veteran for the purchase of real or personal property (the car).

**Educational Expense**

The education expense deduction applies **only** in current-law Pension cases.

Per [**38 CFR 3.272(i)**](http://www.ecfr.gov/cgi-bin/text-idx?SID=6793f96c80fd87106ce29a1ee7d6c97a&node=se38.1.3_1272&rgn=div8), a Veteran’s or surviving spouse’s income for VA purposes may be reduced by amounts paid for tuition, fees, books and necessary materials.

If the Veteran or surviving spouse is found to be in need of regular A&A, an additional deduction is allowed for transportation expenses which

* are related to school attendance, and
* exceed the reasonable amounts that would have been incurred by a nondisabled person.

**Children Educational Expense**

The educational expense deduction for children applies **only** in current-law pension cases. Per [**38 CFR 3.272(j)(2)**](http://www.ecfr.gov/cgi-bin/text-idx?SID=6793f96c80fd87106ce29a1ee7d6c97a&node=se38.1.3_1272&rgn=div8), the education expense deduction applies

* both in cases in which the child is
* the payee, and
* a dependent on a Veteran’s or surviving spouse’s claim
* only to reduce the child’s earned income and does not apply if the child has only unearned income, and
* only if the child is pursuing a course of post-secondary (after high school) education or training.

**Note**:  Deductible expenses include amounts paid for tuition, fees, books, and materials.

Knowledge Check

**True/False:** A Veteran can claim a deduction for burial expenses paid for deceased spouse.

**True/False:** Last debt deduction can be claimed for debts incurred jointly.

# Enhanced “Special Monthly” Pension

A Veteran eligible for a VA pension may be entitled to receive increased monthly benefits called enhanced pension (previously called special monthly pension). The two enhanced or special monthly pension are Aid and Attendance (A&A) and Housebound (HB) allowances. These benefits are paid in addition to monthly pension for claimants.

The claimant cannot receive enhanced or special monthly pension without first establishing eligibility for VA pension. However, because enhanced pension is based upon a higher income limit, a claimant ineligible for basic pension due to excessive income may be eligible for enhanced pension due to the higher MAPR.

**Aid and Attendance (A&A)**

A Veteran or surviving spouse may be eligible for A&A as an increase to their monthly pension amount if he/she:

* Requires the aid and attendance of another person to perform the personal functions required in activities of daily living (such as bathing, feeding, dressing, toileting, adjusting prosthetic devices), **OR**
* Is bedridden, in that the disability or disabilities requires they remain in bed apart from any prescribed course of convalescence or treatment, **OR**
* Is a patient in a nursing home due to mental or physical

incapacity, **OR**

* Has a corrected visual acuity of 5/200 or less in both eyes or a concentric contraction of the visual field to 5 degrees or less

The need for A&A does not have to be permanent to be granted for VA Pension. Also, there is no statutory or regulatory requirement for a Veteran pensioner to have a single disability rated 100 percent disabling to be determined in need of regular A&A.

Therefore, if a Veteran pensioner meets the criteria for A&A, he or

she may be granted the A&A rate even though the Veteran is not rated 100 percent disabled.

Pension beneficiaries are required to inform the VA if there is a change in any condition for consideration of A&A.

## Housebound (HB)

To be eligible for an increased monthly pension amount due to HB rate for a Veteran or surviving spouse medical evidence must show a disability or disabilities:

* Confine him/her to the home, **AND**
* Will remain throughout the lifetime.

A Veteran/surviving spouse eligible to receive pension at the HB rate must:

* Have a single permanent disability evaluated as 100 percent disabling and due to such disability, is permanently and substantially confined to an immediate premises, **OR**
* Have single permanent disability evaluated as 100-percent

disabling and another disability, or disabilities evaluated as 60-percent or more disabling.

**Post Award Audit**

VA discontinued the annual use of eligibility verification reports (EVRs) in December 2012. EVRs gathered information on income, net worth, dependency, and deductible expenses to verify continued eligibility for recipients of pension.

In March 2017, VA implemented the post award audit (PAA) letter process. This process involves an income verification match (IVM) to compare income reported by VA pension recipients with Federal tax income information (FTI) from the Internal Revenue Service (IRS) and the Social Security Administration (SSA). The match includes spouses of VA pension recipients but excludes children.

VA pension recipients are selected at random for a review of their income to determine if an adjustment to the award is needed.

Beneficiaries selected for a PAA whose income indicates that an adjustment to the pension benefit amount may be required, will receive a letter with VA’s proposed decision regarding an award adjustment and instructions on how to respond to the letter.

Examining the income may result in a reduction in benefits or the termination of benefits if the income is found to exceed established income limits.

## PAA Automatic Exclusions

The VA will automatically exclude records in which the beneficiary

* has a pending Federal tax information (FTI) eligible EP during the PAA match
* has had an FTI eligible EP claim established within two years from the date OPA&I selects records for a PAA match
* is receiving a payment of $90 due to Medicaid status as of the date of the PAA selection
* is greater than 90 years old as of the date of selection
* has a missing cost of living adjustment (COLA) line for the tax year of the requested match, or
* is deceased.

***Note***:  The first two bullets apply to EP series 180s and 190s only.

**Journey of a PAA End Product**



# Procedural Actions

## Release of Information

PCRs may only speak with:

* The income recipient
* A court-appointed fiduciary, **OR**
* An individual identified as the income recipient’s representative through a completed
* VA Form [21-22, Appointment of Veterans Service Organization Claimant’s Representative](https://www.vba.va.gov/pubs/forms/VBA-21-22-ARE.pdf), executed within the last 5 years, **OR**
* VA Form [21-22a, Appointment of Individual as Claimant’s Representative](https://www.vba.va.gov/pubs/forms/VBA-21-22A-ARE.pdf).

PCRs may provide other inquirers with only general information regarding the PAA. PCRs must not provide PAA-specific information or document waivers of due process/hearing requests when speaking to federal fiduciaries, authorized third parties with a VA Form [21-0845, Authorization to Disclose Personal Information](https://www.vba.va.gov/pubs/forms/VBA-21-0845-ARE.pdf) or to any other individual, even if the income recipient provides verbal consent.

## Providing Status

For those beneficiaries who receive the PAA letter, an EP 154 will also be established with the claim label. PCRs must review the system and provide a general update when requested by the income recipient or the authorized representative.

PCRs must not provide claim scripts for the EP 154.

## Development Actions

For PAA-related inquiries,

* PCRs are able to document a waiver of due process, a request for a hearing, or a request to reissue a PAA letter on a VA Form 27-0820, Report of General Information.
* Example: "The Veteran/beneficiary called in reference to the letter dated XX-XX-XX. The Veteran agrees with the letter and waives due process."
* PCRs must **not** document any income-related information. Income reporting, income changes, and submission/clarification of unreimbursed medical expenses must be submitted in writing via mail.

***Instructor Note:*** *Inform class* KM, [Post Award Audit](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000053958/Pension-Post-Award-Audit)  *can be used as a resource for additional guidance.*

#

# Federal Tax Information (FTI)

FTI is data obtained from a claimant’s federal tax return information and provided to VA by IRS and SSA.

FTI Verification allows VA to view earned income from SSA and unearned income from IRS and compare it to income information provided by an applicant seeking income based benefits from the VA.

## Example of Letter containing FTI information



#

# Applying for VA Pension Benefits

## Intent to File (ITF) Process

Intent to File (ITF) for VA benefits applies to claims for:

* Compensation
* Pension
* Survivors Pension, **AND**
* Dependency and Indemnity Compensation (DIC).

Claimants communicate an ITF for VA benefits by:

* Initiating an electronic claim through eBenefits or with a Veterans Service Officer (VSO) through the Stakeholder Enterprise Portal, **OR** Completing VA Form [21-0966, Intent to File a Claim for Compensation and/or Pension, or Survivors Pension and/or DIC](https://www.vba.va.gov/pubs/forms/VBA-21-0966-ARE.pdf), **OR**
* Communicating with a PCR
	+ Over the phone, **OR**
	+ In-person at the nearest VA Regional Office.

### PCR Responsibilities

If the individual submits the ITF in one of these three ways, it secures the individual’s potential effective date and provides the claimant up to one year to complete the appropriate standard claim form and gather evidence to support the claim.

In your roles as PCRs, access KM article, [Standard Claims and Appeals Forms - Background Information, Procedural Guidance, Script and FAQs](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000009618/Standard-Claims-and-Appeals-Forms-Background-Information-Procedural-Guidance-Script-and-FAQs?query=Standard%20Claims%20and%20Appeals%20Forms%20-%20Background%20Information,%20Procedural%20Guidance,%20Script%20and%20FAQs) and follow the procedural guidance:

* If no record exists for the Veteran or non-Veteran claimant, **OR**
* If a record exists

Ensure the claimant is aware of:

* The appropriate standard form for VA pension benefits:
* For Veterans Pension, claimants must complete VA Form [21P-527EZ, Veterans Application for Pension](http://www.vba.va.gov/pubs/forms/VBA-21P-527EZ-ARE.pdf), **OR**
* For A&A or HB allowance, claimants must submit a completed [VA Form 21-2680, Examination of Housebound Status or Permanent Need for Regular Aid and Attendance](http://www.vba.va.gov/pubs/forms/VBA-21-2680-ARE.pdf) with a licensed health care professional validating the need for A&A or HB type care, **AND**
* The return address for standard forms according to KM, [Centralized Mail Processing Initiative - Background Information and FAQs](https://vaww.vrm.km.va.gov/system/templates/selfservice/va_kanew/help/agent/locale/en-US/portal/554400000001001/content/554400000011217/Centralized-Mail-Processing-Initiative-Background-Information-and-FAQs?query=centralized).