CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 25, 2008

H.R. 6580
Hubbard Act

As introduced on July 23, 2008

The Hubbard Act would enhance separation benefits for servicemembers who are sole survivors. The bill would define a sole survivor as a member of the armed forces who is the only surviving child in a family in which the mother or father, or one or more siblings, died or were severely injured, while in service, or as a result of service in the military, through no fault of their own.

Under H.R. 6580, sole survivors could leave the military and retain any bonus pay received in advance of completing an obligated period of service, receive remaining installment payments for any period of obligated service not completed, earn separation pay despite serving for less than six years, receive transitional health coverage, and make use of commissaries and exchanges. Based on information from the Department of Defense (DoD), CBO estimates that implementing H.R. 6580 would allow about 20 servicemembers a year to receive those enhanced benefits and thus would incur a discretionary cost totaling about $1 million over the 2009-2013 period, assuming the availability of appropriated funds.

In addition, enacting H.R. 6580 would increase direct spending in several ways, with cumulative costs of about $1 million over the 2009-2018 period. The bill would provide the enhanced separation benefits described above retroactively to about 55 servicemembers who received a sole-survivor discharge during the period from September 11, 2001, to the enactment date of this bill. The bill also would grant sole survivors various veterans' benefits, including eligibility for housing loans, job training, and education benefits, that an early departure from the military may have otherwise denied them. Finally, H.R. 6580 would make sole survivors eligible for unemployment compensation. The estimate of small direct spending costs is based on information from DoD, the Department of Veterans Affairs, and the Department of Labor.

Enacting H.R. 6580 also would increase revenues, more than offsetting the direct spending costs cited above. The Joint Committee on Taxation (JCT) estimates that a provision relating to funeral trusts would increase revenues by $6 million over the 2009-2018 period.

An individual may establish a "qualified funeral trust" provided that all funds in the trust are used to pay for funeral or burial services or property for the benefit of the trust's beneficiaries. The income earned on such a trust is taxable at the tax rates on estates and trusts. Under current law, if a funeral trust accepts aggregate contributions in excess of a certain dollar amount, it ceases to be a qualified funeral trust. The income earned on those trusts would be taxable at rates applied on ordinary income of individuals, which is generally taxed at a lower effective rate. The bill would eliminate the dollar limitation on contributions to a funeral trust, thereby increasing the amounts of funds within qualified funeral trusts and thus the amount of income that would be taxable at higher rates. JCT estimates that additional revenues would amount to $3 million over the 2009-2013 period and $6 million over the 2009-2018 period.

CBO and JCT estimate that, on net, the effects of H.R. 6580 on direct spending and revenues would lower deficits (or increase surpluses) by about $5 million over the 2009-2018 period.

CBO has reviewed the nontax provisions of H.R. 6580 and determined that those provisions contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Dawn Regan. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.