

(9) Provide coverage for members of the Reserves of the uniformed services (including the National Guard and the Air National Guard) while on active duty or active duty training for less than 31 days; while on inactive duty training scheduled in advance by competent authority to begin at a specific time and place; and while traveling directly to or from such duties. Provide for coverage and conversion rights if during such day or travel time the member suffers a disability or aggravation of a preexisting disability, which, within 90 days after such duty or travel date,

(a) resulted in his death, or

(b) rendered him uninsurable at standard premium rates according to the good health standards approved by the Administrator.

RECOMMENDATION NO. 45

The Commission recommends that Government insurance payments be exempted from any taxation, including estate taxes.

Background to Recommendation:

USGLI and NSLI policies state that the proceeds are exempt from taxation.

The United States Supreme Court has taken the view that the Federal estate tax was not a tax upon the property in the estate, but rather "an excise imposed upon the transfer of or shifting in relationship to property at death." The court held that the exemption of veterans benefits from taxation did not forbid the inclusion of the proceeds of Government life insurance in computing the gross estate of the decedent, for Federal estate tax purposes.

Projections to the year 2000 reflect a substantial rise in economic conditions of both the nation and the individual. As a result, there will be an increasing number of veterans' estates which will exceed the current \$60,000 estate tax limit, thus necessitating payment of substantial amounts of estate tax.

Since life insurance is designed for the protection of the beneficiary, the Commission believes these monies should be protected for that explicit purpose. Therefore, we recommend that Government insurance payments be exempted from any taxation, including estate taxes.