

Ways Congress is Trying to Take Your VA Disability Benefits Away

Hill & Ponton P.A. Updated: February 8, 2023

The Congressional Budget Office (CBO) has introduced budget options that might drastically reduce your veteran's disability benefits. First, the VA may stop making IU payments to veterans age 67 or older, which is the full retirement age for social security benefits. Second, veterans receiving IU after December 2021 would no longer receive those payments after they reach age 67 and no new applicants age 67 or older would be eligible for IU benefits after that date. Third, congress is trying to narrow eligibility for VA's disability compensation by excluding veterans with low disability ratings.

1. End VA's Individual Unemployability Payments to Disabled Veterans at the Full Retirement Age for Social Security

What is Individual Unemployability?

The Department of Veterans Affairs (VA) provides [disability compensation](#) to veterans with medical conditions or injuries that were incurred or worsened during active-duty service.

The amount of this compensation depends on the severity of the disability, which is rated on a scale from zero to 100 percent.

In addition, the VA may increase certain veterans' disability compensation to the 100 percent level even though the department has not rated their service-connected disabilities at that level.

To receive the resulting supplemental compensation, termed [Individual Unemployability \(IU\)](#), disabled veterans must apply for the benefit and meet the following criteria:

- Must be rated between 60 and 90 percent disabled
- VA must determine veteran cannot maintain substantially gainful employment because of the severity of their disability

Receipt of IU is not based on age, voluntary withdrawal from work, or other factors.

How is the VA trying to take IU away from full-retirement aged veterans?

There are two different ways the VA is considering taking away IU for full-retirement aged veterans.

The first, the VA would stop making IU payments to veterans age 67 or older (the full retirement age for social security benefits for those born after 1959).

That restriction would apply to both current and perspective recipients.

When veterans reach age 67, all VA disability payments would revert to the amount associated with the rated disability level, veterans who were 67 years of age or older, who were already receiving would no longer receive them at all after the effective date of the option.

The second, veterans who begin receiving the IU supplement after December 2021 would no longer receive those payments once they reach age 67, and no new applicants age 67 or older would be eligible for IU benefits after that date.

Veterans who are already receiving IU payments and are age 67 or older after the effective date of this option, would continue to collect their IU supplement.

2. Eliminate Eligibility for Starting Social Security Disability Benefits at Age 62 or Later

Under current law, people who qualify for Social Security Disability Insurance (DI) are eligible until they reach their full retirement age (FRA).

For workers born after 1959, the FRA is 67. (For those born earlier, the FRA is lower.)

Workers who claim retirement benefits after turning 62 but before reaching their FRA receive smaller benefits for as long as they live.

By contrast, workers who claim DI benefits before their FRA are not subject to a reduction in DI benefits, and when they reach their FRA, their DI benefits are automatically converted to full retirement benefits.

That difference in benefits encourages some people between age 62 and their FRA to apply for DI when they apply for Social Security retirement benefits.

Those people receive reduced retirement benefits until they are approved for the DI program. If approved, they then receive larger benefits for the rest of their life than they would if they had applied only for retirement benefits.

Under this option, workers would not be allowed to apply for DI benefits after their 62nd birthday, nor would they receive DI benefits for a qualifying disability that begins after that date.

Under such a policy, people who would have become eligible for DI benefits at age 62 or later under current law would instead have to claim retirement benefits if they wanted to receive Social Security benefits based on their own earnings.

Those people would receive up to 30 percent lower monthly benefits than they are scheduled to receive under current law.

Workers who became disabled and applied for benefits before age 62 would not be affected by this option.

The Congressional Budget Office projects that under current law, the Disability Insurance trust fund would be exhausted in fiscal year 2026 and the Old-Age and Survivors Insurance trust fund would be exhausted in calendar year 2031.

Under section 257 of the Deficit Control Act, in its projections CBO must assume that scheduled Social Security benefits would be paid even after the program's trust funds were exhausted.

However, the government's legal authority to pay benefits would then be limited to the amount received in dedicated tax revenues, which would be insufficient to pay scheduled benefits in full.

After trust-fund exhaustion, therefore, for the people who would be affected by this option, the reduction in payable benefits would be smaller than the reduction in scheduled benefits.

3. Reduce VA's Disability Benefits to Veterans Who Are Older Than the Full Retirement Age for Social Security

Veterans with medical conditions or injuries that occurred or worsened during active-duty service [receive disability compensation](#) from the Department of Veterans Affairs (VA).

[VA's disability payments](#) are intended to compensate for the average earnings that veterans would be expected to lose given the severity of their service-connected medical conditions or injuries, whether or not a particular veteran's condition actually reduced his or her earnings.

Disability compensation is not means-tested: Veterans who work are eligible for benefits, and most working-age veterans who receive such compensation are employed.

After veterans reach Social Security's full retirement age, VA's disability payments continue at the same level.

By contrast, the income that people receive from Social Security or private pensions after they retire usually is less than their earnings from wages and salary before retirement.

Under this option, veterans who start receiving disability compensation payments in 2022 or later would have those payments reduced by 30 percent at age 67.

(Social Security's full retirement age is 67 for people born after 1959).

Social Security and pension benefits would be unaffected by this option.

Veterans who are already collecting disability compensation would see no reduction in their VA disability benefits when they reach age 67.

4. Narrow Eligibility for VA's Disability Compensation by Excluding Veterans With Low Disability Ratings

Veterans with medical conditions or injuries that occurred or worsened during active-duty service receive disability compensation from the Department of Veterans Affairs (VA).

The base amount of compensation veterans receive depends on the severity of their disabilities, which are rated between [zero \(least severe\)](#) and [100 percent \(most severe\)](#) in increments of 10; the most common rating is 10 percent.

The amount of compensation is intended to offset the average amount of earnings that veterans would be expected to lose given the severity of their service-connected medical conditions or injuries, whether or not a particular veteran's condition actually reduced his or her earnings.

Under this option's first alternative, VA would narrow eligibility for disability compensation by requiring a disability rating of 30 percent or higher for all veterans; as a result, some current recipients would no longer receive benefits.

The second alternative would require a 30 percent or higher disability rating only for new disability compensation applicants. (Current recipients would not be affected.)

5. Use an Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs

[Cost-of-living adjustments \(COLAs\)](#) for Social Security and many other parameters of federal programs are indexed to increases in traditional measures of the consumer price index (CPI).

The CPI measures overall inflation and is calculated by the Bureau of Labor Statistics (BLS).

In addition to the traditional measures of the CPI, BLS computes another measure of inflation—the chained CPI—which is designed to account for changes in spending patterns and to eliminate several types of statistical biases that exist in the traditional CPI measures.

Under current law, the chained CPI is used for indexing most parameters of the tax system, including the individual income tax brackets.

The chained CPI-U has grown by an average of about 0.25 percentage points more slowly per year since 2001 than the traditional CPI measures have, and the Congressional Budget Office expects that trend to continue.

This option would expand the use of the chained CPI. It would be used to index COLAs for Social Security and to compute inflation-indexed parameters of other federal programs.

6. Include Disability Payments From the Department of Veterans Affairs in Taxable Income

The Department of Veterans Affairs (VA) provides disability compensation to veterans with medical conditions or injuries that occurred or worsened during active-duty service.

VA's disability payments are intended to compensate the average earnings that veterans would be expected to lose given the severity of their service-connected medical conditions or injuries, whether or not a particular veteran's condition actually reduced his or her earnings.

Disability compensation is not means-tested (that is, restricted to those with income below a certain amount), and payments are exempt from federal and state income taxes.

Payments are in the form of monthly annuities and typically continue until the beneficiary's death.

This option would include VA disability benefit payments in taxable income.

For more information regarding these proposed changes, you can view [the Congressional Budget Office statement here](#). To find your local representative to contact them, you can use the [House of Representatives service](#) will assist you by matching your ZIP code to your congressional district.