



We are here today to endorse House Bill 18 on behalf of the VFW Department of Ohio and the Department Commander David K. Root.

The Bill was introduced on 12 February 2019 and is in measure an opportunity for Ohio to relieve many of the inequities that have occurred over the years to veterans who were “Medically” Retired from the Military Service and who received what is called “Medical Severance Pay.”

This pay, to date, has been subjected to State Income Taxes and in many ways has caused hardships to veterans’ who have received those funds.

The history of the issue and the exceptions as outlined in the detailed analysis are very in depth and we do not dispute the analysis.

The VFW Department of Ohio knows that the House knows that military disability severance pay is based upon what the military has determined as a disability which prevents the veteran from performing worldwide service.

Those who have worked with veterans once they separated from the military have seen the terms in what is called a Physical Evaluation Board (PEB) procedure which determines if the veteran may continue to serve on active duty.

The Department of Defense examines the veteran for all disabilities and separates them into two categories.

Those categories are assigned the following terms:

- 1. Unfit Conditions;**
- 2. Not Unfitting Conditions.**

The **Unfit Conditions** are disabilities which will prevent the veteran from continuing on active duty and on which severance pay is determined.

The **Not Unfitting Conditions** may be service-connected disabilities; but do not limit the veteran from continuing on active duty and are not included in the computation for severance pay because the conditions, individually, do not disqualify the veteran from continuing on worldwide service.

A veteran with service connected disabilities identified as being in the Not Unfitting Conditions category is required to file for a Veterans’ Administration Claim in order to receive compensation for those service connected disabilities.

When the VA grants service connection for those not unfitting disabilities and if the veteran had filed the claim appropriately the veteran is entitled to past due benefits from the date of discharge from the military.



VFW of Ohio-Veterans of Foreign Wars

The veteran would be paid past due benefits for Not Unfitting Disabilities which are not taxed because VA disability compensation payments are exempted from taxation by the State of Ohio.

The DoD severance pay to a person who has been determined to have an Unfit Condition is currently taxed by the State of Ohio.

Now comes another problem that disadvantaged a veteran when they have received severance pay for an unfitting condition.

That is the VA Offset requirement for severance pay before a veteran can receive VA disability compensation pay.

The VA is required by law to withhold disability compensation payments for servicemembers who received a disability severance payment when they separated from the military, if the VA disability compensation is for the same disability.

Not only does the veteran have to pay taxes on DoD severance pay; but, the veteran has to pay his own disability compensation.

The veteran has to repay the entire severance pay that was determined; and the veteran has to repay the amount that was paid in taxes.

Those Bill Analysis does a very good job in explaining many of the vagaries of the current method of taxation and we support the Ohio General Assembly in the effort to pass H.B. 18 and balance the current inequities in the way DoD disability severance pay is taxed in Ohio.

We thank you for your consideration of our remarks and would like to congratulate you for your work on behalf of Ohio's veterans.

A handwritten signature in blue ink, appearing to read 'C. K. Price', with a long horizontal flourish extending to the right.

Carl K. Price, Legislative Committee
Department of Ohio VFW