



38 CFR Part 3 and 21

[Docket No. VA-2021-VBA-0025]

RIN 2900-AP67

Apportionments

AGENCY: Department of Veterans Affairs.

ACTION: Final rule.

SUMMARY: This final rule amends Department of Veterans Affairs (VA) regulations to limit the circumstances in which benefits will be apportioned and to stop making need-based apportionments. Currently, in limited situations, VA may pay a portion of a VA beneficiary's monetary benefits directly to the beneficiary's dependent, referred to as an apportionment. To qualify, the dependent cannot reside with the beneficiary, must demonstrate financial need, and the apportionment must not cause financial hardship to the beneficiary. VA claims processors, whose expertise is in VA benefits and not in matters related to child or spousal support, decide whether to take monetary benefits from the beneficiary and reallocate the funds to dependents. VA claims processors can take this action without the consent of the beneficiary. These apportionment decisions, which can have significant financial consequences, are based on both parties' self-reported income and self-reported expenses. Unlike State courts, VA has no ability to compel evidence of income and expenses. Allegations of inadequate child or spousal support involve complex issues of family law that are best suited to the expertise and authority of State courts. VA apportionments can upset the expectations upon which a State court support award was predicated, requiring a State court to expend additional resources to revisit a prior determination. Finally, due to their intricacy, a significant amount of information is needed to adjudicate apportionment claims properly. While this information is typically available to State courts, VA must attempt to gather this

information from the VA beneficiary and the beneficiary's dependent, which is unavoidably a time-consuming process. The time and effort needed to gather this information increases VA workloads and consumes resources that are better utilized to process veterans' claims. Because VA apportionment awards may conflict with the awards of better-situated State family courts, and because VA lacks the authority and expertise to make fully informed, accurate, and economically appropriate awards, VA is amending its regulations to discontinue making need-based apportionment awards. VA will continue making apportionment awards in situations when a veteran or surviving spouse is incarcerated, or when an incompetent veteran, who does not have a fiduciary, is institutionalized at government expense. VA will not discontinue any current apportionments because of this rulemaking.

DATES: This final rule is effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Abigail Werner, Acting Chief, Part 3 Regulations Staff, Compensation Service, Veterans Benefits Administration, (202) 461-9700.

SUPPLEMENTARY INFORMATION: On October 14, 2021, VA published a proposed rule, 86 FR 57084, to amend its regulations to discontinue making apportionment awards in most circumstances. VA provided a 60-day comment period, which ended December 13, 2021. VA received comments from several individuals, organizations, and State agencies, including the Fort McClellan Veterans Stakeholders Group; Colorado Child Support Services; Oregon Child Support Program; Veterans Legal Service; Georgia Division of Child Support Services; Virginia' Division of Child Support Enforcement' Washington Division of Child Support; and Trinity Advocates. VA appreciates the time and effort expended by these commenters in reviewing the proposed rule and in submitting comments, as well as their support for this rulemaking.

Those comments, which have been grouped by category, are addressed below.

Additionally, VA has made three changes to address errors found within the proposed rule. First, VA has moved the list of eligible apportionees up one paragraph level from 38 CFR 3.451(a)(1)(i) of the proposed rule to § 3.451(a)(1), and has added a clause noting that parents are not considered dependents under § 3.23(d)(1) and thus are not entitled to apportionment of pension. Second, VA has corrected two typographical errors in § 3.451(c) of the proposed rule. Third, VA has removed “or dependent parents” from § 3.454(a) of the proposed rule because parents are not entitled to apportionment of pension.

I. Section by Section Discussion of the Comments

VA received 46 comments in response to the proposed rule. VA considered all comments submitted. Our evaluation of the comments did not lead to substantial changes between the proposed rule and this final rule. In this section, we discuss in detail the public comments addressing issues raised in the proposed rule.

A. Delegation of Authority

Many commenters stated that VA cannot delegate its exclusive jurisdiction to State courts because that delegation is a violation of the Constitution and Supremacy Clause. Commenters also stated that VA’s Secretary (Secretary) is not able to delegate his powers because of 38 U.S.C. 511. Finally, commenters suggested that the proposed rule would force Congress to amend 38 U.S.C. 5307 to allow the Secretary to delegate his powers to the States.

VA Response: VA is not delegating its authority to State courts. Congress has provided VA broad discretionary authority to pay apportionments out of a VA beneficiary’s monetary benefits. Rather, VA has decided to no longer exercise the discretionary authority given to it by Congress in some scenarios because VA has determined that State courts are better equipped at handling child support or spousal

support agreements. Unlike VA, State courts have the power to compel sworn testimony and the production of documents that can constitute evidence of income, which VA cannot do. Furthermore, rather than limiting the Secretary's ability to "delegate," section 511(a) addresses the Secretary's duty to decide issues necessary to adjudicate benefits claims that are before the Secretary for resolution and the finality of those decisions. It does not limit the Secretary's discretionary authority under section 5307 to determine whether apportionment of benefits should be considered under particular circumstances. This rule is aligned with sections 5307 and 511 because VA is not delegating its authority to State courts.

Neither the Constitution nor its Supremacy Clause is at issue here. When the Supreme Court explained in *Rose v. Rose* that family law ("domestic relations") is State law, it restated word for word a well-settled principle announced in the same court in 1890 and summarized again in 1997. 481 U.S. 619, 625 (1987) (quoting *In re Burrus*, 136 U.S. 586, 593-4 (1890) ("The whole subject of the domestic relations of husband and wife, parent and child, belongs to the laws of the States and not to the laws of the United States.") and *Boggs v. Boggs*, 520 U.S. 833, 848 (1997) (same). Based, albeit in part, on this principle, the Court has established a presumption: "[b]ecause domestic relations are preeminently matters of state law," as the Court noted in *Mansell v. Mansell*, 490 U.S. 581, 587 (1989), "we have consistently recognized that Congress, when it passes general legislation, rarely intends to displace state authority in this area." The presumption is rebuttable, but only on a showing that the State law would do "major damage" to "clear and substantial interests" of the Federal government. *Rose*, 481 U.S. at 625. Per the Supreme Court in *Rose*, "[t]here being no 'major damage' to the federal interests underlying [section] 211(a)"—which Congress redesignated in 1991 as section 511(a)—"[that law] does not pre-empt exercise of state-court jurisdiction to enforce a veteran's child support," or spousal support, "obligation." 481 U.S. at 629-30.

In section 5307(a) Congress has provided that VA *may* apportion compensation and pension benefits, including dependency and indemnity compensation and rehabilitation subsistence allowances paid under 38 U.S.C. Chapter 31. This authority is at the discretion of the Secretary. In section 5313(b)(1), *Limitation on payment of compensation and dependency compensation to persons incarcerated for conviction of a felony*, Congress provided that the Secretary *may* apportion benefits. Similarly, in section 5502(d), *Payment to and supervision of fiduciaries*, and section 5503(a)(2), *Hospitalized veterans and estates of incompetent institutionalized veterans*, Congress provided that VA *may* apportion benefits. Notably, each apportionment authority in title 38 of the U.S. Code is discretionary, not mandatory, as shown by the use of the word “may” or the phrase “may be apportioned as prescribed by the Secretary.” Thus, VA makes no change based on these comments.

B. *Rose v. Rose*, 481 U.S. 619 (1987)

A few commenters stated that the proposed rule discussed *Rose*. These commenters explained that section 511 explicitly excludes State courts from having jurisdiction. Another commenter noted that the *Rose* ruling was based upon the fact that the disabled veteran in that case was never afforded a proper VA apportionment claim review. The same commenter indicated that the Secretary cannot delegate duties awarded to VA by Congress by using *Rose* because the *Rose* case did not include an apportionment ruling. Another commenter indicated support of VA’s decision by quoting supportive language from *Rose* and mentioned that State courts are already apportioning benefits so that VA no longer needs to apportion benefits.

VA Response: As the commenters correctly note, section 511(a) was signed into law four years after the *Rose* decision. However, the comments misunderstand section 511(a). Section 511(a) is a word-for-word redesignation of section 211(a), which dates to the passage of the Veterans Judicial Review Act of 1988 and which Congress

contemplated in draft form as early as 1979, well before *Rose*. As noted above, Congress's intent in mandating that the Secretary "shall decide all questions of law and fact" was that the Secretary has a duty to decide issues necessary to adjudicate benefits claims. To the extent VA ceases issuing a given category of apportionment decisions, there is no VA apportionment decision and therefore no potential for a conflict with an action by any other decisionmaker. Thus, section 511(a) is simply inapplicable. The question is whether VA's apportionment authority is discretionary or mandatory, not whether section 511 would authorize and preclude review of apportionment decisions to the extent the Secretary continued making them.

VA also disagrees with several of the commenters' interpretation of the *Rose* case. To clarify, the *Rose* case supports the point that veterans' disability benefits are not exempt from claims for spousal support and child support. Under the *Rose* decision, State courts may consider the availability of VA benefits in determining the amount of a veteran's child support obligation. State courts may also set a support award in an amount that would necessarily require that part of the support award be paid out of VA benefits once they are received by the veteran. In reaching that determination, the Supreme Court found that states have independent authority to establish child support obligations. The Supreme Court explained that VA disability compensation is intended to benefit both the veteran and his or her dependents. Therefore, the Court held that the States' consideration of such benefits in establishing child support awards did not contravene Federal law. Some State courts have interpreted *Rose* as carving out an exception to the prohibition of attachment of VA benefits under section 5301(a) for purposes of child support payments. Some State courts have extended the *Rose* holding to spousal support payments.

Finally, VA reiterates that it is not delegating its authority to State courts. The extent of State courts' authority is unchanged. VA has only decided to no longer

exercise certain discretionary authority given by Congress because VA has identified that State courts are better suited to handle child and spousal support matters. It may be that part of commenters' confusion is in the misuse of key terms. Technically, State courts do not "apportion" VA benefits under section 5307 or any other provision of title 38 of the U.S. Code or title 38 of the CFR. Apportionment is a VA discretionary authority under Federal law and regulations; "apportionment" in this context has a precise, specialized meaning within VA law. State courts, in contrast, divide income under the authority of State law. The result of a State court's order may be in effect similar to an apportionment, but the difference matters. As noted above, the proposed rule is not in tension with section 511(a). It also does not interfere with the exercise of Congress's or the President's military powers. The Supreme Court has held time and again that veterans' benefits including disability compensation are for the veteran and the veteran's family. See, e.g., *Rose*, 481 U.S. at 630. The Supreme Court has not overturned *Rose* and Congress has not invalidated it. *Rose* remains good law.

Accordingly, VA makes no changes based on these comments.

C. State Courts

(1) State Court Attorneys Accreditation and the Best Interest for Veterans

Many commenters strongly opposed State court attorneys determining apportionments for dependents. The commenters indicated that State court attorneys are not accredited or able to equitably weigh the interests of disabled veterans. The commenters expressed that State court attorneys who determined apportionment claims would violate 38 CFR 14.629. Also, commenters mentioned that apportionment is an action that only VA is equipped and competent to make, not State court attorneys.

VA Response: Under 38 U.S.C. 5901(a) and 38 CFR 14.629(b)(1), no one may assist claimants in the preparation, presentation, and prosecution of their benefits claims before VA as an attorney unless first accredited by VA for such purpose. As the

commenters correctly mentioned, all attorneys representing a claimant in any type of VA benefits claim must be accredited by VA. However, the State court attorneys that will litigate child support or spousal support cases will not need VA accreditation. This is because the State court attorneys will be representing individuals in their respective State courts, not before VA. Cases for child support or spousal support are not filed with VA. Further, VA believes that State courts should handle these issues because they have the resources to make decisions that fully weigh the impact of their decisions on the veteran and the dependents. VA notes that its decision to no longer make need-based apportionments is driven by much more than administrative convenience for the agency. The agency's focus is to address the largely outdated practice of adjudicating apportionment claims because supporting the needs of veterans' dependents is generally better performed in State courts with superior resources and enforcement capabilities. VA does not make any changes based on these comments.

(2) Disability Payments Should Not Be Considered as Income

One commenter indicated that a veteran's disability compensation is the only money received to support that veteran's children and themselves and that the State courts should not consider this in a formula as income. Another commenter stated that VA should send a letter forbidding States from using a veteran's disability payment as income when determining child or spousal support.

VA Response: Section 5301(a)(1) of title 38, U.S. Code, generally exempts VA benefits from any legal or equitable process, such as garnishment. Although section 5301(a)(1) generally prohibits garnishment of VA benefits, the Supreme Court in *Rose* held that State courts may enforce support orders against VA compensation payments. As previously noted, in *Rose*, the Supreme Court found that such consideration of benefits in establishing child support awards did not contravene Federal law. This principle has not changed. Accordingly, VA does not have authority to forbid a State

from considering a veteran's disability payment as income in the spousal or child support context.

Another commenter mentioned that the States have no preexisting sovereign authority, jurisdiction, or control over the Federally appropriated monies designated by Congress for the compensation of military service members, veterans, and their dependents. *Mansell*, 490 U.S. at 589.

VA Response: *Rose* is distinguishable from the Supreme Court's decision in *Mansell*, which held that the Former Spouses' Protection Act precludes States from "the power to treat as property divisible upon divorce military retirement pay waived by the retiree to receive veterans' disability benefits." 490 U.S. at 594-5. The Court specifically noted that it was not addressing the issue discussed in *Rose*, i.e., whether section 5301(a) independently protects veterans' benefits from consideration in assessing child support obligations. *Mansell*, 490 U.S. at 587 n.6. Therefore, VA makes no changes based on this comment.

(3) Income Withholding and Garnishment

A commenter suggested that as an alternative to the proposed rule VA should amend Federal law to allow income withholding from VA benefits for child support obligations. Another commenter suggested VA make a change to Federal law to allow garnishment of all VA benefits for State court-ordered child support obligations.

VA Response: VA cannot make statutory changes through regulation. Only Congress can change Federal law. As an agency, VA derives authority to issue regulations from laws enacted by Congress, including the general rulemaking authority in section 501. VA cannot make any changes based on these comments.

Another commenter indicated that apportionments are necessary for some people. The commenter mentioned that, because State courts cannot garnish Federal disability money, until there is another safety net for the beneficiary, the apportionment

process should remain in place as an option for dependents to receive financial support.

VA Response: VA notes that there often are several options for dependents to receive financial support. State courts can provide child/spousal support through a number of means with the ability to compel a full accounting and enforce their decisions. Further, the Supreme Court has held that, although there are restrictions on garnishing VA benefits “while in the hands of [VA],” they do not preclude States from enforcing child support obligations through any available means “once these funds are delivered to the veteran.” *Rose*, 481 U.S. at 635. The Court there stated that, as opposed to an enforcement order against an agency, “we find no indication in the statute that a state-court order of contempt issued against *an individual* is precluded where the individual’s income happens to be composed of veterans’ disability benefits.” The reach of State courts is much greater than that of VA in assessing the adequate support needed, and States have mechanisms to enforce support orders. Thus, no change is made based on this comment.

(4) VA Should Adopt a National Child Support Standard for State Courts

A commenter suggested that VA draft a national child support calculation for the States to use for parties who are veterans.

VA Response: VA notes that because child support laws are constantly evolving and are different from jurisdiction to jurisdiction within the United States, State courts are the best venues for determining fair support agreements. As noted above, the Supreme Court has made clear that “[t]he whole subject of the domestic relations . . . belongs to the laws of the States and not to the laws of the United States.” The phrase “laws of the United States” means Federal law. In addition, a veteran’s support obligation could be required in another country. The courts of those jurisdictions have the specific legal expertise to make fair determinations. No change was made based on this comment.

D. VA's Decision to Stop Apportionments

Some commenters were opposed to VA's decision to discontinue making need-based apportionment awards. Specifically, those commenters indicated that VA should not take apportionments away unless it proposes an alternative method for families or that VA should still assist families with the collection of support via apportionment. Other commenters mentioned that VA is making the process more difficult for the children who need support, and the beneficiary will no longer support his or her dependents. Some commenters stated that the current process for apportionment is the fairest way to determine if courts are creating a hardship by including disability payments as income with the court's child support decisions. One commenter mentioned that the needs-based consideration should be maintained because it protects the veteran beneficiary. Other commenters believed that eliminating apportionments will prevent military families from getting child support when the beneficiary refuses to support their dependents from VA benefits. Finally, one commenter suggested that VA leave an apportionment process in place only for child support agencies.

VA Response: VA stands by its decision to stop making new need-based apportionments because, as previously noted, State courts are better equipped to deal with these matters. State attorneys have the expertise and resources to investigate and decide what is in the best interest of the veteran and the dependent. For example, VA cannot verify the accuracy of the self-reported accountings that describe the level of support needed. State courts can investigate, verify, and enforce their decisions. Thus, State courts are best suited to assist families with support collection. Additionally, VA would like to note that when the beneficiary refuses to support his or her dependents, or a State court makes a legal determination that support provided is inadequate, a State court generally can garnish wages or bank accounts. Finally, VA believes State courts are better suited to interact with child support agencies for the same reasons mentioned

above. Therefore, VA makes no change based on these comments.

E. How to Terminate/End Apportionments

One commenter suggested that VA provide additional clarity regarding when apportionments terminate and how to end apportionments.

VA Response: VA will restate from the proposed rule and clarify how to terminate and end apportionments. According to 38 CFR 3.500(d), except as otherwise provided, an apportionment terminates on the date of the last payment when the reason for apportionment no longer exists. Apportionments will continue to be paid until the circumstances that provided entitlement to the apportionment no longer exist, such as the divorce of the veteran and spouse, death of the primary beneficiary, death of an apportionee, or other such circumstances that provided entitlement to the apportionment. VA does not make any change based on this comment.

F. Other Comments

Some commenters mentioned that the States will be unfair, biased, and discriminatory and that State courts will cause a financial crisis for veterans because VA will no longer be protecting VA disability compensation from being taken away from the veteran.

VA Response: Any veteran who disagrees with a State court decision on child or spousal support may appeal the decision to the appropriate State appellate court. Such veteran may seek legal services for a State court decision through the State bar.

Further, VA provides a list of legal clinics available in each State for certain State court matters, including family law. That list is available at www.va.gov/OGC/LegalServices.asp.

A few commenters disagreed with VA's second alternative mentioned in the proposed rule. The second alternative VA considered was setting the apportionment amount equal to the additional amount the veteran receives for the apportionee as a

dependent. The commenters mentioned that the second alternative is not feasible because this would create an even larger backlog for VA as well as disrupt State courts.

VA Response: In the supplementary information section to the proposed rule, VA mentioned three alternatives it considered while rulemaking. The first alternative was to maintain the current apportionment provisions and make no changes. The second alternative was to set the apportionment amount equal to the additional amount the veteran receives for the apportionee as a dependent. The final alternative mentioned in the proposed rule was to eliminate all apportionments.

The commenters disagreed with the second alternative mentioned. VA has decided not to use the second alternative because, as mentioned in the proposed rule, VA learned this option would cause undue hardship for the veteran. VA also learned that this option has the potential to disturb a State court's allocation of resources and potentially disadvantage a veteran or the dependents. For these reasons, VA chose not to propose this option. No change will be made based on this comment.

One commenter suggested that VA should consider the veteran's pay model of a retiree with pay when dealing with apportionments.

VA Response: It was unclear what the commenter was trying to convey regarding how VA should use the veteran's pay model of a retiree with apportionment claims. Accordingly, no change has been made.

One commenter mentioned that the information in this rulemaking about a veteran waiving a portion of his or her military retired pay to receive VA benefits was obsolete because of *Mansell*.

VA Response: VA would like to clarify. In the proposed rule, VA mentioned that under 42 U.S.C. 659, pursuant to a valid State order, a portion of a veteran's disability compensation can be withheld or garnished for spousal or child support when a veteran has waived a portion of his or her military retired pay to receive VA benefits. This is still

current and has not been made obsolete by the *Mansell* case. As previously stated, the *Mansell* Court specifically noted that it was not addressing the issues in the *Rose* case on whether 38 U.S.C 5301(a) independently protects veterans' benefits from garnishment to pay child support. We hope this provides clarification because 42 U.S.C. 659 is still the governing body of law. No change was made based on this comment.

G. Supportive Comments

Many comments supported the proposed rule. One commenter mentioned that VA should not be making decisions on apportionment matters because family courts are better suited to determine the right distribution of a veteran's income for purposes of child and spousal support. This commenter further stated that VA should stop apportioning veterans' benefits. Another commenter observed that State courts are already dividing income, including veterans' income, for support of children and spouses so VA should not. The same commenter also mentioned that if VA continues apportioning benefits there will be an undue burden on VA's employees and VA's current apportionment system is unnecessary and inefficient. Another commenter mentioned being pleased with the proposed modifications to the apportionment process. The same commenter further indicated that VA leaves the matters of domestic relations to the States in every other context and that VA should let the States handle this matter too. Other commenters mentioned that only a State court judge should resolve the question of whether a veteran has a legal obligation to support a dependent under State law. One commenter supported the proposed regulation because that commenter mentioned that States give credit to child support beneficiaries for other support obligations when the beneficiary lives separately from the dependent. The same commenter mentioned that VA's current system makes obtaining this credit unnecessarily complex and unduly burdensome. Finally, one commenter mentioned support for the rulemaking but encouraged VA to collaborate with the IV-D agencies

(named after subchapter IV-D of the Social Security Act) and veteran service legal aid organizations regarding the process for applying for apportionments.

VA Response: VA also believes that this rulemaking is a step in the right direction for the betterment of dependents and beneficiaries. Also, VA collaborates with many organizations and will continue to do so. To be clear, although part of the justification for discontinuing need-based apportionments is that State courts tend to be better suited to deciding matters of family law, including spousal and child support, the broader justifications apply to places outside of U.S. States in which VA has responsibility, such as the Philippines and the Freely Associated States. The reasons for VA to discontinue need-based apportionments are the same, regardless of where a claimant lives. We do not make any changes based on these comments.

H. Comments Outside of the Scope of the Proposed Rule

A commenter mentioned that the Secretary did not mention apportionments during a Veterans' Day speech the Secretary gave. VA also received a comment responding to the Federal Register notice published by VA on October 27, 2021, 86 FR 59449, which relates to the new VA form associated with this rule. The submission concerns an individual matter and is unrelated to this rule.

VA Response: These comments are beyond the scope of this rule. Accordingly, VA makes no changes based on these comments.

A few other commenters submitted comments providing opinions on comments submitted on the proposed rule. Specifically, a commenter noted that other comments referenced the *Howell v. Howell* Supreme Court decision, and expressed that these commenters were wrong to do so because the *Howell* case is not relevant.

VA Response: In *Howell v. Howell* (581 U.S. 214 (2017)), the Supreme Court held that States may not order a veteran to indemnify a divorced spouse to make up for the military retirement pay the veteran waived to receive VA disability compensation.

The holding concerns a State court's attempt to enforce a divorce decree to restore the amount of the military retirement pay the veteran waived to get VA disability pay. In *Howell*, the Supreme Court expressly relied on the holding of *Mansell*, and, in *Mansell*, as noted above, the Court specifically noted that it was not addressing the issue discussed in *Rose*, i.e., whether 38 U.S.C. 5301(a) independently protects veterans' benefits from consideration in assessing child (or spousal) support obligations. *Mansell*, 490 U.S. at 587 n.6. Even if *Howell* limits how States divide a veteran's pay for purposes of child or spousal support, it does so only with respect to military retirement pay, and does not undermine the rule of *Rose* that State courts may take a veteran's benefits into account when determining a veteran's child support obligation. The *Howell* court explicitly noted that the appropriate amount of support could be recalculated taking disability compensation into account under the rule of *Rose*. See *Howell*, 581 U.S. at 222. *Howell*, therefore, is inapplicable. Further, the comment appears to be in support of the proposed rule; it proposes no substantive changes to the rule. VA makes no change based on this comment.

Another commenter noted that there were multiple comments suggesting "this change [is] screwing over the Veteran," and disagreed saying "[i]f the VA is supposed to be an advocate for the Veteran; there should not be direct avenues for angry ex-spouses to obtain a Veteran's benefits. It's about time this change is proposed. VA employees should not be making arbitrary decisions based on their own sentiments. That is what the family courts are for. Stop apportioning Veteran's benefits."

VA Response: VA also believes that this rulemaking is a step in the right direction for the betterment of dependents and beneficiaries. We make no changes based on this comment.

Another commenter stated: "Some fellow commenters have indicated the solution in these circumstances is for the veteran to file a request to modify the child

support. This commentary does not take into consideration the challenges economically disadvantaged veterans have navigating the family court system and the limited legal aid options available to assist them.”

VA Response: VA acknowledges that there may be financial challenges with State court proceedings, but notes that there are options for *pro bono* representation through local bar associations. VA also notes that many of the State court actions for divorce and child support are completely separate from apportionment concerns and not driven by them. Finally, State courts remain better equipped to justly and fairly divide assets for the parties involved using discovery, affidavits, and financial evidence to which the VA does not have access. VA makes no change based upon this comment.

II. Regulatory Process Matters

VA makes no changes based on the comments received. This document adopts as a final rule the proposed rule published in the Federal Register on October 14, 2021, with the technical changes noted above.

Executive Orders 12866, 13563, and 14192

VA examined the impact of this rulemaking as required by Executive Orders 12866 (Sept. 30, 1993) and 13563 (Jan. 18, 2011), which direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. The Office of Information and Regulatory Affairs has determined that this rule is not a significant regulatory action under Executive Order 12866, as supplemented by Executive Order 13563. This final rule is a deregulatory action under Executive Order 14192. The regulatory impact analysis associated with this rulemaking can be found as a supporting document at www.regulations.gov.

Regulatory Flexibility Act

The Secretary hereby certifies that this final rule will not have a significant

economic impact on a substantial number of small entities as they are defined in the Regulatory Flexibility Act (5 U.S.C. 601-612). The factual basis for this certification is based on the fact that no small entities or businesses receive or determine entitlement to VA apportionment payments. Therefore, pursuant to 5 U.S.C. 605(b), the initial and final regulatory flexibility analysis requirements of 5 U.S.C. 603 and 604 do not apply.

Unfunded Mandates

This final rule will not result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation) in any one year.

Paperwork Reduction Act

The Paperwork Reduction Act (PRA) of 1995 (at 44 U.S.C. 3507) requires that VA consider the impact of paperwork and other information collection burdens imposed on the public. Under 44 U.S.C. 3507(a), an agency may not collect or sponsor the collection of information, nor may it impose an information collection requirement, unless it displays a currently valid OMB control number. See also 5 CFR 1320.8(b)(3)(vi).

As required by the PRA of 1995 (at 44 U.S.C. 3507(d)), VA has submitted these information collection amendments to OMB for its review. Notice of OMB approval for this information collection will be published in a future Federal Register document. This rule will impose the following amended information collection requirements:

Description of respondents: The respondent population is composed of individuals requesting an apportionment of a VA beneficiary's monetary award when that beneficiary is incarcerated or is deemed incompetent and hospitalized at government expense.

Estimated frequency of responses: Most claimants will use the apportionment form (2900-0666 (VA Form 21-0788)) once. However, the frequency may vary slightly for

apportionees of incarcerated veterans, depending on the number of times the primary beneficiary is incarcerated. For an incompetent veteran institutionalized at government expense, VA will appoint a fiduciary; therefore, apportionment claims other than the initial claim will not be needed.

Estimated number of respondents: VA anticipates the annual estimated numbers of respondents for 2900-0666 (VA Form 21-0788) as follows:

2900-0666 (VA Form 21-0788)—In 2024, VA received 2,888 apportionment claims. VA also processed 343 hospital adjustments for veterans in receipt of benefits who were hospitalized or in a nursing home or receiving domiciliary care at VA expense. Approximately 8 of these veterans were incompetent and potentially met the requirements for payment of an apportionment to a dependent. VA also completed approximately 320 apportionments for incarcerated veterans in 2024. Of the 2,888 annual apportionment claims, VA estimates approximately 328 would still need to be processed under the final regulation.

OMB Control Number 2900-0666 (VA Form 21-0788) is a collection of information for an apportionment claim currently required by VA for these claims to be adjudicated. Because VA requires submission of the form to file for an apportionment, VA does not expect an increase in the annual number of respondents; and in fact, anticipates a decrease in the number of claims. In addition, VA is reducing the substance of the collection of information on this OMB-approved collection of information, reducing the time needed to complete the form from 30 minutes to 15 minutes, thus further reducing the respondent burden.

Estimated total annual reporting and recordkeeping burden: 2900-0666 (VA Form 21-0788)—The annual burden is reduced from approximately 1,444 hours per year (2888 claims times 30 minutes per claim form divided by 60) to about 82 hours per year (328 claims per year times 15 minutes per claim form divided by 60). The total estimated cost

to respondents is reduced to \$2,678.12 (82 hours x \$32.66/hour¹). This submission does not involve any recordkeeping costs.

This rulemaking mandates the use of the VA form in the processing and adjudication of apportionment claims. The amendment to § 3.450 impacts the estimated annual number of respondents and, consequently, the estimated total annual reporting and recordkeeping burden. It also reduces the effect of the existing information collection already approved by OMB. The proposed use of information and description of likely respondents will remain unchanged for this form. The response frequency is less than the previous number estimated. The estimated average burden per response is reduced from 30 minutes to 15 minutes. VA estimates the total incremental savings based on this revised information collection to be \$44,482.92 (\$47,161.04 under the current form -\$2,678.12 for the revised form).

Methodology for Estimated Annual Number of Respondents for Affected Forms

VA has formulated the estimated total number of annual responses for apportionment claims by using the total number of apportionment claims received in 2024.

List of Subjects

38 CFR Part 3

Administrative practice and procedure, Claims, Disability benefits, Pensions, and Veterans.

38 CFR Part 21

Administrative practice and procedure, Claims, Veterans, Vocational education, Vocational rehabilitation.

¹ The Bureau of Labor Statistics (BLS) gathers information on full-time wage and salary workers. According to the latest available BLS data, the mean hourly wage is \$32.66 based on the BLS wage code – “00-0000 All Occupations.” This information was taken from the following website: www.bls.gov/oes/current/oes_nat.htm.

SIGNING AUTHORITY

Douglas A. Collins, Secretary of Veterans Affairs, approved this document on September 30, 2025, and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs.

Taylor N. Mattson,

Alternate Federal Register Liaison Officer, Department of Veterans Affairs.

For the reasons stated in the preamble, VA amends 38 CFR parts 3 and 21 as follows:

PART 3—ADJUDICATION

Subpart A—Pension, Compensation, and Dependency and Indemnity

Compensation

1. The authority citation for part 3, subpart A, continues to read as follows:

Authority: 38 U.S.C. 501(a), unless otherwise noted.

§ 3.31 [Amended]

2. Amend § 3.31(c)(3) introductory text by removing the words “original or increased”.

§ 3.210 [Amended]

3. Amend § 3.210(c)(1)(ii) by:

- a. Removing “apportionee,” from the first sentence; and
- b. Removing the last sentence.

§ 3.252 [Amended]

4. Amend § 3.252 by removing the last sentence of paragraph (d).

5. Revise § 3.400(e) to read as follows:

§ 3.400 General.

* * * * *

(e) Apportionment--(1) General rule. Except as provided in paragraph (e)(2) of this section, the effective date of an apportionment is the first day of the month after the month in which VA receives an apportionment claim. (See §§ 3.450 through 3.455 and 3.551.)

(2) Exceptions to general rule--(i) Claim for benefits is pending. If a veteran or surviving spouse (primary beneficiary) has a claim for benefits pending on the date that VA receives an apportionment claim, the effective date of the apportionment will be the

effective date of the primary beneficiary's award, or the date the apportionment claimant's entitlement arose, whichever is later.

(ii) Apportionment claimant not yet established as the beneficiary's dependent. If VA receives an apportionment claim within 1 year of the award of benefits to the primary beneficiary and the apportionment claimant has not been established as a dependent on the primary beneficiary's award, the effective date of the apportionment will be the effective date of the primary beneficiary's award or the date the apportionment claimant's entitlement arose, whichever is later.

(iii) The primary beneficiary is incarcerated. The effective date of an apportionment when the primary beneficiary is incarcerated is specified in § 3.665 or § 3.666.

* * * * *

6. Revise § 3.450 to read as follows:

§ 3.450 General Apportionment.

(a) Applicability. Sections 3.450 through 3.459 apply to all claims for apportionment VA receives on or after [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

(b) Existing apportionments. All apportionments being paid as of [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER], will continue to be paid until the circumstances that provided entitlement to the apportionment no longer exist, such as divorce of the veteran and spouse, death of the primary beneficiary, death of an apportionee, or other such circumstances that provided entitlement to the apportionment.

(c) Apportionment application. Claims for apportionment must be submitted to VA on a form prescribed by the Secretary.

(Authority: 38 U.S.C. 501(a))

7. Revise § 3.451 to read as follows:

§ 3.451 Apportionment claims.

(a) ~~General~~--(1) Veteran. All or part of the pension or disability compensation payable to any veteran may be apportioned for the veteran's spouse, child, or children, or, in the case of disability compensation but not pension, for the veteran's dependent parent, if one of the following conditions exist:

(i) The veteran is incompetent and is being furnished hospital treatment, nursing home, or domiciliary care by the U.S., or any political subdivision thereof; or

(ii) The veteran is incarcerated and meets the conditions of § 3.665 or § 3.666.

(2) Surviving spouse. Where a child or children of a deceased veteran is not living with the veteran's surviving spouse because the surviving spouse is incarcerated and meets the conditions of § 3.665 or § 3.666, the dependency and indemnity compensation (DIC) or pension otherwise payable to the surviving spouse may be apportioned to the child or children. No apportionment shall be payable to a child who did not reside with the surviving spouse prior to incarceration.

(b) Apportionment to a child on active duty. No apportionment of disability or death benefits will be made or changed solely because a child has entered active duty. If an apportionment is claimed for a child on active duty on the date the apportionment claim is received by VA, no apportionment will be made. If an apportionment is being paid to the veteran's spouse and includes an amount for a child, and the child enters active duty, no change in the apportionment will be made.

(c) Apportionment of death benefits. Any amounts payable for children under §§ 3.454 and 3.455 will be equally divided among the children.

(Authority: 38 U.S.C. 5307, 5502(d))

8. Revise § 3.452 to read as follows:

§ 3.452 Veteran's benefits apportionable.

A veteran's benefits may be apportioned when the veteran is receiving hospital treatment, nursing home, or domiciliary care provided by the U.S. or a political subdivision, upon receipt by VA of an application:

(a) Pending appointment of fiduciary. Pending the appointment of a guardian or other fiduciary.

(b) Veteran receiving hospital, domiciliary, or nursing home care--(1) Incompetent veteran--(i) Spouse or child. Where an incompetent veteran without a fiduciary is receiving hospital treatment, nursing home, or domiciliary care provided by the U.S. or a political subdivision, his or her benefit may be apportioned for a spouse or child.

(ii) Dependent parent. Where an incompetent veteran without a fiduciary is receiving hospital treatment, nursing home, or domiciliary care provided by the U.S. or a political subdivision, his or her disability compensation may be apportioned for a dependent parent.

(2) Competent veteran--(i) Section 306 pension. Where the amount of section 306 pension payable to a married veteran is reduced to \$50 monthly under § 3.551 while a veteran is receiving hospital, domiciliary, or nursing home care, an apportionment may be made to such veteran's spouse. The amount of the apportionment generally will be the difference between \$50 and the total amount of pension payable on December 31, 1978.

(ii) Improved pension. Where the amount of improved pension payable to a married veteran under 38 U.S.C. 1521(b) is reduced to \$90 monthly under § 3.551 an apportionment may be made to such veteran's spouse. The amount of the apportionment generally will be the difference between \$90 and the rate payable if pension were being paid under 38 U.S.C. 1521(c), including the additional amount payable under 38 U.S.C. 1521(e) if the veteran is so entitled.

(Authority: 38 U.S.C. 501(a), 5307, 5502, 5503(a); Pub. L. 95-588, section 306, 92 Stat.

2497, 2508-2510)

9. Revise § 3.453 to read as follows:

§ 3.453 Benefits not apportionable.

VA will not apportion benefits:

(a) Unless the spouse of a veteran files a claim for an apportionment. If there is a child of the veteran, an apportionment will not be authorized unless a claim for an apportionment is filed by or for the child.

(b) To any beneficiary's dependent who is determined by VA to have been guilty of mutiny, treason, sabotage, or rendering assistance to an enemy of the U.S. or its allies.

(c) After September 1, 1959, if a veteran, spouse, child, dependent parent, or other primary beneficiary:

(1) Forfeited benefits due to fraud or a treasonable act; or

(2) Was convicted of subversive activity.

Note 1 to § 3.453: See §§ 3.900 through 3.903.

(Authority: 38 U.S.C. 5307, 6103(b), 6104(c), 6105(a))

10. Revise § 3.454 to read as follows:

§ 3.454 Apportionment of pension.

(a) Disability pension. Disability pension will be apportioned to the veteran's spouse or child or children.

(b) Death pension. Old-Law death pension, section 306 death pension, and improved pension will be apportioned to the veteran's child or children.

(Authority: 38 U.S.C. 5307)

11. Add § 3.455 to read as follows:

§ 3.455 Apportionment of a surviving spouse's dependency and indemnity compensation.

(a) Conditions under which apportionment may be made. The surviving spouse's award of dependency and indemnity compensation (DIC) will be apportioned where there is a child under 18 years of age and the surviving spouse is incarcerated and meets the provisions of § 3.665. DIC will not be apportioned under this paragraph (a) for a child over age 18 years unless the child is permanently incapable of self-support in accordance with the provisions of § 3.57.

(b) Rates payable. The amount of apportionment of DIC will be determined in accordance with the provisions of § 3.665.

(Authority: 38 U.S.C. 101(4)(A), 104(a), 5307)

§§ 3.456 and 3.457 [Added and Reserved]

12. Add reserved §§ 3.456 and 3.457.

§§ 3.458 through 3.461 [Removed and Reserved]

13. Remove and reserve §§ 3.458 through 3.461.

14. Amend § 3.556 as follows:

a. In paragraph (a)(1), remove the words “unless it is determined that apportionment for a spouse should be continued”;

b. In paragraph (e):

i. Remove “, in the case of a competent veteran,” from the second sentence and remove the third sentence; and

ii. Revise the last sentence;

c. Remove the parenthetical authority following paragraph (e); and

d. Add a parenthetical authority citation at the end of the section.

The revision and addition read as follows:

§ 3.556 Adjustment on discharge or release.

* * * * *

(e) Regular discharge. * * * Where an apportionment was made under § 3.551(c),

the apportionment will be discontinued effective the day preceding the date of the veteran's release from the hospital, unless an overpayment would result. In the excepted cases, the awards to the veteran and apportionee will be adjusted as of date of last payment.

* * * * *

(Authority: 38 U.S.C. 5503)

15. Amend § 3.665 by revising paragraphs (e), (h), and (i) to read as follows:

§ 3.665 Incarcerated beneficiaries and fugitive felons—compensation.

* * * * *

(e) Apportionment--(1) Compensation. All of the compensation not paid to an incarcerated veteran may be apportioned to the veteran's spouse, child or children (in equal shares), or dependent parent or parents (in equal shares).

(2) DIC. All of the DIC not paid to an incarcerated surviving spouse or other children not in the surviving spouse's custody may be apportioned to another child or children. All of the DIC not paid to an incarcerated child may be apportioned to the surviving spouse or other children (in equal shares).

* * * * *

(h) Notice to dependent for whom apportionment granted. A dependent for whom an apportionment is granted under this section shall be informed that the apportionment is subject to immediate discontinuance upon the incarcerated person's release or participation in a work release or halfway house program.

(i) Resumption upon release—(1) No apportionment. If there was no apportionment at the time of release from incarceration, the released person's award shall be resumed the date of release from incarceration if the Department of Veterans Affairs receives notice of release within 1 year following release; otherwise, the award shall be resumed the date of receipt of notice of release. If there was an apportionment

award during incarceration, it shall be discontinued the date of last payment to the apportionee upon receipt of notice of release of the incarcerated person. Payment to the released person shall then be resumed at the full rate from date of last payment to the apportionee. Payment to the released person from date of release to date of last payment to the apportionee shall be made at the rate which is the difference between the released person's full rate and the sum of:

- (i) The rate that was payable to the apportionee; and
- (ii) The rate payable during incarceration.

(2) Apportionment to a dependent parent. An apportionment made to a dependent parent under this section cannot be continued beyond the veteran's release from incarceration unless the veteran is incompetent and the provisions of § 3.452(b)(1) are for application. When a competent veteran is released from incarceration, an apportionment made to a dependent parent shall be discontinued and the veteran's award resumed as provided in paragraph (i)(1) of this section.

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PART 21—VETERAN READINESS AND EMPLOYMENT AND EDUCATION

Subpart A—Veteran Readiness and Employment

16. The authority citation for part 21, subpart A, continues to read as follows:

Authority: 38 U.S.C. 501(a), chs. 18, 31, and as noted in specific sections.

§ 21.330 [Removed and Reserved]

17. Remove and reserve § 21.330.

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